Wait….What? How Much? U.S. Military Spending and National Priorities

Heidi Peltier

Boston University

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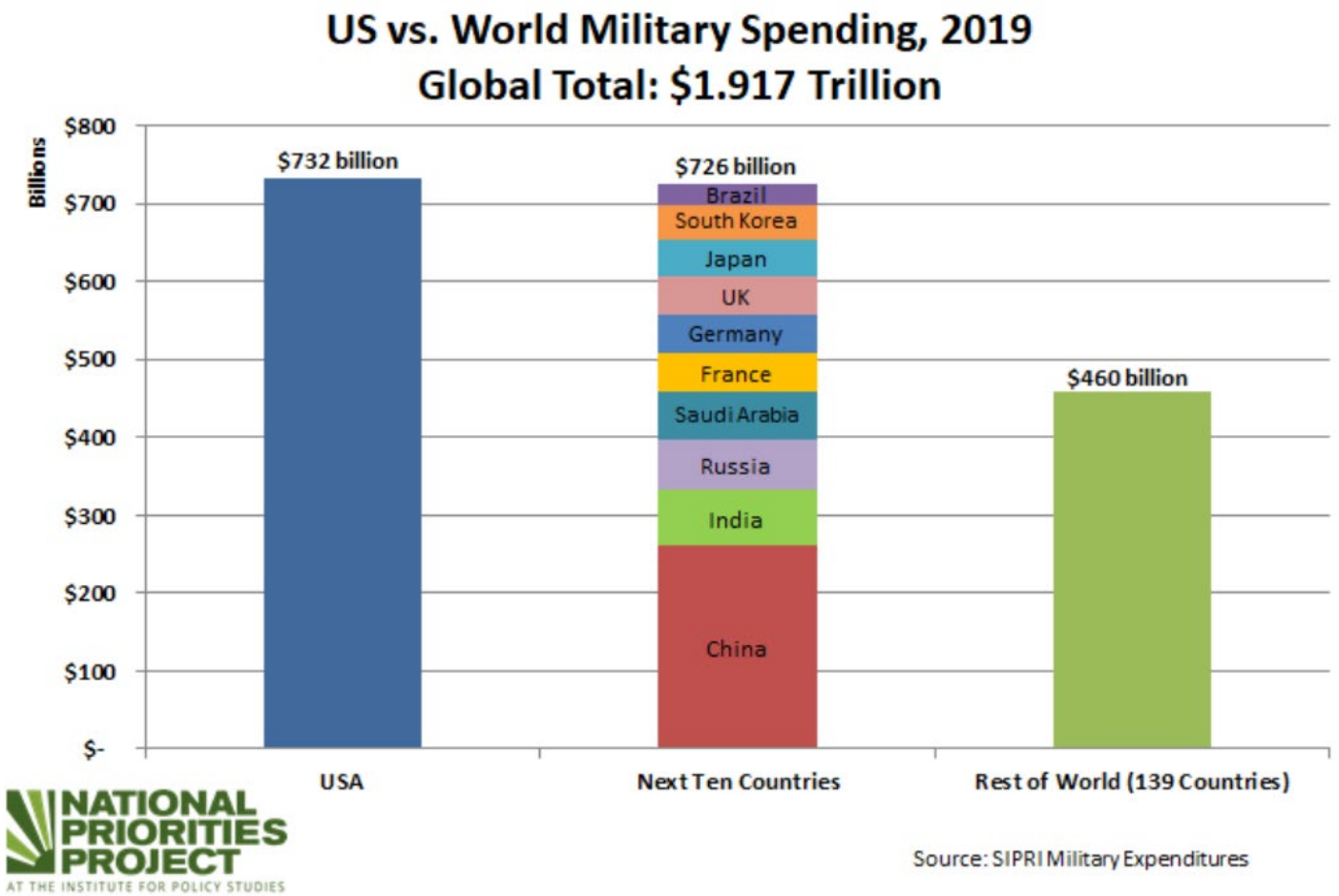
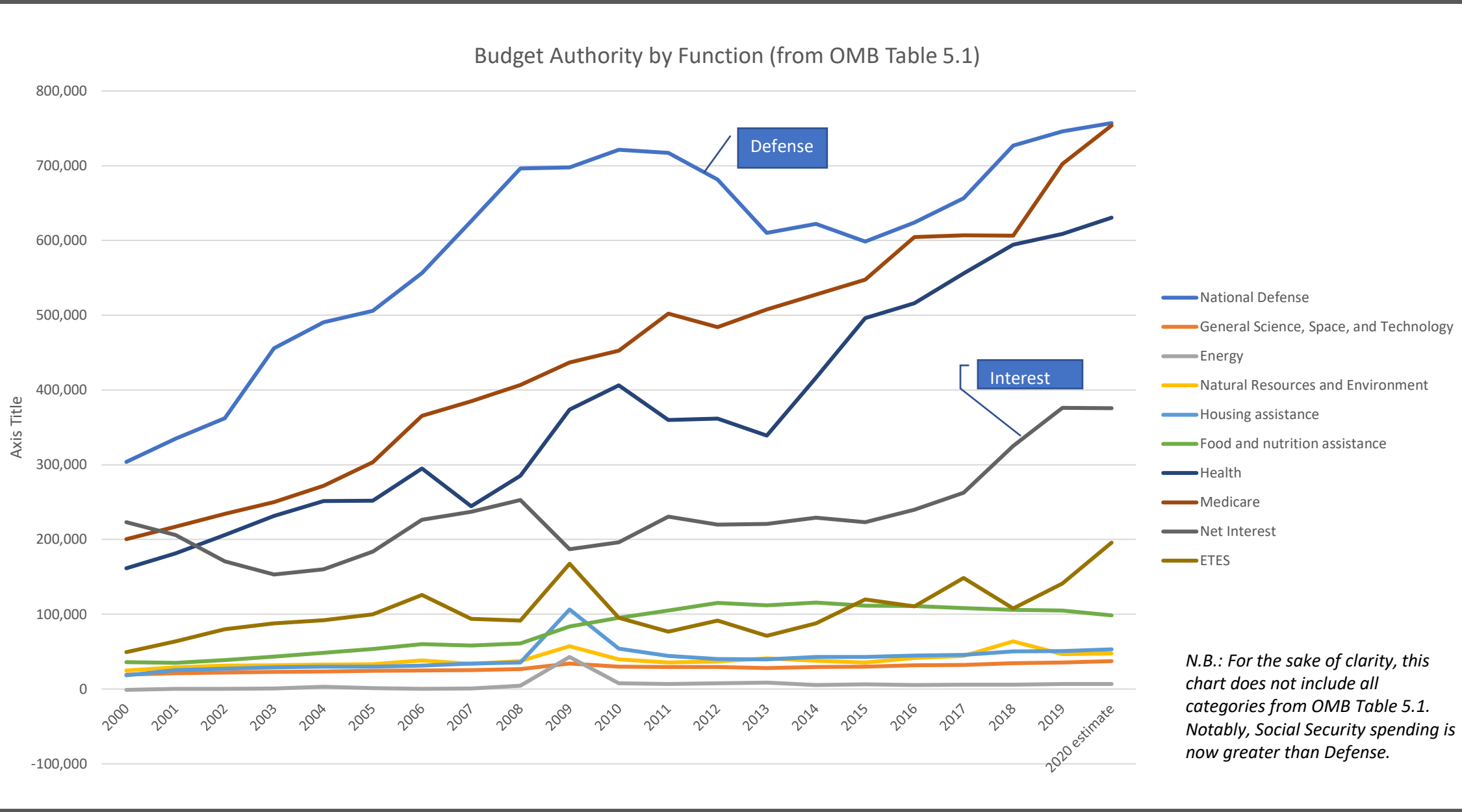
