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# United States Defense Spending 2001-2010: A Trend Analysis

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UNITED STATES DEFENSE SPENDING 2001-2010: A TREND ANALYSIS

by

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B.A., Southern Illinois University, 2010

A Research Paper

Submitted in Partial Fulfillment of the Requirements for the  
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in the Graduate School  
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Since 2001, the United States has been involved in wars in Iraq and Afghanistan as well as other military engagements throughout the world as part of its “War on Terror.” Consequently, federal defense spending has increased at a much higher rate than other areas of the budget. What contributed to the significant increases in defense spending between 2001-2010, and what can be done to avoid the budget deficits that it led to in the future? This paper will examine events that contributed to the massive spending on the Iraq and Afghanistan wars as well as the budget deficits that resulted, in part, from these wars. The author will examine defense-related expenditures from Fiscal Years (FY) 2001-2010 and the impact they had on the federal budget, followed by offering recommendations on reducing defense spending to curtail the federal deficit. It is important to study this situation not only to understand how the United States got into this budget crisis, but also to understand how such a situation could be handled differently in the future.

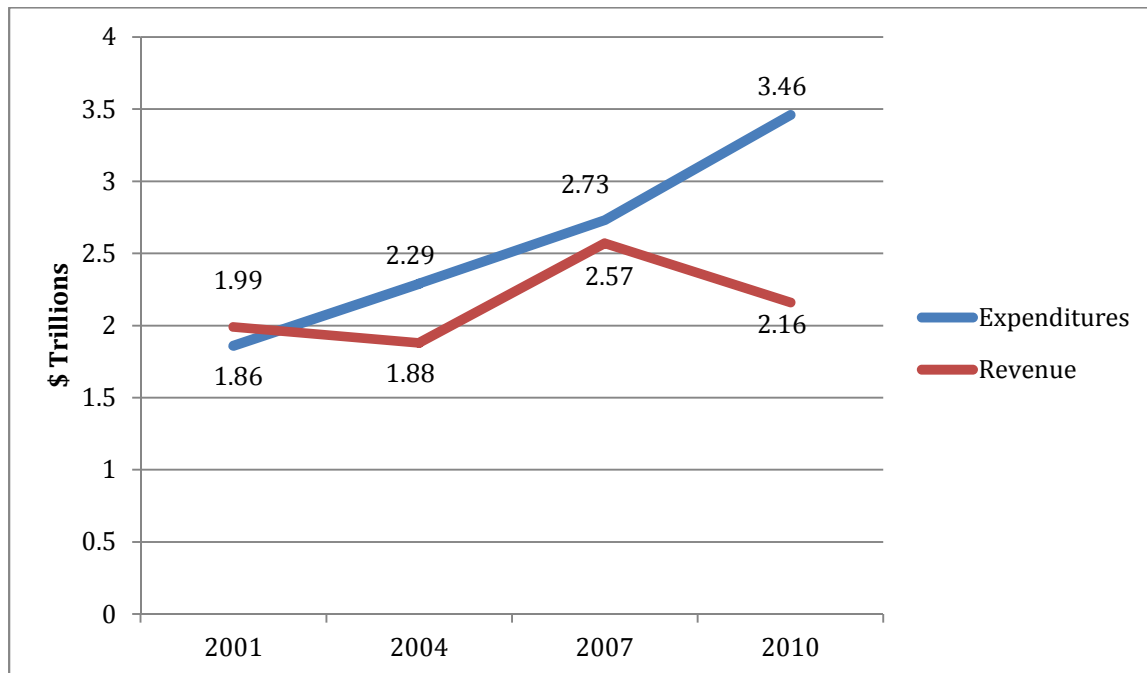
### **Budget Background**

Wildavsky (2004) describes the federal budget as being a representation in monetary terms of government activity. As shown in Figure 1, the Federal Government spent \$3.46 trillion in 2010 (U.S. Census Bureau, 2012). Meanwhile, it only brought in \$2.16 trillion in revenue, leaving a deficit of over \$1.3 trillion. The budgets of the early 2000’s were significantly different than they have been in previous years. In 2001 the government was bringing in more money than it was spending, which is also known as a surplus. According to the Census Bureau (2012), in 2001 the Federal Government spending was at \$1.86 trillion and revenue was \$1.99 trillion, leaving a surplus of over \$128 billion. From just 2001 to 2010, spending increased 86%, from \$1.86 trillion to \$3.46 trillion. Meanwhile, revenue only increased 8.5%, from \$1.99 trillion to

\$2.16 trillion. As a result, national debt has grown from \$5.77 trillion in 2001 to \$13.53 trillion in 2010. The budget is so vast and the large numbers can seem intangible, therefore breaking it down into spending categories will help us better understand.

Figure 1: Federal Government Expenditures & Revenue: 2001-2010 (\$ Trillions)

(Note: Amounts in charts are in current dollars)



