

## **The financial burden of military spending**

### **Part 1 -- Costs and fiscal concerns**

One of the issues that Congress seldom debates, and about which there is much public misunderstanding, is the large and growing cost of the US military machine and the cost of war. We believe with others that our military burden has reached critical proportions that threaten adverse economic and social consequences. This two-part editorial is intended to further awareness and discussion of the issue of military costs.

1000 years ago, there developed in Iceland a warrior class called berserkur. They were finely trained to go "berserk" during combat and fight with a mad fury. The warriors were hired by landholders for protection during clan feuds, but, when not fighting, which was most of the time, the berserkur did no work, demanded much money and consumed great quantities of food and drink. On many occasions, the landholder was ruined financially by his resident berserkurs rather than by the original disagreement.

Consider the 2004 federal budget. The discretionary part assigns \$380 B (billion) to the military and \$397 B for domestic affairs. Actually, the latter contains at least \$30 B in military-related items, including military foreign aid, international peacekeeping, administration of Afghanistan, extra intelligence funding, foreign counter terrorism work of the FBI, certain programs of the Department of Homeland Security and Coast Guard, environmental cleanup at nuclear weapons sites, and the nuclear weapons maintenance program. The military budget does not contain the costs of war in Afghanistan (\$10-20 B) or the cost of war in Iraq (\$60-100 B). These war costs will be considered as separate appropriation measures, and just this week (3/25), President Bush asked for \$74 B as a down payment on the Iraq war. In addition, there is a secret budget that traditionally amounts to about 10% of the military budget (say \$35 B) that supports intelligence agencies, military satellites, and clandestine operations. Thus, depending on events, one can expect the true size of the military budget for 2004 to be \$515-565 B (about 5% of GDP) and the true domestic discretionary budget to be about \$367 B. Congress as of 3/26 may be in process of reducing the domestic budget even further.

We neglect the military's part of interest on the national debt, that has been estimated to be about \$100 B for 2004, and roughly \$90 B for military retirement pay and veterans' benefits.

Military outlays for 2004 are expected to equal or exceed those of the Cold War, much exceed the budget for domestic affairs, and approximate the aggregate military budgets of the rest of the world. During the Cold War, average US military spending (not budget) was \$344 B in 2002 dollars with a peak in 1987 of \$428 B. A military spending minimum of \$298 B in 2002 dollars was reached under President Clinton in 1999. In 2002, during which the US military spent \$343 B, total military spending of all the "rogue" states (Cuba, Iraq, Iran, Libya, North Korea, Sudan, and Syria) was only \$14.4 B (\$1.4 B by Iraq). This disparity is increasing. Military spending by the US generally exceeds budget by 5-10% and more in times of war.

Because there are about 0.1 B families in the US, an expenditure of \$515-565 B for military and related operations in fiscal 2004 would correspond to \$5150-5,650 per family on average. With an active duty force of roughly 1.4 M (million) men and women, the outlay per soldier would be \$368,000-404,000.

Much military spending has been and continues to be supported by debt and inflation, rather than direct taxation. The national debt (currently about \$6,300 B or \$63,000 per family) is expected to grow considerably over the next 10 years. Three important contributing factors are

large projected military costs, the realized and proposed tax cuts of the Bush Administration, and the slow economy. The Bush Administration has proposed to spend \$2,700 B over the next six years on the military. The tax cuts of 2001 and 2002 and the proposed tax cut of 2003, if passed by Congress, have the potential to increase the national debt by as much as \$3,300 B by 2013, counting interest. (There is a possibility as of 3/26 that Congress may not approve the full amount of the proposed tax cut.) The deficits for fiscal 2003 and 2004 are now expected to exceed \$400 B, and deficits of \$300-400 B are projected out to at least 2010, of which about half might be attributed to military spending. Current projections suggest a national debt of \$7,000-8,000 B by 2008 and \$9,000-11,000 B (roughly equal to the present GDP) by 2013. When the national debt equals the GDP, the debt service alone could powerfully influence the shape of the federal budget. Interest payments are expected to reach about \$200 B in fiscal 2004.

The national debt is always paid, either by direct taxation, as during the budget surplus years of the Clinton Administration, or by inflation (printing money), as during much of the Cold and Vietnam Wars, or by economic expansion, as during the Clinton years and as predicted by Mr. Bush to occur in coming years. If the recent tax cuts remain in place, a new one is adopted, and the economy does not improve substantially, thus increasing tax revenues, payment of military (and other) debts would be made through inflation. Many view inflation as an unfair and damaging means of payment.