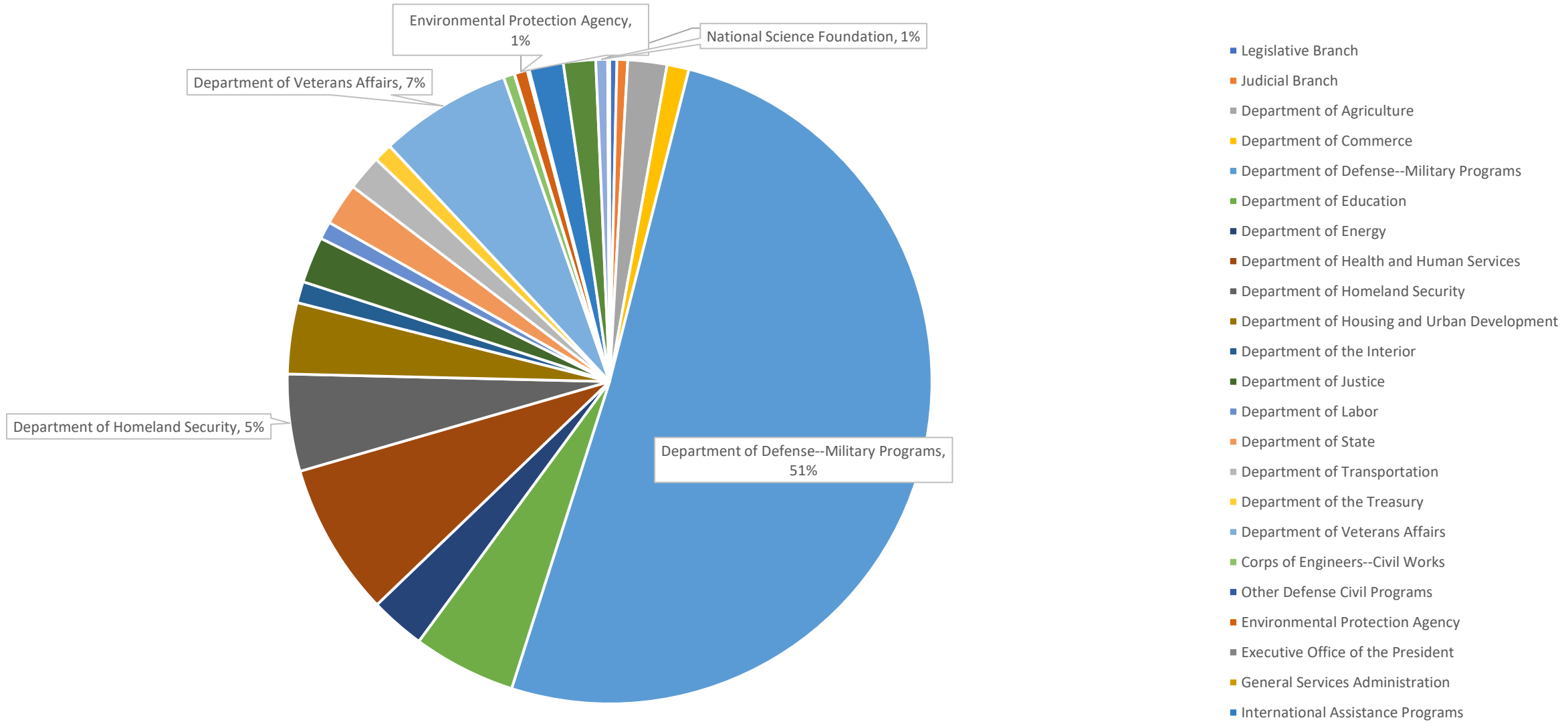
U.S. military spending is greater than spending by the next ten countries combined