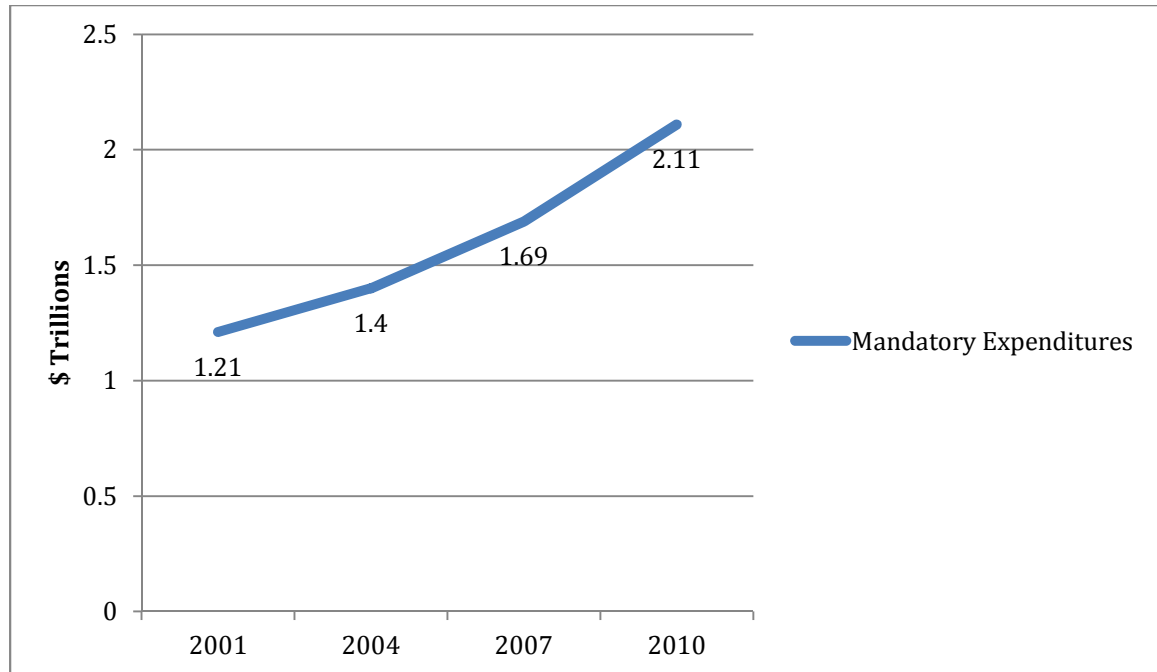
(Source: U.S. Census Bureau)

The two broad types of federal spending are mandatory and discretionary. Mandatory spending, also known as entitlements, provides assistance to citizens in forms of Social Security, Medicare, and other programs. Mandatory spending also includes the interest the Treasury pays for the government's debts. These expenditures make up the bulk of federal expenditures. As shown in Figure 2, mandatory spending climbed from \$1.21 trillion in 2001 to \$2.11 trillion by 2010 (OMB, 2013). Cote (2011,) noted that mandatory spending accounted for 61% of the budget as of 2010. Wildavsky (2004), however, argued that when making the budget, Congress

spends more time on what it can easily change (discretionary spending) than on entitlement reform.

Figure 2: Federal Government Mandatory Expenditures: 2001-2010 (\$ Trillions)

(Note: Social Security, Medicare, & Net Interest are major mandatory categories)

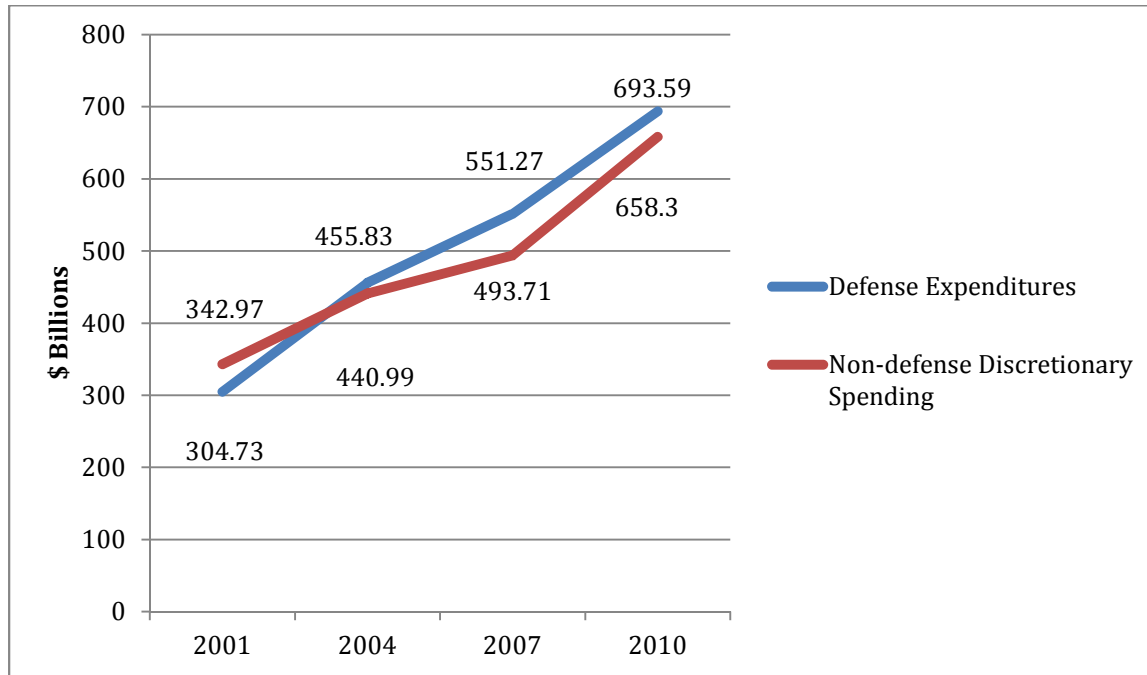


(Source: U.S. Census Bureau)

Discretionary spending is what funds most governmental agencies. Defense spending makes up a majority of Congress' discretionary budget. Defense spending totaled \$693.59 billion for the year 2010, while non-defense discretionary spending totaled \$658.30 billion as shown in Figure 3 (OMB, 2011). Other notable areas of government covered under discretionary spending are transportation, natural resources, and education. Figure 3 shows defense expenditures accounted for \$304.73 billion in 2001 (OMB, 2011), which means the government spent \$388.86 billion more in 2010. Cote (2011, p. 4) pointed out that defense spending increased at a higher rate than non-defense discretionary spending in the past decade.



Figure 3: Federal Defense Spending: 2001-2010 (\$ Billions)



(Source: Office of Management and Budget)

The increases in defense spending take away from other areas of the budget.