One way to view the impact of military spending on the economy is through the notion of capital competition. The amount per year that is available for capital investment is the difference of 5% or less between aggregate production and consumption. Currently this engine for investment and growth may amount to as much as \$525 B in the US, a figure based on a current GDP of about \$10,500 B (\$10,082 B in 2001). Costs of armies and war, not to speak of domestic security, now equal or exceed this 5% figure. The problem with investing in the military is that many of the "products" are not socially useful or productive, and such investments divert capital that would otherwise be available for productive pursuits.

This is the lesson of the berserker. The present US military machine has its uses, but it is enormously, perhaps ruinously, expensive to maintain. Could we do with less?

## Part 2 -- How much military spending is enough?

In the first installment of this editorial, we dealt with military spending and its impact on the federal budget and national debt. In this part, we consider what drives military spending, whether it is too large, and whether its reduction is consistent with national security.

Since the collapse of the USSR in 1989, the US has been supporting a military force that is disproportionally large and expensive relative to real and potential threats. Support of the military is always something of a burden, because it involves the production of military materiel that has no civilian use and the removal of young men and women from the work force. This burden is assumed in the general belief that the military will protect the nation from attack and that the costs are no more than necessary. During the Cold War, the Western World came to accept extraordinary levels of military spending exactly because of the perceived need to defend against a powerful opponent. In the present circumstance, however, the US supports not a military force for the purpose of national defense, but a force large and powerful enough to be used for world domination, as recently advocated by the Bush Administration. If, as some believe, potential future enemies lie only among the "rogue" nations, these cannot offer much in the way of classical military threat judging from their minuscule total military spending (\$14.4 B in 2002). They might offer a threat of terrorism, but large, powerful armies are of little use against such threats. Groups like al Qaeda, which comprises perhaps 1000-2000 men scattered across a dozen countries, are better met by patient police work in close international cooperation, supported perhaps by light mobile units.

Currently, about \$90 B per year is spent on military pay to support a 1.4 M active duty force and a 1.3 M reserve force; about \$120 B goes for weapons research and purchases; and about \$150 B is spent for operations, maintenance and construction. A part of the last item is used to support some 700,000 civilian personnel working directly for the military, and another part is devoted to military bases, of which we use some 500 in the US and an equal or larger number abroad.

Much spending supports weapons that are superfluous or redundant, but demanded as the result of bureaucratic rivalries and pressure to preserve jobs. Examples of superfluous weapons include thousands of atom bombs, tanks and cannons too large to be deployed by air, land mines, national missile defense, fleets of attack submarines, tilt engine aircraft, and stealth bombers to name a few. Redundant weapons include different guns, aircraft and ships with similar missions, e.g., the Raptor, Super Hornet and Joint Strike fighter planes that are budgeted for \$5.2 B, \$3.5 B, and \$4.4 B, respectively, in development funds for fiscal 2004. Sometimes weapons are developed, not to meet or exceed the specifications of corresponding ones in the hands of potential enemies, but as a matter of internal competition among the services. Weapons have gone into development just because they could exist rather than from need, e.g., blinding flash lasers and immobilizing but non-lethal gases (actually they are lethal). There are examples of weapon development being initiated by an arms industry in hope of winning subsequent production contracts here and abroad. All too often Congressmen pad and then vote for inordinately large military budgets in order to retain military jobs and bases in the home district.

At present, foreign threats, to the extent that they exist at all, are much smaller in every way than during the Cold War, and do not require huge standing forces with weapons having capabilities generations beyond anything else in the world. The size, equipping and budgets for the US military do not reflect that important reality and have not done so for at least ten years.

The size and support of the US military can be reduced. If the US were to renounce the use of atom bombs and work vigorously for their world wide abolition (as expected of us under the Nuclear Non-proliferation Treaty), assume a more defensive military posture, and place greater emphasis on diplomacy and international cooperation, our military force could be reduced substantially, along with its cost. Estimates of course vary, but some analysts believe that a US military with an active duty force of 300,000-400,000 and a yearly budget of \$100 B would be adequate to provide defense from plausible threats in the post-USSR world. A reduced force of this kind would still be the most powerful and lavishly supported military in the world. A reserve force of similar size could be available and the draft could always be invoked if truly extraordinary circumstances were to arise.

In 1989, when the USSR collapsed, there was much talk of a “peace dividend” in the form of greatly reduced military spending. Although US military spending did decrease some in the 1990s, it remained high and has increased greatly again under the new military philosophy of the Bush Administration. The “peace dividend” is sorely needed and might prove to be a more effective economic stimulus than recent and proposed tax cuts that chiefly benefit the affluent.

It should be understood that important contributors to national security include things like the health and education of the population, equitable distribution of wealth, economic and job security, quality of housing and urban life, communication and transportation systems, civil rights and liberties, honesty in accounting and business, environmental protections, and media that function in the public interest. Only in a special sense and under special circumstances does the military stand as the principal guarantor of national security. Security is diminished when an obsession with military spending and foreign enemies continues to allow these other facets of the human condition to wither.

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