N.B.: For the sake of clarity, this chart does not include all categories from OMB Table 5.1. Notably, Social Security spending is now greater than Defense.

Discretionary Budget Authority, FY 2020 (from OMB Table 5.4)



“Militarized budget” over $1T

(POGO’s estimate: $1.25T)

Start with DoD $721B

plus atomic activities in DOE and “other defense” ($36B)

plus Veterans’ Benefits and Services ($214B in FY2020)

plus Homeland Security (about $70B)

plus intelligence across various agencies ($80B)

plus the cost of public debt attributable to military spending (up to $150B per year)

Two of the main reasons for excessive military spending:

1. **The Post-9/11 Wars**

   →cumulative total spending and obligations as of Nov 2019 = $6.4 trillion

   (see Crawford 2019 United States Budgetary Costs and Obligations of Post-9/11 Wars through FY2020: $6.4 Trillion)

2. **Military contracting**

   →$370 billion in FY 2019, more than half of all discretionary defense spending

   (see Peltier 2020 "The Growth of the "Camo Economy" and the Commercialization of the Post-9/11 Wars")

Table 1. Summary of War Related Spending, in Billions of Current Dollars, FY2001–FY2020 Rounded to the nearest $billion.

	$ Billions
Overseas Contingency Operations (OCO) Appropriations	
Department of Defense[4]	1,959
State Department/USAID[5]	131
Estimated Interest on Borrowing for DOD and State Dept OCO Spending[6]	925
War-related Spending in the DOD Base Budget	
Estimated Increases to DOD Base Budget Due to Post-9-11 Wars[7]	803
"OCO for Base" a new category of spending in FY2019 and FY2020[8]	100
Medical and Disability Care for Post-9/11 Veterans[9]	437
Homeland Security Spending for Prevention and Response to Terrorism[10]	1,054
Total War Appropriations and War-Related Spending through FY 2020	**$5,409**
Estimated Future Obligations for Veterans Medical and Disability FY2020 – FY2059[11]	*>1,000*
Total War-Related Spending through FY2020 and Obligations for Veterans	***$6,409***

Source: Crawford (2019), "United States Budgetary Costs and Obligations of Post-9/11 Wars through FY2020: $6.4 Trillion," *Costs of War.* Brown University and Boston University.

Annual and Cumulative War (OCO) Spending and Associated Interest Costs, 2001-2019 (Source: Peltier 2020, "The Cost of Debt-financed War")

Fiscal Year	Annual War Spending (OCO plus Emergency) in billions	Cumulative War Spending (cumulative war-related debt) in billions	10 year Treasury note	Cumulative Interest in billions by 2020
2001	$ 16.00	$ 16.00	0.0502	$ 24.58
2002	$ 21.15	$ 37.15	0.0461	$ 51.03
2003	$ 76.67	$ 113.82	0.0401	$ 123.94
2004	$ 92.11	$ 205.93	0.0427	$ 211.66
2005	$ 106.75	$ 312.68	0.0429	$ 305.36
2006	$ 122.60	$ 435.28	0.048	$ 419.11
2007	$ 169.10	$ 604.37	0.0463	$ 554.57
2008	$ 202.12	$ 806.49	0.0366	$ 663.58
2009	$ 160.39	$ 966.88	0.0326	$ 731.45
2010	$ 178.54	$ 1,145.41	0.0322	$ 798.02
2011	$ 171.08	$ 1,316.49	0.0278	$ 845.91
2012	$ 132.65	$ 1,449.14	0.018	$ 866.26
2013	$ 99.46	$ 1,548.60	0.0235	$ 883.82
2014	$ 101.92	$ 1,650.52	0.0254	$ 900.37
2015	$ 80.85	$ 1,731.37	0.0214	$ 909.40
2016	$ 66.79	$ 1,798.16	0.0184	$ 914.45
2017	$ 79.30	$ 1,877.46	0.0233	$ 920.13
2018	$ 70.06	$ 1,947.52	0.0291	$ 924.26
2019	$ 74.57	$ 2,022.08	0.0224	$ 925.93

Why is military contracting so expensive? (Part 1)

Commercial monopoly and lack of competition or cost-reducing pressure

1. Nature of contracts, including cost-type contracts

   Cost-type contracts (as opposed to fixed-price) were 30% of DoD contracts 2008-2019, totaling $1.2 trillion

   Non-competitive contracts were 45% of DoD contracts in 2019

   Even “competitive” contracts are sometimes that in name only, or are competitive in first year and renewed for multiple years (and counted competitive in all years)

2. Lifetime contracts or sole-supplier contracts

3. *De facto* monopolies

Why is military contracting so expensive? (Part 2)

Waste, fraud, abuse, and excessive profits

- *Lack of oversight, too many dollars going out too quickly ("Afghanistan Papers" from Washington Post)*
- *Overbilling, billing for services never performed (e.g. KBR billing 136 meals for every 100 served)*
- *Bribes and corruption – DoD officials receiving bribes for selecting certain contractors (see SIGAR and SIGIR)*
- *Military contracting can be incredibly lucrative and is kept that way through political lobbying. E.g., Lockheed Martin earns about 85 percent of its revenues through government contracting, and about 10 percent of all military contract dollars (roughly $40 billion per year). Since 2001, their annual profit levels have been in the $4-8 billion range, steadily and quickly growing in recent years.*
- *Layers of contracting also build in layers of profit. Costs to government quickly escalate.*

Budgetary implications of excessive military spending

- Excessive military spending leads to two budgetary options (aside from cutting military spending):
  1. **Cut non-military spending** now. Protect military spending without increasing the deficit by cutting other programs.
  2. **Increase public debt**. This leads to greater interest payments (with lost opportunities those entail) and hamstrings future choices, will result in future (bigger) cuts to other programs.