Representative David Obey (D-Wisconsin) warned that the hundreds of billions of dollars being spent fighting the two wars has taken away from crucial investments in education, job training, health care, and energy independence (Friel, 2009). McGovern (2006) quoted James Galbraith, Professor of Government at the University of Texas, who said empires collapse not because of military defeat but because of bankruptcy. Galbraith argues that borrowing hundreds of billions of dollars every year adds to the national debt tremendously, as well as not investing that money toward infrastructure in America. In 2010, Admiral Mike Mullen, chairman of the Joint Chiefs of Staff cited our national debt as the greatest threat to our national security (Adams & Leatherman, 2011).

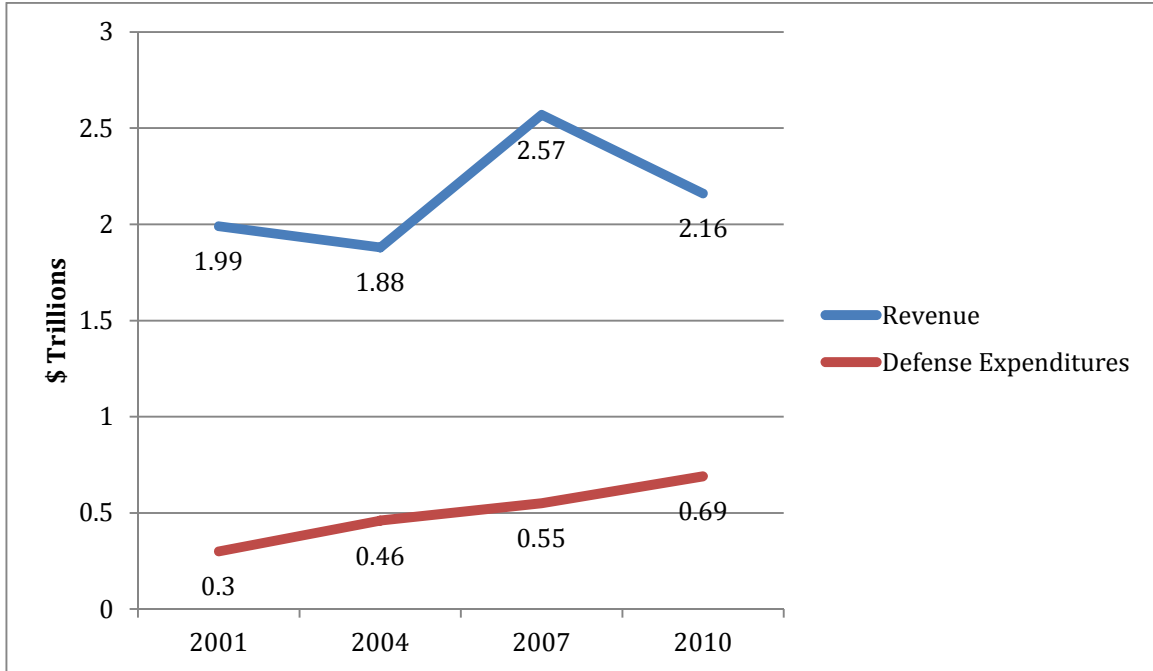
In 2008, the U.S. military spent \$1,500 per capita while its NATO allies spent \$500 per capita (Thompson, 2011). Our allies devote less of their budget to defense spending and more toward areas such as infrastructure, education, and healthcare (Thompson, 2011).

After highlighting some aspects of the federal expenditures over the past decade, now the revenue side of the budget will be examined to see if it is keeping pace with the increased defense spending, as shown in Figure 4. In 2001, the federal government generated \$1.99 trillion in revenues. However, revenue dipped below \$2 trillion from 2001 through 2004 in part because of the Bush tax cuts. The Bush tax cuts brought the highest marginal tax rate down from 39.6% to 35%. Since Americans were getting taxed at the lower rate, revenue proceeded to decline. In 2010, federal revenue was \$2.16 trillion (U.S. Census Bureau, 2012). Revenue was up to around the \$2.5 trillion mark from 2006-2008, but the large recession of 2008 brought revenue down considerably. As noted earlier, from 2001-2010, spending nearly doubled from \$1.8 trillion to \$3.4 trillion. In the spirit of maintaining a balanced budget, we would hope to see revenue go up at nearly the same rate. Instead, revenue was only slightly greater in 2010 than it was in 2001. That resulted in massive budget deficits. The deficits have led to a 134.5% increase in federal debt, going from \$5.77 trillion to \$13.53 trillion between 2001-2010.

## **Defense Background**

Recent increases in defense spending, although greater, have followed the trend of other major spending increases within the federal budget. Before tackling the reasons behind the increases, it is important to view how the defense budget fits into the federal budget and what constitutes the appropriations.

