

CHAPTER 3

Four Percent for Freedom: Maintaining Robust National Security Spending

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Despite intense military activity since 9/11, defense spending is at a historical low and has been for too long. Current and future Administrations and Congress should commit now to spending 4 percent of gross domestic product (GDP) on national defense even after any drawdown of U.S. forces in Afghanistan or Iraq, both to prevent a recurrence of the “hollow force” and to meet the military’s immediate modernization needs.

Although defense spending has been relatively restrained, expenditures on Social Security, Medicare, and Medicaid have been exploding. Meeting the resource needs for winning the war on terrorism includes maintaining overall defense budgets at 4 percent of GDP while simultaneously recognizing that projected growth in entitlement expenditures will jeopardize the nation’s ability to wage war over the long term. This harsh fact makes entitlement reform a national security issue.

Avoiding a “Hollow Force”

The term “hollow force” was coined in the post–Vietnam War era to describe a military force that lacks the resources to field trained and ready forces, to support ongoing operations, and to modernize. In the past, when America’s military has begun to become hollow, the strain has showed first in the National Guard. The same warning signs are evident today, including an austere lack of equipment, heavy reliance on cross-leveling to fill out units preparing to deploy, and a reduction in the levels of unit readiness. However, this problem is not exclusive to the National Guard. The Army and Air Force are already showing signs of funding shortfalls for equipment modernization. Although today’s military is not yet hollow, it could become so in less than a decade if funding for military modernization is not adequate over a sustained period of time.

Moreover, underfunding defense will actually cost the U.S. more in the long run, including reducing the defense industrial base to a dangerously low level. This leads to an undercapitalized base that is not competitive, driving up costs for the U.S. government and taxpayer. Not spending enough on defense also creates the reality and perception of American weakness, which will increase risk, hinder economic growth, and lower stability in the world. Indeed, robust defense spending saves money. President Ronald Reagan’s defense buildup and steady defense funding throughout the 1980s helped to win the Cold War and enabled the U.S. to quickly defeat Saddam Hussein in the Gulf War.

Regrettably, the Administration’s defense budget request and emergency supplemental spending bill come at a time when political pressure to reduce defense expenditures is growing. The perception is that the battle in Iraq constitutes the entirety of the war effort and that as this operation winds down, the American people are entitled to a new peace dividend. This notion, coupled with the imminent retirement of 78 million baby boomers, means that the danger of a hollow force is very real. Mandatory spending in the U.S. budget is projected to increase significantly in

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the coming years. The Congressional Budget Office projects that the share of the U.S. economy devoted to defense spending will actually decrease as a result.

Entitlement Reform as National Security Issue

The U.S. government is running a large budget deficit, and the principal reason is the growth in entitlement costs, not increased defense funding since 9/11. Since 1970, the historical ratio between defense spending and entitlement spending on Medicare, Medicaid, and Social Security has flipped. In 1970, military spending totaled 7.8 percent of GDP—almost twice the 4.1 percent of GDP spent on the big three entitlement programs. Today, defense spending has fallen to 3.9 percent of GDP while entitlement spending has more than doubled to 8.8 percent of GDP. By 2030, the big three entitlements will absorb roughly 84 percent of all federal revenues, crowding out defense and homeland security and threatening the historically low-tax, high-growth U.S. economy. Congress needs to find a solution to the entitlement spending problem quickly.

Consequently, defense is not the problem with the budget, and cutting defense is not the solution. As a nation at war, the U.S. is spending remarkably little on defense. Devoting 4 percent of GDP to defense imposes a reasonable burden on the U.S. economy and is significantly below the mean of roughly 7.5 percent of GDP that the U.S. spent on defense during the Cold War.

Spending 4 percent of GDP will not risk losing the war because of economic collapse brought on by excessive defense spending. Further, Congress needs to keep in mind the economic costs of military failure. Military power trumps economic power in the short term. Even a single successful attack on U.S. territory using an electromagnetic pulse generated by a nuclear weapon would have devastating economic consequences.

What the U.S. Should Do

Over the long term, federal spending should be reformed to provide adequate funds for current defense needs, and the shape of the U.S. military should continue to transform to reflect future threats. Rather than decrease defense spending, Congress needs to make a strong commitment to fund the nation's war requirements well into the future; indeed, the next President and future Congresses must also commit to providing for the nation's defense through increased defense budgets. Both Congress and the President should also begin the difficult task of changing public opinion, not following it, by reminding the American people that the ongoing war is not over, regardless of what happens in Iraq, and that the stakes in this war extend to their lives, liberty, and future prosperity.

Conclusion

Spending 4 percent of GDP on national defense will allow the U.S. to keep the nation and its service members properly trained, equipped, and ready. In the long term, continuing to underfund defense and then allowing wild fluctuations in defense budgets during times of war will only cost the country more and compromise national security. Congress and the Administration should commit now to spending at least 4 percent of GDP on national security, and they should move swiftly to reform the major entitlement programs that threaten both the budget and the economy over the long term.

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