

## II. US military expenditure

AUDE FLEURANT

US military expenditure in 2014 amounted to \$610 billion in current prices and exchange rates. In real terms, this represented a decrease of 6.5 per cent compared to 2013, the fourth consecutive year of decline, taking US military spending a little under the level it was in 2005. Total US military spending covers outlays (actual expenditure) from: (a) ‘the base budget’, that is, spending related to the regular activities of the Department of Defense (DOD); (b) Department of Energy spending on the US nuclear arsenal; (c) spending by the Department of State on foreign military aid; (d) military spending in other government departments; and (e) Overseas Contingencies Operations (OCO) spending, which funds US combat operations and other military operations around the world.<sup>1</sup>

Since its peak in 2010, US military expenditure has fallen by 19.8 per cent in real terms.<sup>2</sup> This is the most significant decline in US military spending since the 1990s, when the DOD budget was cut following the collapse of the Soviet Union. Nonetheless, at \$577 billion in constant 2011 prices, US military expenditure remained historically high in 2014 compared to the general post-World War II trend to 2005, and around the same level in real terms as the previous peak in the late 1980s.<sup>3</sup> Table 9.4 shows trends in the total and a breakdown of US outlays on ‘National Defense’ (not including military aid) since 2001.

The difficulties affecting the federal budget process—embodied in the Budget Control Act (BCA) of 2011, which imposes budget limitations and automatic cuts if these limitations are exceeded—continue to be the major factor affecting US military spending.<sup>4</sup> A congressional initiative to instil more flexibility in federal budgeting met with success in 2013. It underlined the trend towards a relaxation of budgetary constraints and a willingness to maintain high levels of military spending in the context of the end of operations in Afghanistan.

International events were the second key influence on the DOD budget in 2014. A number of crises abroad triggered a US military response, such as the airstrikes in Iraq and Syria against positions held by Islamic State

<sup>1</sup> Total spending on foreign military aid in 2014 was \$6.4 billion, or about 1% of total spending. US Department of State, *Congressional Budget Justification: Department of State, Foreign Operations and Related Programs, Fiscal Year 2016* (US Department of State: Washington, DC, 2 Feb. 2015).

<sup>2</sup> In constant 2011 US dollars.

<sup>3</sup> According to Office and Management Budget (OMB) historical tables, the previous highest level of US national defence outlays since 1945 was reached in 1989: \$537.5 billion in 2009 constant dollars. See US Office of Management and Budget, Historical Tables, Table 6.1: Composition of outlays, 1940–2020, <<http://www.whitehouse.gov/omb/budget/Historicals>>.

<sup>4</sup> Budget Control Act of 2011, US Public Law no. 112-25, signed into law on 2 Aug. 2011, <<http://thomas.loc.gov/cgi-bin/bdquery/z?d112:SN00365:>>.

**Table 9.4.** US outlays for the Department of Defense and total 'National defense' outlays, fiscal years 2001, 2005 and 2011–15

Figures are in current US\$ b. unless otherwise stated. Years are US fiscal years, which start on 1 Oct. of the previous year.

	2001	2005	2011	2012	2013	2014	2015 <sup>a</sup>
DOD, military	290.2	474.1	678.1	650.8	607.8	577.9	567.7
Military personnel	74	127.5	161.6	152.3	150.8	148.9	149.2
O&M	112	188.1	291	282.3	259.7	244.5	234.2
Procurement	55	82.3	128	124.7	114.9	107.5	106.2
RDT&E	40.4	65.7	74.9	70.4	66.9	64.9	66.3
Other DOD military	8.8	10.5	22.5	21.2	15.5	12.1	11.8
Atomic energy, defence	12.9	18	20.4	19.2	17.6	17.4	21.2
Other, defence-related	1.6	3.2	7.1	7.7	8	8.1	8.6
<b>Total 'National defense' outlays</b>	<b>304.7</b>	<b>495.3</b>	<b>705.6</b>	<b>677.9</b>	<b>633.4</b>	<b>603.5</b>	<b>597.5</b>
At constant (FY2009) prices	406.6	552.6	692.6	659	612	574.2	560.9
As a share (%) of GDP	2.9	3.8	4.6	4.2	3.8	3.5	3.3
As a share (%) of total government outlays	16.4	20	19.6	19.2	18.3	17.2	15.9

DOD = Department of Defense; FY = fiscal year; GDP = gross domestic product; O&M = operations and maintenance; RDT&E = research, development, test and evaluation.

<sup>a</sup> Figures for FY 2015 are estimates.

Source: US Office of Management and Budget, *Budget of the US Government, Fiscal Year 2016: Historical Tables*, <<https://www.whitehouse.gov/omb/budget/Historicals>>.