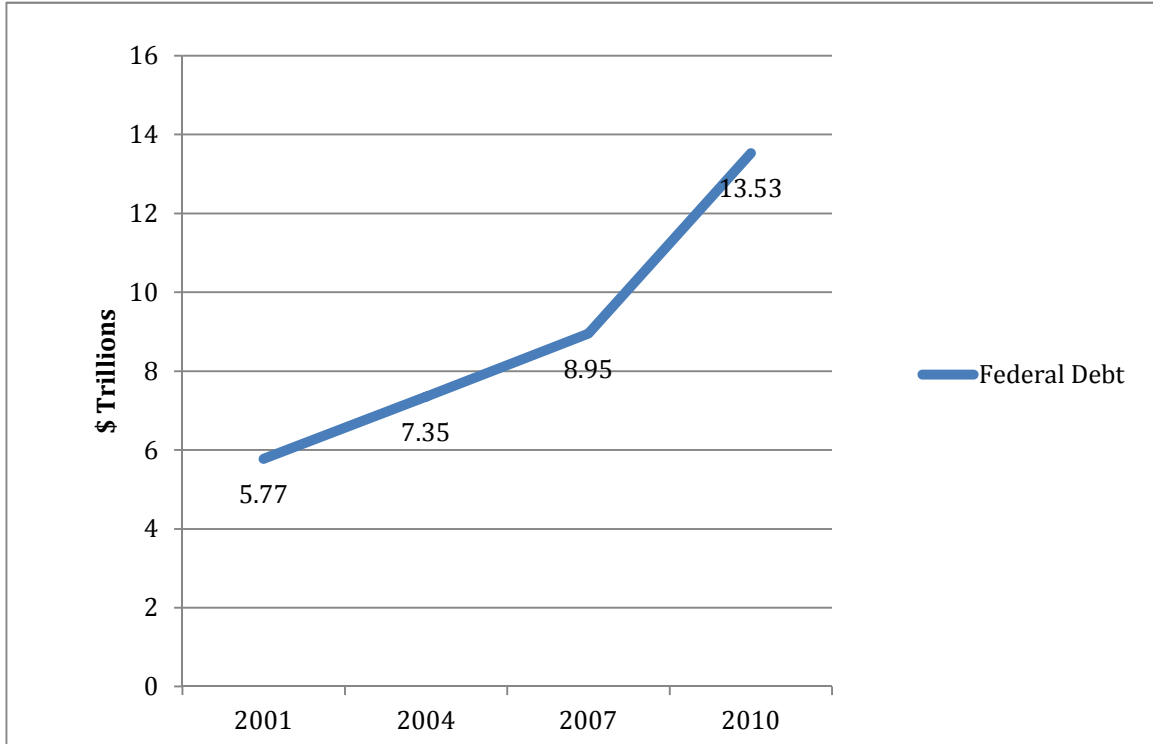
Figure 4: Federal Government Revenue vs. Defense Spending: 2001-2010 (\$ Trillions)



(Source: U.S. Census Bureau)

According to Foster et al (2008), since World War II there has been a permanent war economy in the United States. Defense spending was vastly increased toward the end of the war and had the effect of pulling the country out of the Great Depression, establishing the positive relationship between defense spending and economic prosperity. In the six years following World War II, the economy expanded 70 percent (Foster et al, 2008). This came to be known as “military Keynesianism,” after the economist John Maynard Keynes who theorized that in order to stimulate an economy, the government should increase spending. This permanent war economy has been around throughout the Cold War, Vietnam, and now the War on Terror.

Figure 5: Federal Government Debt: 2001-2010 (\$ Trillions)

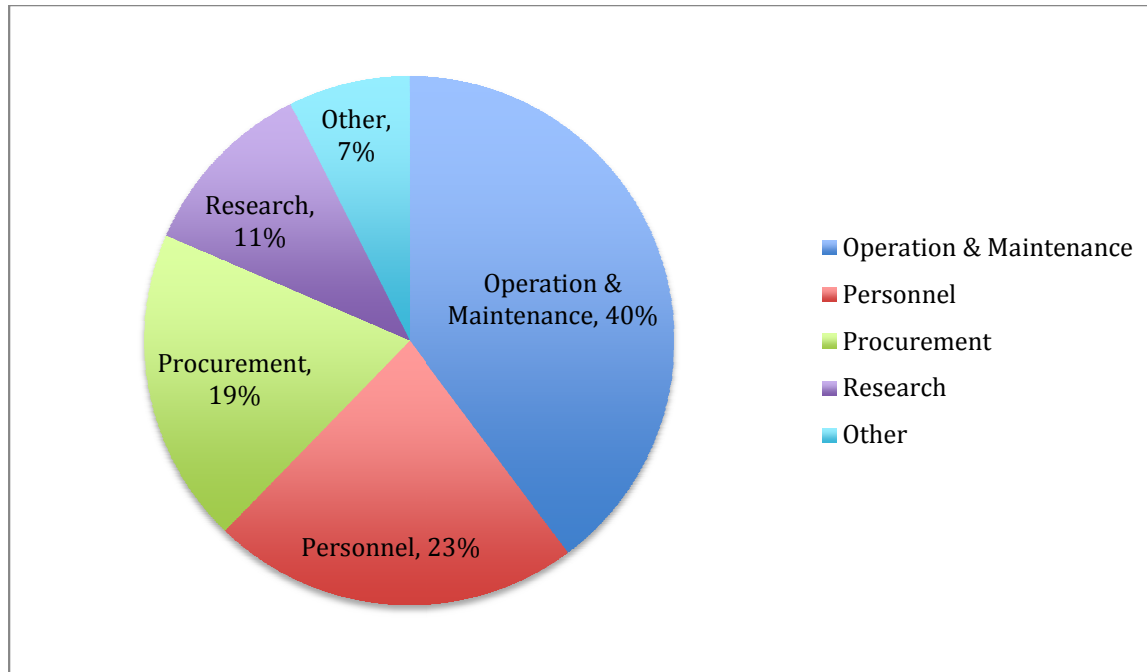


(Source: U.S. Census Bureau)

Prior to detailing some specific factors that led to such elevated defense spending, it is important to highlight the different areas within the defense budget that receive funding, which can be found in Figure 7. According to the Office of Management and Budget (OMB), 40% of defense spending went towards operations and maintenance, the priciest aspect of defense spending, which cost \$275.99 billion in 2010 (2011). Personnel costs accounted for 23% of the defense budget and were the second costliest at \$155.69 billion. Procurement costs made up 19% of defense spending with a price tag of \$133.6 billion. Eleven percent of the 2010 defense budget was spent on research, development, testing, and evaluation, which cost \$76.99 billion. The other minor costs associated with defense spending include military construction, family housing, and atomic energy activities, which accounted for about 7% of the defense budget or \$51.32 billion. The wars with Afghanistan and Iraq contributed to the increase in the defense spending

categories, particularly the operations and personnel costs. To show just how much defense spending increased from 2001-2010, the total defense spending of 2001 (\$304.73 billion) was only slightly greater than the cost of operations and maintenance in 2010 (\$275.99 billion).

