

US MILITARY EXPENDITURE

Jurgen Brauer

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I have a single main message: United States military expenditure is not large and rapidly growing; instead, it is larger and rapidly growing - larger than is than ordinarily reported in the news media; larger than the public appears to have in mind. The reason, I believe, is that what the news media report and what the public hears are numbers that come off the federal budget decision-making process, that is out of administration requests for and congressional debate and appropriation of funds for the national defense function of government.

If you are a government official, either in the executive or legislative branch, it makes a certain amount of sense to look at budget requests and to debate and appropriate funds for the national defense budget line item. But if you are an economist, you have a different objective and so you are looking at overall, defense or military-related expenditure, regardless of whether this is budgeted in the national defense line item or not. For example, for 2003 - the last year for which I have complete data - the difference between budgeted, appropriated, and eventually spent funds (the so-called national defense "outlays") and national defense outlays as defined by the U.S. National Income and Product Accounts (NIPA, for short) amounts to well over \$100 billion. Just to provide you with an inkling of the order of magnitude of that difference, think roughly of \$400 billion national defense BUDGET outlays versus \$500 billion national defense NIPA outlays. That is, in 2003, the United States spent about 25 percent more on national defense than the numbers you hear bandied about in the news media. And even the NIPA numbers are incomplete, as the accounting framework does not allocate a proportion of interest payments on the accumulated federal debt back to the military sector of the economy. In 2003, for example, that would add another \$35 billion of federal spending that should properly be counted as military-related expenditure so that, for 2003, we approach \$520-530 billion in national defense outlays as opposed to the \$400 billion or so in budgeted national defense outlays - a difference on the order of 33 percent.

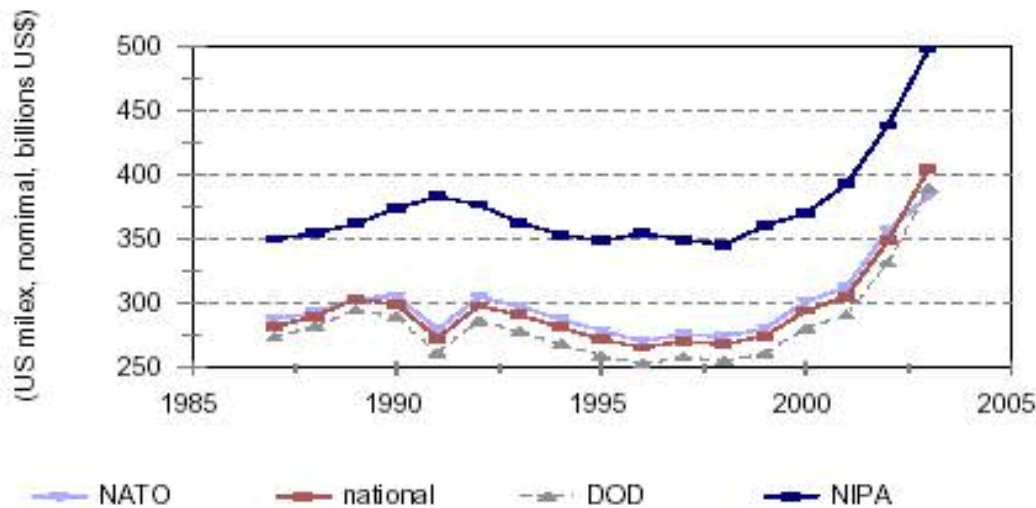


Figure 1: US military expenditure, 1987-2003, according to NATO/SIPRI/BVC, the *Historical Tables* (total national defense outlays and DoD), and NIPA measures; nominal billions of US dollars. NATO 2003 is an estimate.

Prominent sources for countries' military expenditure include NATO, SIPRI, and the United States Department of State's Bureau of Verification and Compliance (US BVC). It turns out that the BVC uses NATO figures for its own publication, *World Military Expenditures and Arms Transfers*. Likewise, the Stockholm International Peace Research Institute (SIPRI) uses NATO figures to report US military expenditure. In a word, three of the world's

best known comparative sources on countries' military expenditure use the same figures for United States military expenditure. This is of course good news. The bad news is that these figures do not match what the United States itself reports about its own military expenditure.

News media reporters and the public-at-large pay unwarranted attention to U.S. Department of Defense budget numbers. For FY2003, at about \$390 billion, these understate the actual total U.S. military expenditure of \$520 by about \$130 billion.

Jurgen Brauer is Vice Chair of ECAAR. This article is extracted from a speech Dr. Brauer in June 2004 gave at "The Other Economic Summit," an alternate meeting to the G-8 sessions in Georgia. The full article is available from Dr. Brauer's website at <http://www.aug.edu/~sbajmb/paper-Brunswick.pdf>.

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