(IS), and the Ebola epidemic in West Africa, which led to the deployment of 3000 US soldiers.<sup>5</sup> These events called into question the dynamics of US federal government spending and the US Government's general approach to defence policy.

### The dynamics of US federal government spending and the national defence budget<sup>6</sup>

A general bipartisan agreement on government spending and revenue raising to address the US Government's budget deficit, which would be required to remove the federal spending limitations imposed by the BCA,

<sup>5</sup> See e.g. 'US-led coalition carries out 12 air strikes against Isis in Iraq and Syria', *The Guardian*, 27 Dec. 2014; and McKay, B., 'US military to send 3000 to battle Ebola virus', *Wall Street Journal*, 16 Sep. 2014. For further discussion on the Ebola outbreak see chapter 13, section I, in this volume.

<sup>6</sup> Figures in this subsection refer to budgetary authority requested by the president and approved by Congress in its decisions on the defence budget. Budgetary authority gives the Department of Defense (DOD) permission to spend money for specified purposes, either in the same year or subsequent financial years. In particular, budgetary authority for procurement spending is often used over a number of years. SIPRI figures for military expenditure, however, relate to outlays for 'National Defense' (i.e. the money that is actually spent in a given financial year for military purposes, either by the DOD or other government departments and agencies).

was not reached in 2014. Instead, a short-term deal, the Bipartisan Budget Act (BBA), was signed into law in December 2013, allowing increases to the DOD budget for two years compared to the limits imposed by the BCA.<sup>7</sup> The goal of the BBA was to relieve short-term pressures exerted on federal spending by raising the budget limits (or ‘caps’) imposed by the BCA for 2014 and 2015. It did not, however, change the global amount of \$2.1 trillion that must be cut from government spending during the 10 years covered by the BCA. The possible shortfalls created by the December 2013 deal were addressed by extending the BCA timeframe, by two years, to 2023. These additional years will not affect the DOD as only mandatory spending will be subjected to cuts.<sup>8</sup>

OCO appropriations amounted to \$85 billion for 2014, compared to \$64.2 billion for 2013, the first increase in war funding since 2010.<sup>9</sup> OCO budgets have been steadily decreasing since the end of the 2003 Iraq war and with the gradual withdrawal of troops from Afghanistan. Because OCO funds do not count in the calculation of annual budget limitations under the BCA, the combination of raised budget ceilings and increased resources for OCO in 2014 meant that total appropriations matched the revised budget limitations established by the BBA.<sup>10</sup> This enabled the DOD to avoid the automatic, across-the-board cuts known as sequestration, which the DOD experienced for the first and only time in 2013.<sup>11</sup> The OCO funding in 2014 included \$6 billion for specific procurement projects that, according to many observers, would normally have been supported through the base budget.<sup>12</sup> In this way, the OCO budget was arguably used as a means of overcoming the spending limitations imposed by the BCA.

US national defence total estimated outlays for 2015 are expected to be \$597.5 billion, down 2.3 per cent on 2014 outlays in real terms (see

<sup>7</sup> Bipartisan Budget Act of 2013, US Public Law 113-67, signed into law on 26 Dec. 2013, <<http://www.gpo.gov/fdsys/pkg/PLAW-113publ67/html/PLAW-113publ67.htm>>.

<sup>8</sup> Defence is part of the discretionary spending category, meaning that funds are allocated through an annual appropriations process. Mandatory spending covers social programmes such as health care, and is governed by other legislation. See US Congressional Budget Office, *Final Sequestration Report for Fiscal Year 2015* (US Congress: Washington, DC, Jan. 2015), p. 2.

<sup>9</sup> Appropriation is another budget term that indicates amounts that can be withdrawn from the US Treasury for specific purposes laid out by the authorization (i.e. the legislation authorizing the allocation of funds to a particular federal government programme). Towell, P., *Defense: FY2015 Authorization and Appropriations*, Congressional Research Service (CRS) Report for Congress R43788 (US Congress, CRS: Washington, DC, 28 Jan. 2015).

<sup>10</sup> US Congressional Budget Office, *Final Sequestration Report for Fiscal Year 2014* (US Congress: Washington, DC, Jan. 2014); and US Congressional Budget Office, *Sequestration Update Report: August 2014* (US Congress: Washington, DC, Aug. 2014).

<sup>11</sup> Perlo-Freeman, S., ‘US military expenditure’, *SIPRI Yearbook 2013*, pp. 183–87.