Figure 6: Federal Defense Spending by Category: 2010



(Source: Office of Management and Budget)

### Post 9/11

The September 11 terrorist attacks greatly affected American foreign policy, defense spending, and the federal budget. War ensued with Afghanistan and Iraq as part of the War on Terror. Stiglitz and Bilmes' (2008) book entitled: *The Three Trillion Dollar War* attempts to quantify the total cost of the two wars to the nation at \$2.7 trillion from the onset of the Afghanistan War in 2001 through the next decade. That is almost equivalent to the amount spent by the entire federal government in 2010. Although that \$2.7 trillion is spread out over more than

a decade, it is still a significant amount of money that surely will have ripple effects across government.

### **The Afghanistan and Iraq Wars**

The War in Afghanistan commenced shortly after 9/11, resulting in the United States toppling the Taliban regime in a matter of weeks. According to Robert Sunshine (2007), the Assistant Director for Budget Analysis at the Congressional Budget Office \$14 billion was spent in 2001 and \$18 billion in 2002 towards the war in Afghanistan. Although not in power, the Taliban still has maintained strongholds throughout the country. During operations in Afghanistan from 2001-2003, President George W. Bush, with the advice and encouragement of his advisors, planned the second front on the War on Terror: Iraq (Pfiffner, 2010).

The First Gulf War in 1991 resulted in the United States driving Saddam Hussein's army out of neighboring Kuwait but not ousting him from power. Neoconservatives (neocons) were a loosely connected group of public figures and defense minds, some of who became members of George W. Bush's administration, who saw this move as a mistake (Pfiffner, 2010). According to Pfiffner (2010) Defense Secretary Donald Rumsfeld and his deputy Paul Wolfowitz were both neoconservatives who strongly advocated for an Iraq invasion. Claims that Saddam Hussein possessed weapons of mass destruction (WMDs) and was connected to the terrorist attacks of 9/11 helped garner public support for the invasion in early 2003 (Pfiffner, 2010). President Bush, Vice President Cheney, and Defense Secretary Rumsfeld all promised WMDs would be found in Iraq (McGovern, 2006). The CIA's David Kay led a team of experts in Iraq following the invasion and found no evidence whatsoever of WMDs (Pfiffner, 2010). Moreover Saddam's

connection with al-Qaeda also was found to be untrue. The estimated costs of the Iraq war were also underestimated as well (Stiglitz & Bilmes, 2008).

According to Stiglitz and Bilmes (2008), when adjusted for inflation, the Iraq war was the most expensive war in the nation's history other than World War II. The money was not being spent nearly as efficiently as during World War II, where the average cost per troop was \$100,000 compared to \$400,000 with the Iraq war. The Bush administration spent \$368 billion on defense activities pertaining to Iraq from 2003-2007 (Sunshine, 2007). These additions do not account for the expected \$500 billion or more than what would normally be the defense budget in peacetime. Spending \$7.1 billion per month in Iraq (McGovern, 2006) was not expected back in 2003 when Bush decided to invade it.

Defense Secretary Rumsfeld and Office of Management and Budget director Mitch Daniels estimated the Iraq war would cost in the \$50-60 billion range (Stiglitz & Bilmes, 2008). A Bush administrator, Andrew Natsios, claimed that rebuilding Iraq after the invasion would cost only \$1.7 billion (Stiglitz & Bilmes, 2008). William Nordhaus (2002) wrote that underestimating the costs of war is a common way to garner public support, with the American Civil War costing the union 13 times the original cost estimate and Vietnam costing over 10 times original estimates. He went on to say that public support is obtained easier if the upcoming war is "...thought to be short, cheap, and bloodless" (2002, p. 42). There was not much spirited debate in Congress from the war's opposition, and the Iraq War Resolution passed with bipartisan support in both houses in October 2002 (Pfiffner, 2010). As the wars dragged on, they became increasingly unpopular. What were at first thought to be quick and not so expensive invasions turned into extended warfare and nation-building. The end result was record-level defense spending (U.S. Census Bureau, 2012).

As previously shown in Figure 3, defense spending was at \$304.73 billion in 2001 and by 2004 had already risen to \$455.83 billion (OMB, 2011). By 2010, spending would be up to \$693.6 billion. In addition to the increased personnel and operations cost, there were other reasons attributable to the soaring defense costs, such as urban warfare, troop surges, recruitment, oil, and the need for contractors.

## **Warfare**

The military operations were much more difficult than anticipated. Nordhaus (2002) predicted the fighting in Iraq would be complicated due to urban warfare. Insurgents blended in with the public in the urban settings, which made it difficult for coalition forces to avoid civilians. Ricks (2009) acknowledged that the U.S. was heading toward defeat in Iraq by 2005. Our forces were not making progress against the insurgency and the popularity of the war back home had waned. Troop morale was at an all-time low. The strategy became a counterinsurgency approach in Iraq when General David Petraeus took command in January 2007 (Ricks, 2009). This involved attempting to win over the Iraqi people so they would embrace democracy and the American mission. Andrew Krepinevich, a prominent defense expert at the time, said that the military should shift its focus from battling insurgents to providing security and opportunity to the Iraqi people (Ricks, 2009). A result in this was striking deals with local militias and in effect putting them on U.S military payrolls. The Sunni Awakening in Iraq saw 103,000 “security contracts” on payroll in Iraq at \$30 million per month at its height in 2008 (Ricks, 2009). Even with former enemies on the payroll, the military was still unable to prevent desertion of the men back into insurgent forces (Dunn & Futter, 2010).