- Over the past 20 years, we have already spent $3 trillion just on the post-9/11 wars (spending plus interest payments). What else could we have done with those funds? (Or use Dr. Crawford's figures of $5.4 trillion spent, $6.4 trillion including future obligations to veterans)

Is this how we want to be using public resources?

- Militarized budget over $1T
- ½ of discretionary spending for DoD

- Rosa Brooks, *How Everything Became War and the Military Became Everything.* DoD gets more resources; State and USAID shrink…cycle continues.

→The parable of the wolves; the Matthew Principle…What kind of economy do we want to strengthen and grow?

Alternative opportunities:

Infrastructure

- American Society of Civil Engineers (ASCE) “Report Card”
  - The 2021 report by ASCE finds that to raise the score to a “B” in all categories of infrastructure would require an investment of $2.59 trillion over 10 years, about $260 billion per year.
  - Failing to close the infrastructure gap, the report authors note, would entail negative economic consequences in the form of lost productivity, lost jobs, and lower GDP.
  - They estimate that by 2039, failure to invest the needed $2.59 trillion would result in $10 trillion in lost GDP and 3 million fewer jobs (ASCE 2021, p. 5).
  - The greatest investment needs are in surface transportation ($1.215 trillion over 10 years), water and wastewater systems ($434 billion), and schools ($380 billion).

Alternative opportunities:

Healthcare

- 30 million people (12 percent of the population under age 65) are still without healthcare coverage in the U.S. as of 2019, according to the CBO
- a 2020 article published in *The Lancet* finds that reaching universal coverage (though not with a single-payer system) would cost $149 billion per year above current levels

Alternative opportunities:

Education

- James Heckman, an economist from the University of Chicago, found in a 2012 that every dollar invested in early childhood education yields a seven-dollar return. A 2015 study from the Washington Center for Equitable Growth finds the returns to be even higher, closer to a 9:1 return
- A program to provide nationwide early-childhood education would initially cost about $40.6 billion per year (and would ultimately pay for itself)
- Alternatively, a Brookings plan would cost $42 billion per year to subsidize all children under age 5 who are in families up to 200 percent of the federal poverty level

Alternative opportunities:

Climate Change

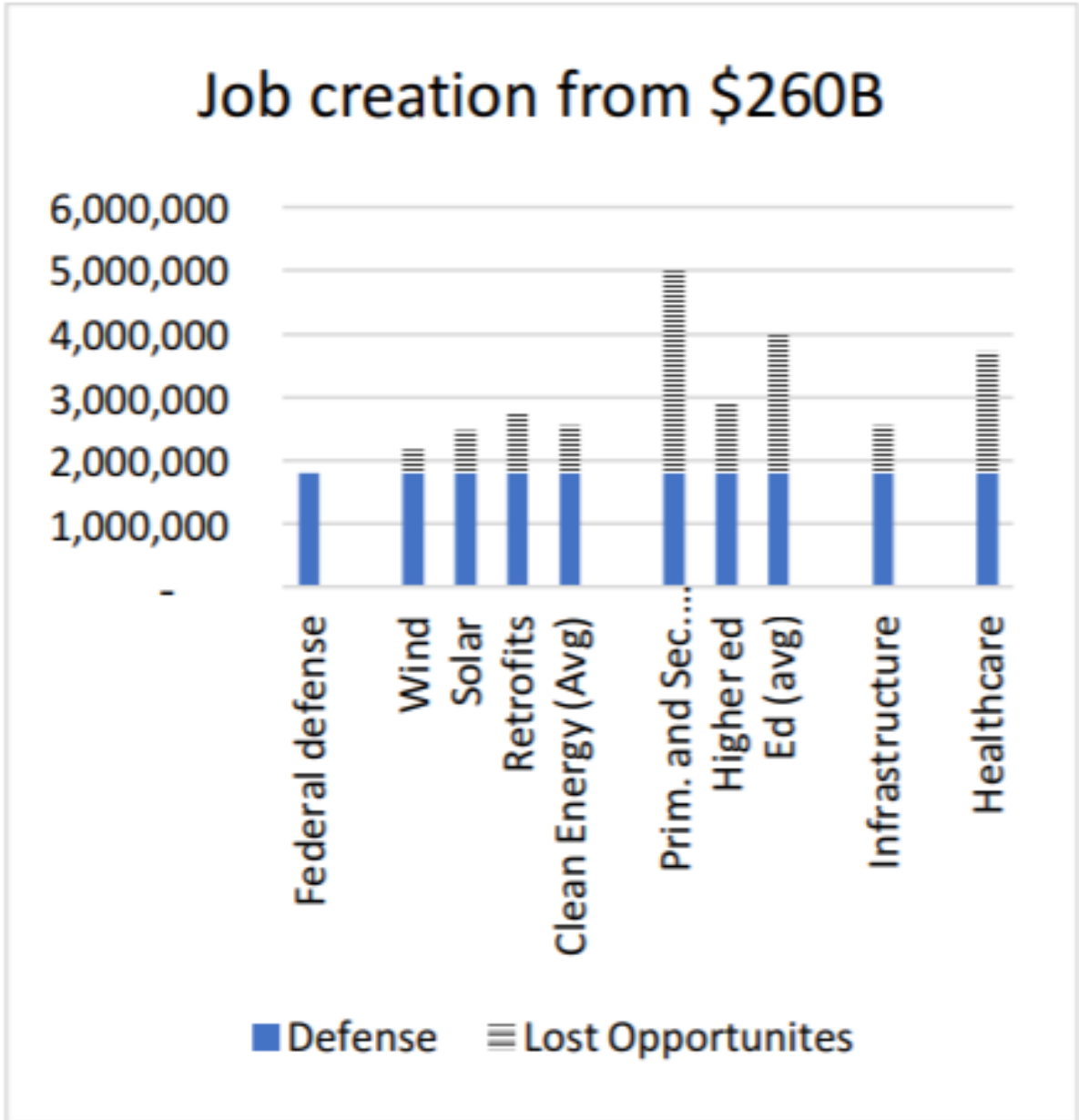
- A 2014 report by the Political Economy Research Institute, “Green Growth: A U.S. Program for Controlling Climate Change and Expanding Job Opportunities,” found that to lower emissions by 40 percent over the next 20 years, the U.S. would need to invest $200 billion annually
- A study by Mark Jacobson and others found that the energy portions of the Green New Deal, which include a full transition to renewable energy by 2050, would cost about $7.8 trillion up front (about $260 billion per year for 30 years), but then would save about $3.1 trillion per year in climate damages