<sup>12</sup> Bennett, J. T., ‘War funding climbs in omnibus bill for the first time since 2010’, *Defense News*, 14 Jan. 2014; Hicks, K. H., ‘The challenges and benefits of OCO’, eds R. Crotty et al., *The FY 2016 budget: The Defense Impact* (Center for International and Strategic Studies: Washington, DC, 2015); and Towell (note 9).

table 9.4).<sup>13</sup> The fiscal year (FY) 2015 federal budget was adopted in January 2015 instead of October 2014 as planned. This was due to delays, mainly linked to the 2014 congressional election, in voting through the National Defense Authorization Act (NDAA), which is the comprehensive legislation that provides, among other things, the budget authority of the DOD.<sup>14</sup> However, to maintain the flow of resources to US government agencies and departments in the absence of official spending authorization, a continuing resolution based on 2014 levels of funding was approved in September 2014. This remained in place until the 2015 NDAA was adopted, approximately two and a half months after it should have been implemented.<sup>15</sup>

The spending authorization for OCO in 2015 is \$64.3 billion, a decrease of 24 per cent from OCO authorizations for 2014.<sup>16</sup> The bulk of the 2015 funding—\$55.5 billion—covers operation Freedom’s Sentinel. This replaces the 13-year long operation Enduring Freedom in Afghanistan, which officially concluded in December 2014. Among other things, operation Freedom’s Sentinel provides support for the ongoing reduction in the number of US troops deployed in Afghanistan, and for training and assistance to the Afghan security forces. In addition, the 2015 war budget provides \$5.1 billion for operation Inherent Resolve, the name given to the targeted airstrikes on IS and other armed groups in Iraq and Syria. It also covers three new items: (a) the Counterterrorism Partnerships Fund (\$1.3 billion); (b) the European Reassurance Initiative (\$370.7 million); and (c) the DOD’s contribution to countering the Ebola epidemic in Africa (\$100 million).<sup>17</sup> The Counterterrorism Partnerships Fund aims to strengthen partners’ capacities to address the threats posed by IS in Syria and al-Qaeda affiliates in Africa.<sup>18</sup> The European Reassurance Initiative

<sup>13</sup> US Office of Management and Budget (OMB) (note 3). OMB figures include DOD, Department of Energy and Overseas Contingencies Operations (OCO) outlays as well as other small outlays. They do not cover foreign military aid, which is included in the SIPRI figures, and which represents approximately 1% of the SIPRI total every year. Verified outlays provided by the OMB have been systematically lower than their estimates since the implementation of the 2011 Budget Control Act, although the size of the discrepancies has been decreasing. This is probably due to the difficulty of tracking spending when delays in voting appropriations occur, as was the case in 2013. It may also be due to the lack of clarity of war funding.

<sup>14</sup> In the United States the fiscal year runs from 1 Oct. to 30 Sep., so the 2015 budget would normally have been in place from 1 Oct. 2014 to 30 Sep. 2015.

<sup>15</sup> United States, *Carl Levin and Howard P. ‘Buck’ McKeon National Defense Authorization Act for Fiscal Year 2015*, H.R. 3979, (Government Printing Office: Washington, DC, Jan. 2015).

<sup>16</sup> Congressional Budget Office (note 8).

<sup>17</sup> Figures for enacted appropriations taken from US Department of Defense, *United States Department of Defense Fiscal Year 2016 Budget Request: Overview* (Office of the Under Secretary of Defense (Comptroller): Washington, DC, Feb. 2015).

<sup>18</sup> Alexander, D., ‘Pentagon weighs US funding bill impact on terrorism fight’, Reuters, 15 Dec. 2014. According to a Center for American Progress report on OCO budgets, airstrikes and other military actions taken against IS in Iraq in the latter half of 2014 were paid for using unspent funds from the previous year’s OCO budget. See Blakeley, K. and Korb, L., *The War Chest: War Funding and the End of the War in Afghanistan* (Center for American Progress: Washington, DC, Oct. 2014).

addresses the concern of European allies and partners that feel threatened by Russia's actions in Ukraine. It increases the US military presence in Europe following several cycles of withdrawals and US military base closures since the end of the cold war.<sup>19</sup> The Ebola funds, given late in the year through an emergency request in December 2014, cover the mobilization of DOD assets to support international efforts to halt the epidemic.<sup>20</sup>

In 2014 and early 2015 there was an observable trend towards increased flexibility in budget negotiations, as the administration's proposals and congressional actions began to converge to some extent.<sup>21</sup> In 2015 the DOD budget proposition respected the budget caps, as revised by the BBA, for the first time since the adoption of the BCA. Since 2012, funding requested by the DOD has been higher than the levels of spending authorized by the BCA, which in principle makes such requests subject to sequestration.<sup>22</sup> The move towards increased flexibility could indicate a greater willingness to manage military spending through short-term compromises, and to ease constraints on an ad hoc basis without having to reach the overarching bipartisan agreement on long-term deficit reduction required to lift the BCA. The OCO budget seems to be a central enabler of this approach, and is likely to remain so for the duration of the BCA. This is partly due to the way the BCA works. Although the OCO budget is subject to sequestration, its total amount is not included in the budget caps, so an increase in OCO funding can partially offset decreases in the base budget. The ongoing use of the OCO is also a direct consequence of the political impasse in the US Congress, which is considered to be largely responsible for the failure to achieve a bipartisan agreement that would obviate the need for the BCA.<sup>23</sup>