Another costly aspect of the counterinsurgency was the use of contractors for services. As mentioned previously, the Sunni Awakening had the effect of putting former insurgents on American payroll as a means of counterinsurgency. Other contractors were actual businesses that the military paid in exchange for services. The military most commonly contracted the reconstruction duties, like rebuilding infrastructure (Cancian, 2008). Other areas that used contractors were logistics, interpreters, security, and bodyguards. Bodyguard contractors, such as Blackwater, were extremely controversial as they were involved in many violent incidents but were not under military control. Mark Cancian (2008) used Blackwater as an example of the high costs associated with contracting. The average Blackwater employee cost the government \$445,000 per year, compared to an average Army sergeant who made \$50-70,000 per year and capable of performing the same work. The counterinsurgency approach was aided by the troop surge of 2007, which resulted in higher costs for the Iraq War.

### **Iraq and Afghanistan Troop Surges**

President Bush implemented the troop surge of 2007, which sent 30,000 additional troops into Iraq (Ricks, 2009). There were already approximately 180,000 troops in Iraq and Afghanistan at this time (Stiglitz & Bilmes, 2008). This came at a time when the Iraq insurgency was gaining momentum against U.S. forces. The surge was approved and came with a hefty price tag. Robert Sunshine (2007) reported in his testimony before the House Budget Committee that the cost would be \$22 billion if the surge lasted twelve months but instead, it lasted eighteen months (Ricks, 2009) costing an approximately \$33 billion.

President Obama approved a similar surge of 30,000 troops into Afghanistan in 2009 in an attempt to shift momentum back to coalition forces (Friel, 2009). Friel (2009) put the price tag

of the additional troops in the \$30-40 billion dollar range. There were additional factors that made Afghanistan's surge more expensive than Iraq's. The logistics in Afghanistan were undesirable for the army due to the terrain, unfriendly neighboring countries, and it containing five times fewer airports than Iraq (Freedberg, 2010). Freedberg goes on to note the average cost per troop in Afghanistan was \$1.125 million per year compared to \$556,000 per troop in Iraq.

### **Other Factors**

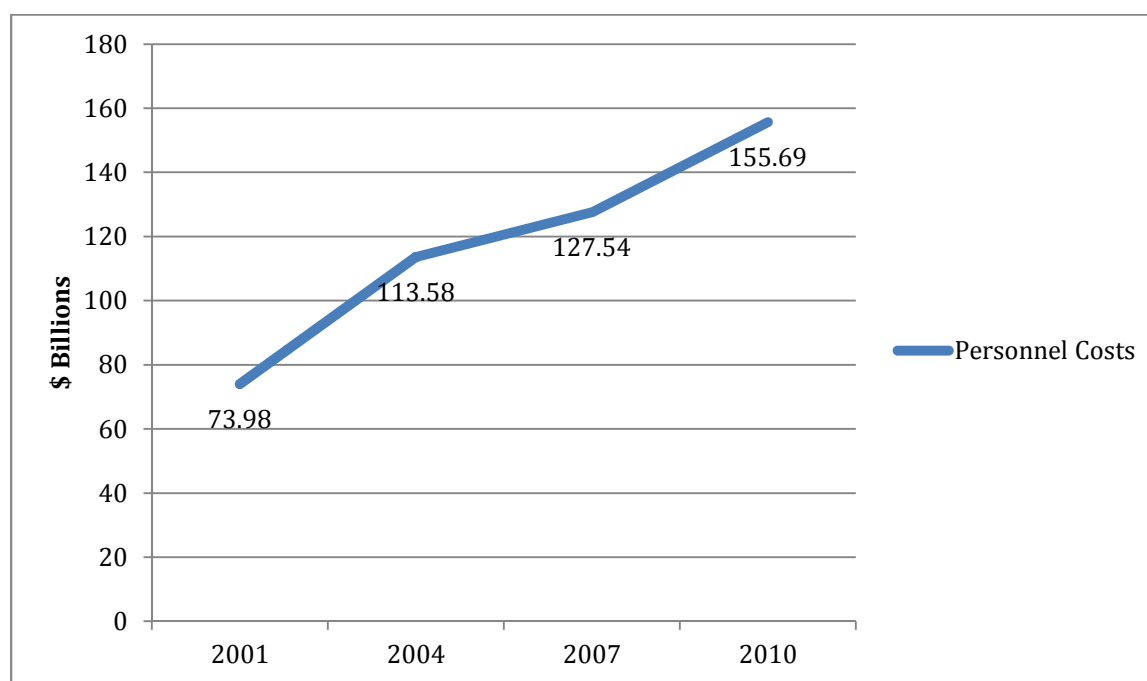
The two-front wars the United States were fighting and the two troop surges were reasons why defense spending soared in the past decade. But there were other contributing factors, such as an increase in recruitment, expensive oil, and use of contractors.

The consistent troop presence followed by the troop surges put a strain on military personnel. The unpopularity of the war had also affected recruitment (Stiglitz & Bilmes, 2008). Regular military pay was raised 28% and standards were lowered by the Pentagon in an attempt to meet recruitment and retention goals. In effect, the federal government was spending more money on less qualified soldiers than pre-war levels (Stiglitz & Bilmes, 2008). It hired thousands of additional recruiters, increased spending on national advertising, and increased sign-on bonuses throughout this time (Stiglitz & Bilmes, 2008). This resulted in the cost per military recruit increasing from \$14,500 in 2003 to \$18,842 by 2008 (Stiglitz & Bilmes, 2008). Figure 8 shows the continued increase in personnel costs from 2001-2010 (OMB, 2011).

Dramatic increases in oil prices drove up war costs. As shown in Figure 9, the first purchase price (FPP) of crude oil per barrel for the United States in 2001 was \$21.84 (U.S. Energy Information Administration). By 2010, the FPP for the United States was \$74.71. The rising cost of oil was not anticipated prior to the wars. Bush economic advisor Larry Lindsay

predicted that ousting Saddam Hussein in Iraq would lead to such an increase in production of oil resulting in lower prices (Nordhaus, 2002). It turned out the opposite occurred as the price of oil ballooned over the course of the decade. The amount of fuel used in Afghanistan in 2009, at the height of the war, helps put into perspective the enormity of the fuel costs. Coalition forces needed 1.1 million gallons of fuel delivered daily for operations, up from only 475,000 gallons per day the year before (Freedberg, 2010).

