

Spiralling War Economy: Defense Spending Is Much Greater than You Think

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When President Obama presented his budget recently for fiscal year 2011, he proposed that the Pentagon's outlays be increased by about 4.5 percent beyond its estimated outlays in fiscal 2010, to a total of almost \$719 billion. Although many Americans regard this enormous sum as excessive, few appreciate that the total amount of all defense-related spending greatly exceeds the amount budgeted for the Department of Defense.

In fiscal year 2009, which ended last September, the Pentagon spent \$636.5 billion. Lodged elsewhere in the budget, however, other lines identify funding that serves defense purposes just as surely as—sometimes even more surely than—the money allocated to the Department of Defense. On occasion, commentators take note of some of these additional defense-related budget items, such as the Department of Energy's nuclear-weapons program, but many such items, including some extremely large ones, remain generally unrecognized.

Since the creation of the Department of Homeland Security, many observers probably would agree that its budget ought to be included in any complete accounting of defense costs. After all, the homeland is what most of us want the government to defend in the first place.

Other agencies also spend money in pursuit of homeland security. The Justice Department, for example, includes the Federal Bureau of Investigation, which devotes substantial resources to an anti-terrorist program. The Department of the Treasury claims to have "worked closely with the Departments of State and Justice and the intelligence community to disrupt targets related to al Qaeda, Hizballah, Jemaah Islamiyah, as well as to disrupt state sponsorship of terror."

Much, if not all, of the budget for the Department of State and for international assistance programs ought to be classified as defense-related, too. In this case, the money serves to buy off potential enemies and to reward friendly governments who assist U.S. efforts to abate perceived threats. About \$5 billion of annual U.S. foreign aid currently takes the form of "foreign military financing," and even funds placed under the rubric of economic development may serve defense-related purposes indirectly. Money is fungible, and the receipt of foreign assistance for economic-development projects allows allied governments to divert other funds to police, intelligence, and military purposes.

Two big budget items represent the current cost of defense goods and services obtained in the past. The Department of Veterans Affairs, which is authorized to spend about \$124 billion in the current fiscal year, falls in this category. Likewise, a great deal of the government's interest expense on publicly held debt represents the current cost of defense

outlays financed in the past by borrowing from the public.

To estimate the size of the entire de facto defense budget, I gathered data for fiscal 2009, the most recently completed fiscal year, for which data on actual outlays are now available. In that year, the Department of Defense itself spent \$636.5 billion. Defense-related parts of the Department of Energy budget added \$16.7 billion. The Department of Homeland Security spent \$51.7 billion. The Department of State and international assistance programs laid out \$36.3 billion for activities arguably related to defense purposes either directly or indirectly. The Department of Veterans Affairs had outlays of \$95.5 billion. The Department of the Treasury, which funds the lion's share of military retirement costs through its support of the little-known Military Retirement Fund, added \$54.9 billion. A large part of the National Aeronautics and Space Administration's outlays ought to be regarded as defense-related, if only indirectly so. When all of these other parts of the budget are added to the budget for the Pentagon itself, they increase the fiscal 2009 total by nearly half again, to \$901.5 billion.

Finding out how much of the government's net interest payments on the publicly held national debt ought to be attributed to past debt-funded defense spending requires a considerable amount of calculation. I added up all past deficits (minus surpluses) since 1916 (when the debt was nearly zero), prorated according to each year's ratio of narrowly defined national security spending—military, veterans, and international affairs—to total federal spending, expressing everything in dollars of constant purchasing power. This sum is equal to 67.6 percent of the value of the national debt held by the public at the end of 2009. Therefore, I attribute that same percentage of the government's net interest outlays in that year to past debt-financed defense spending. The total amount so attributed comes to \$126.3 billion.

Adding this interest component to the previous all-agency total, the grand total comes to \$1,027.8 billion, which is 61.5 percent greater than the Pentagon's outlays alone.

In similar analyses I conducted previously [for fiscal 2002](#) and [for fiscal 2006](#), total defense-related spending was even greater relative to Pentagon spending alone – it was 73 percent greater in fiscal 2002 and 87 percent greater in fiscal 2006. In fiscal 2009, the ratio was held down in large part by the reduced cost of servicing the government's debt, owing to the extremely low interest rates that prevailed on government securities. This situation cannot last much longer. As interest rates on the Treasury's securities rise, so will the government's cost of servicing the debt attributable to past debt-financed defense outlays.

For fiscal 2010, which is still in progress, the president's budget estimates that the Pentagon's spending will run more than \$50 billion above the previous year's total. Any supplemental appropriations made before September 30 will push the total for fiscal 2010 even farther above the trillion-dollar mark.

Although I have arrived at my conclusions honestly and carefully, I may have left out items that should have been included—the federal budget is a gargantuan, complex, and confusing collection of documents. If I have done so, however, the left-out items are not likely to be relatively large ones. (I have deliberately ignored some minor items, such as outlays for the Selective Service System, the National Defense Stockpile, and the anti-terrorist activities conducted by the FBI and the Treasury.

For now, however, the conclusion seems inescapable: the government is currently spending

at a rate well in excess of \$1 trillion per year for all defense-related purposes. Owing to the financial debacle and the ongoing recession, millions are out of work, millions are losing their homes, and private earnings remain well below their previous peak, but in the military-industrial complex, the gravy train speeds along the track faster and faster.

National Security Outlays in Fiscal Year 2009
(billions of dollars)

Department of Defense
636.5

Department of Energy (nuclear weapons & environ. cleanup)
16.7

Department of State (plus intern. assistance)
36.3

Department of Veterans Affairs
95.5

Department of Homeland Security
51.7

Department of the Treasury (for Military Retirement Fund)
54.9

National Aeronautics & Space Administration (1/2 of total)
9.6

Net interest attributable to past debt-financed defense outlays
126.3

Total
1,027.5

Source: Author's classifications and calculations; basic data from U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2011* and U.S. Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1970*.

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