Opportunity Costs: Employment

- The employment impacts can be measured using an input-output (I-O) model. Estimate direct and indirect jobs in any industry and its supply chain. See Peltier (2019).
- military spending creates 6.9 jobs per $1 million
- clean energy industry and infrastructure each support 9.8 jobs
- healthcare supports 14.3
- education supports 15.2.
- So for the same amount of spending, clean energy and infrastructure create 40 percent more jobs than the military, healthcare creates 100% more, and education 120% more.

Table 1: Employment based on $260B annual spending

Employment	Direct	Indirect	Total
Federal defense	1,508,000	286,000	**1,794,000**
	-	-	**-**
Wind	1,248,000	936,000	**2,184,000**
Solar	1,664,000	806,000	**2,470,000**
Retrofits	1,560,000	1,196,000	**2,756,000**
Clean Energy (50% retrofits, 25% each solar and wind)	1,508,000	1,040,000	**2,548,000**
	-	-	**-**
Elementary and Secondary Schools	4,316,000	676,000	**4,992,000**
Higher ed	2,158,000	754,000	**2,912,000**
Education (average of above two)	3,250,000	728,000	**3,978,000**
	-	-	**-**
Infrastructure	1,586,000	962,000	**2,548,000**
	-	-	**-**
Healthcare	2,990,000	728,000	**3,718,000**
Average Clean Energy, Education, Infrastructure, Healthcare			**3,198,000**



De-militarizing and Transitioning

- In aggregate, we create more jobs with a shift from military to these other sectors, but losses will occur for some individuals and communities.
- Target green and other investments where job losses are greatest
- “Just Transition” (for individuals and communities)
  - Retraining and relocation assistance
  - Wage guarantees, early retirements
  - Community-level supports including grants and targeted investments

Opportunities and Challenges re Jobs

- Occupational cross-over
  - Mechanics & Repairs (22% of military personnel)
  - Engineering, Science, Technical (16%)
  - Transportation and Material Handling (14%)
  - Executive, Administrative, Managerial (6%)

  → Nearly half of MOCs are jobs needed in the green economy and in infrastructure design and construction
- Difficulties because of wage premiums in contracting
- Need to have competing source of demand (federal procurement of green technologies, for instance)

Thanks for your attention!

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