Figure 7: Defense Personnel Costs: 2001-2010 (\$ Billions)

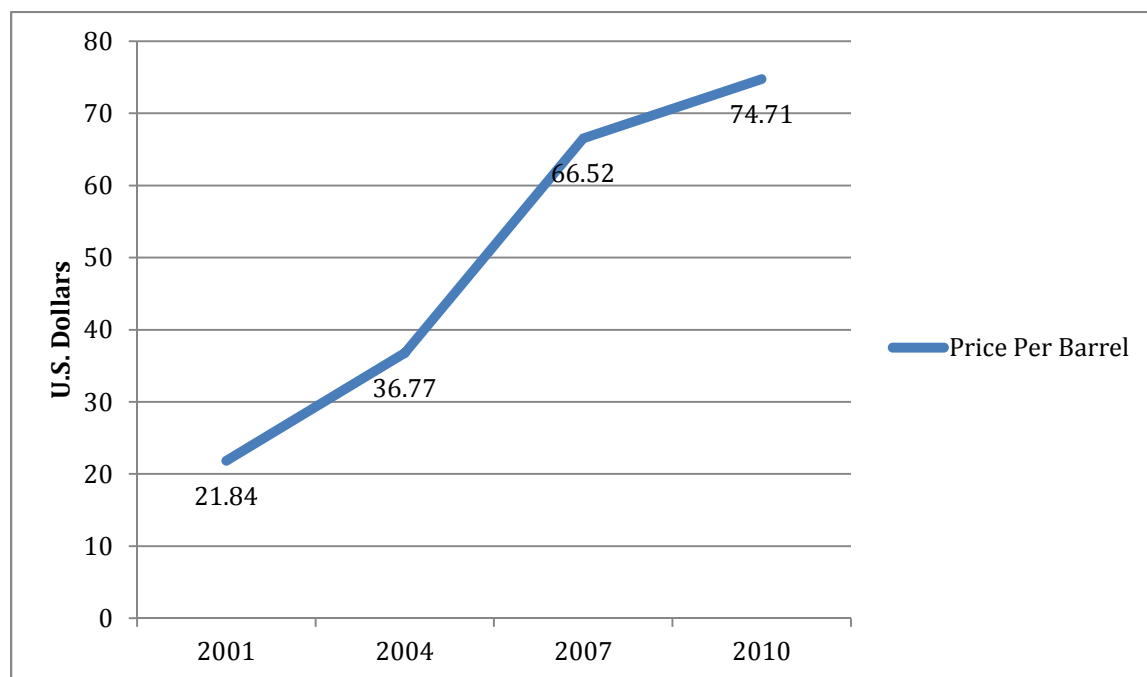


(Source: Office of Management and Budget)

Companies that performed reconstruction efforts in Iraq saw high profits but were also subject of corruption allegations. Former Senator and Presidential nominee George McGovern (2006) used an example of Halliburton receiving an uncompetitive \$2.4 billion contract that was discontinued in 2006 due to \$1 billion in questionable fees being discovered by audits.

Halliburton received at least \$19.3 billion in contracts from the military in the last decade, so it is not surprising the stock price went up over 200% during that time (Stiglitz & Bilmes, 2008).

Figure 8: First Purchase Price of Oil Per Barrel: 2001-2010 (U.S. Dollars)



(Source: U.S. Energy Information Administration)

## Explanation

How did we end up with such high costs? The budget making process lends itself to making defense spending appear not to be as high as it may really be. As Nordhaus (2011) said earlier, upfront costs of war are often underestimated as a way for the public to support the efforts.

Stiglitz & Bilmes (2008, p. 22) explained how both wars were funded with emergency appropriations from Congress and called it a “mockery of the budget process.” By doing so, budget staff from both parties and the appropriate committees did not have the opportunity to thoroughly review the numbers. Once the Department of Defense (DOD) has appropriated the

funds, there is no guarantee that the funds will be used most efficiently. In 2007, the DOD failed its yearly financial audit for the tenth year in a row due to what Inspector General for the DOD, Thomas Gimble, referred to as long-standing and pervasive financial management problems (Stiglitz & Bilmes, 2008). The Congressional Research Service described the DOD's budget explanations for cost of operations in Afghanistan and Iraq as "limited, incomplete, and sometimes inconsistent" (Stiglitz & Bilmes, 2008, p. 23). Another effect of this manner of funding the wars was that it muddied the costs, so that instead of a package with a large price tag attached upfront, the funding has been piece by piece, spread across several years which makes costs not seem so exorbitant (Stiglitz & Bilmes, 2008). Wildavsky (2004) wrote that is difficult to cut defense spending in many cases because appropriations overlap from year to year and deciding to cut off funding is not a possibility.

### **Black Budget**

An example of the lack of transparency with defense spending in regards to the budget is what Irene Rubin referred to as the "black budget" (2007). Spending for intelligence gathering and analysis, as well as some weapons acquisitions are part of the black budget kept secret (Rubin, 2007). There are several potential budgetary problems that the black budget caused. Due to its secret nature, the black budget was not up for public debate and did not have to compete with other projects in terms of priority (Rubin, 2007). Rubin (2007) also noted that there was minimal oversight provided by auditors of the General Accountability Office, possibly contributing to the rising defense spending and national deficit.

### **Budget-Strategy Disconnect**

Major Matthew McCreary (2012) was a veteran who wrote about the problem of basing strategy off the budget. Government officials have affected military strategy by pursuing their own agendas. There was a major disconnect between the budget process and strategy formulation. Budgets were annual and only looked toward the next year, while strategies can look several years into the future (McCreary, 2012). He called it “putting the cart before the horse (McCreary, 2012, p. 13).” There are more people in government who influence and formulate the budget than those who formulate strategy, which he argued drastically decreased the possibility of achieving strategic objectives. Program managers fought for continued funding in the budget, even if it no longer served the general mission. When that happened, the mission was sometimes lost in the ever-growing programs, which helped justify an increased military presence around the world (McCreary, 2012).

