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Etceteras

Military Spending/Gross Domestic Product = Nonsense for Budget Policymaking

ROBERT HIGGS

Had we been inclined to borrow a phrase from Ronald Reagan, we might have chided the Pentagon bigwigs by saying, “Well, there you go again.” Early this year, as in virtually every year since the Korean War, the military chiefs tried to minimize the enormity of their proposed basic budget (\$515.4 billion) by expressing it as a percentage of the concurrent gross domestic product (GDP). By indulging in this gambit, they placed themselves in a great deal of bad company.

As usual, the news media played along with this trick, which then occupied many commentators and fueled heated debates about the adequacy of the defense budget. The *New York Times* has got this year’s show off to a bang-up beginning with a February 4 article by Thom Shanker, who noted, as if it were relevant, that “even the colossal Pentagon budgets for regular operations and the war efforts consume a smaller portion of gross domestic product than in previous conflicts” (2008).

Want to make this year’s gigantic Pentagon proposal look small? All you need to do is to divide it by this year’s GDP and then compare the resulting ratio to the ratio that obtained during the Korean War (13–14 percent) or the Vietnam War (7–9 percent). To make this year’s spending appear almost tiny, dredge up the ratio for the fully mobilized years of World War II (37–38 percent).¹

The current ratio, including the Pentagon’s basic budget, the nuclear weapons program (run by the Energy Department), and the supplemental budgets enacted to fund the direct costs of the wars in Afghanistan and Iraq, comes to about 4 percent. Military lingo expresses that fraction as “only 4 percent.” The military leadership, fearful that the future may ultimately bring a spending retrenchment after the fighting

1. Historical figures from U.S. Department of Defense 2007, 216–17.

subsidies in Southwest Asia, wants to make this 4 percent figure a lower bound on future spending.²

Secretary of Defense Robert M. Gates and Admiral Mike Mullen, chairman of the Joint Chiefs of Staff, emphasized the importance of this limit. Said Mullen, “I really do believe this 4 percent floor is important . . . really important, given the world we’re living in, given the threats that we see out there, the risks that are, in fact, global, not just in the Middle East” (qtd. in Shanker 2008)—standard Pentagon gibberish that suggests a world populated by terrifying and deadly monsters intent on destroying this country root and branch.

Pentagon press secretary Geoff Morrell sang the same song. “The secretary believes that whenever we transition away from war supplementals, the Congress should dedicate 4 percent of our G.D.P. to funding national security. That is what he believes to be a reasonable price to stay free and protect our interests around the world” (qtd. in Shanker 2008).

A much more reasonable price, however, would be one arrived at with complete disregard for its relation to GDP. Recall that GDP purports to be the value at market prices of all currently produced final goods and services the U.S. economy brings forth in a year. It includes everything from hamburgers to computer software to H-bombs. Why, we might ask, should military spending bear any particular proportion to this figure?

Does it not make much more sense to assess the actual threats the country faces, to determine the optimal means of meeting or deterring these threats with a sufficient degree of confidence, and then to add up the costs of obtaining the stipulated means? Whether this total amount happens to be equal to 1 percent or 20 percent of GDP is entirely beside the point, which is to protect the American people from likely external attackers. Once an adequate defense program has been designed and its components priced, the military leadership can present the total bill to Congress and defend it by showing, line by line, why each of its elements is necessary to achieve the desired degree of national security.

If the national economy produces more hamburgers and computer software next year and the same amount of other goods and services, these economic developments in no way imply that more money should then be spent for defense. If the threats remain the same and the real costs of acquiring defense goods and services remain the same, then the real defense budget can remain fixed in amount and still serve its proper purpose. Notice, however, that if real GDP continues to grow, then this adequate, fixed-amount, real military budget will constitute a smaller and smaller percentage of GDP.

2. Note well: to arrive at *all* military-related spending, we must multiply *all* Pentagon spending, including the estimated \$170 billion in supplemental funding to be spent this year on the wars in Afghanistan and Iraq, by 1.87, which yields a figure of \$1,281 billion, or roughly 7.3 percent of GDP. For justification of the 1.87 factor, see Higgs 2007.

During national emergencies or nonemergency military buildups such as that of the 1980s, the military leadership invariably argues that defense spending must be increased as a fraction of GDP. Then, when the emergency fades or the buildup is completed, the argument becomes that the ratio must not be permitted to decline—or, at least, it must not be permitted to decline much. This sequence of policy proposals, if implemented, is a recipe for upward-ratcheting growth of the defense share of GDP, regardless of that share's reasonableness in relation to dealing with actual foreign threats. It's no wonder the U.S. military has so many golf courses, executive jets for top-ranking officers, and more than seven hundred foreign bases scattered around the world, most of them wholly superfluous with regard to defending the American people (Johnson 2004, 151–85).

It is long past time for the media and the American people to stop being taken in by shopworn rhetorical trickery such as that attending the ritual discussion of military spending relative to GDP. The only real purpose of that rhetoric is to minimize the magnitude of a defense budget that has swollen to absurdly gigantic proportions. Why can't the Department of Defense today defend the country for a smaller annual amount than it needed to defend the country during the Cold War, when we faced an enemy with large, modern armed forces and thousands of accurate, nuclear-armed intercontinental ballistic missiles?

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