### **Earmark Spending**

McCreary (2012) also discussed the environment that allowed for major pork barrel spending. It was easy for Congressmen to slip “riders” into large spending packages, which helped to broker deals with other Congressmen. Irene Rubin (2007) cited the taxpayer watchdog group Citizens Against Government Waste, which found nearly 10,000 government-wide earmarks in FY 2006 at a cost of \$29 billion. In 2007 alone, the DOD Inspector General identified over 2,500 earmarks that came in at \$5.87 billion (McCreary, 2012).

### **Military Inflation**

Another explanation of the major defense spending increases from 2001-2010 could be military inflation. Benjamin Fordham (2003) conducted a study that found that the inflation rate of military goods and services is higher than nonmilitary items. This occurred when spending was heavy during wars and not brought down to pre-war levels once wars were over. Fordham (2003) explained that there is often pressure to reward returning soldiers and to save defense-dependent industries. The inflation of military goods and services coupled with fighting two wars helps explain rising defense costs. The government had to increase the usage of the military due to the wars, which has a higher inflation rate than non-military goods, which in a sense created a double-edged sword. The implications to the budget and nation of the defense spending over the past decade should also be discussed.

### **Implications of Deficits & Debt**

Yearly budget deficits and higher levels of national debt have consequences. Rubin et al (2004) argue that the federal budget is on an unsustainable path. Some basic effects of ongoing budget deficits, they explain are: decreased national savings, reduced domestic investment, and increased borrowing from abroad. Along with decreased domestic investment comes less future income. That helps explain why revenue for the federal government has been down over the past decade. Heo and Eger (2005, p. 793) conducted a study aiming to find the relationship between defense spending and the economy in what they called the “security-prosperity dilemma.” They found that defense spending has a negative indirect effect on economic growth by way of investment and exporting (2005).

Auerbach and Gale (2011) wrote of their concern about the impact the future budget deficits would have on the nation. As a result of the spending in the past decade, budget deficits

between 5 and 6% of GDP should be expected. For the next decade, revenue growth is anticipated to not grow as fast as spending, resulting in further expansion of the national debt.

The enormous budget deficits have resulted in sequestration to help curb spending. A sequester was established by the Balanced Budget and Emergency Deficit Control Act of 1985 as an executive order cancelling certain budgetary resources to enforce spending limits (Saturno, 2011). However, these budget-controlling mechanisms expired along with the Act in 2002 (Rubin, 2007). Congress passed the Budget Control Act of 2011, which reestablished discretionary spending caps and called for sequestration to achieve further deficit reduction from 2012-2021 (Saturno, 2011).

The Budget Control Act of 2011 called for \$487 billion in cuts for defense spending over the next 10 years (Sharp, 2012). Sharp (2012) noted that the DOD made improvements with its business practices, reformed compensation benefits, and made weapons programs more sustainable as opposed to cutting down the force structure of the military. However, he stated that the Pentagon estimates the sequester will rise from \$487 billion in cuts over a decade to over \$950 billion in cuts. This will lead to a “pivot but hedge” approach, where the military begins to withdraw from Afghanistan but still maintain a presence in Asia and the Middle East (Sharp, 2012, p. 3). The enormity of cuts the DOD will be facing will require it to downsize the number of troops, despite the need to maintain a strong presence in the world.

## **Conclusion and Recommendations**

In conclusion, there were a number of factors that contributed to the defense spending increasing from \$304.73 billion in 2001 to \$693.59 billion in 2010. The wars in Afghanistan and Iraq along with the respective troop surges were the main contributors. As a result, personnel



costs went up in an effort to maintain the appropriate troop presence. The increased use of contractors and spikes in the price of oil were also contributing factors. The federal government will have some tough budgetary choices to make over the course of the next decade. Running such large budget deficits is unsustainable.

There are several ways to avoid large defense spending increases in the future. Prewar planning needs to improve. As presented earlier, greatly underestimating the costs of war (Nordhaus, 2002) can make the decision to go to war more popular at the time but lead to increased costs down the road. To go along with that suggestion, the black budget should be used with more discretion, so that large defense expenditures are open to public debate and scrutiny. Now that the wars in Afghanistan and Iraq are nearing an end, the military has begun decreasing its worldwide presence. The military can also look at the relatively small amount other industrialized nations spend on defense in an effort to not be responsible for so much of the world's military spending.

Adams and Leatherman (2011) lay out two options for the nation: increasing massive debt to further global military operations or restrain military missions to focus on economic recovery. Defense is a reasonable place to start cuts, accounting for 56% of discretionary spending in 2010 (Adams & Leatherman, 2011). They claim that force size drives the defense budget, so the military could start trimming costs by scaling back the number of troops. Counterinsurgency and nation-building can hopefully be avoided in the future, which will diminish the need for as many troops. There are also 70,000 troops in Europe and 60,000 in Asia in non-combat zones. There could be drastic cuts to those numbers without threatening national security (Adams & Leatherman, 2011). Thompson (2011) notes that the military has more than

500 bases worldwide. According to him, there is real danger that the military is spreading itself too thin around the world.

The amount the U.S. spends on defense is quite remarkable compared to other industrialized nations. A study by the Stockholm International Peace Research Institute found the U.S. accounts for 45% of the entire world's military spending (Foster et al, 2008). China spent \$114 billion on defense in 2010, not even 20% of the United States' \$693.6 billion. The sequestration called for by the Budget Control Act of 2011 will help curb defense spending and ultimately lead to reduced deficits. Future research can be done in the future to determine the amount of cuts resulting from the Act as well as the effects it has on the budget and national debt.

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