### **Military spending, defence policy and ad hoc budget arrangements**

The 2015 DOD budget proposal was made public at the same time as the 2014 Quadrennial Defense Review (QDR), a report that the Secretary of

<sup>19</sup> US Department of Defense, *Counterterrorism Partnerships Fund and the European Reassurance Initiative: Department of Defense Budget, Fiscal Year 2015* (Office of the Under Secretary of Defense (Comptroller): Washington, DC, June 2014).

<sup>20</sup> Epstein, S. B. et al., *FY2015 Budget Requests to Counter Ebola and the Islamic State (IS)* Congressional Research Service (CRS) Report for Congress R43807 (US Congress, CRS: Washington, DC, 9 Dec. 2014).

<sup>21</sup> This is true in terms of figures, but funding decisions remain very different. For instance, 2015 Congressional action dismissed cost-cutting measures requested by the DOD that addressed personnel issues, such as Tricare reform, but introduced procurement funding for equipment the DOD did not ask for.

<sup>22</sup> Harrison, T., 'The FY 2016 defense budget: here we go again', Center for Strategic and Budgetary Assessment, 28 Jan. 2015.

<sup>23</sup> Domenici, P. V. and Rivlin, A. M., 'We need a grand bargain, not more budget gridlock', Opinion, Brookings Institution, 3 Aug. 2011, <<http://www.brookings.edu/research/opinions/2011/08/04-grand-bargain-rivlin>>.

Defense is required by statute to submit to Congress every four years.<sup>24</sup> Its purpose is to provide a review of strategy, programmes and resources that informs lawmakers of the general direction taken by the DOD and on management issues. For the most part, the 2014 QDR reaffirms the major defence policy guidelines presented in the President's 2012 Strategic Guidance.<sup>25</sup> Priority is given to: (a) rebalancing the USA's attention towards the Asia-Pacific region; (b) building defence-partnership capacities with a growing number of states; and (c) maintaining the USA's projection of its global power capabilities by modernizing its conventional and nuclear arsenals.<sup>26</sup> The USA is committed to winding down operations in Central Asia and the Middle East while retaining a US military presence in those regions.<sup>27</sup>

In the context of the BCA, the publication of the 2014 QDR has led to an intensified—albeit far from new—debate on the match between resources and strategy.<sup>28</sup> In his QDR presentation statement, then Secretary of Defense Chuck Hagel claimed that its implementation would not be feasible if another round of sequestration cuts were applied to DOD resources.<sup>29</sup> Although it is still early in the process, such a cut is expected as the 2016 DOD budget request submitted in February 2015 is above budget limits (see below).<sup>30</sup> The primary justification for this is the implementation of the 2014 QDR strategy; other reasons include the 'uncertain fiscal environment' and the security crises in 2014.<sup>31</sup>

The US economy showed significant improvement in the final quarter of 2014 and the country is entering a period of presidential and congressional elections. It remains to be seen whether another ad hoc arrangement along the lines of the BBA can be reached to avoid a budget or sequestration crisis, or if the core long-term issues of deficit reduction will be addressed in 2015.

<sup>24</sup> US Department of Defense, 'Quadrennial defense review 2014', Washington, DC, 4 Mar. 2014, <[http://www.defense.gov/pubs/2014\\_Quadrennial\\_Defense\\_Review.pdf](http://www.defense.gov/pubs/2014_Quadrennial_Defense_Review.pdf)>.

<sup>25</sup> US Department of Defense, 'Sustaining US global leadership: priorities for 21st century defense', Washington, DC, Jan. 2012, <[http://www.defense.gov/news/Defense\\_Strategic\\_Guidance.pdf](http://www.defense.gov/news/Defense_Strategic_Guidance.pdf)>.

<sup>26</sup> US Department of Defense (note 24).

<sup>27</sup> See Sköns, E. and Perlo-Freeman, S., 'The United States' military spending and the 2011 budget crisis', *SIPRI Yearbook 2012*, pp. 162–66.

<sup>28</sup> Harrison, T. and Cohn, J., 'DoD's strategy-resources mismatch', Center for Strategic and Budgetary Assessment, 1 Oct. 2014; and Leffler, M. P., 'Defense on a diet. How budget crises have improved US strategy', *Foreign Affairs*, Nov./Dec. 2013.

<sup>29</sup> US Department of Defense, 'Statement by Secretary of Defense Chuck Hagel on the release of the fiscal year 2015 budget and 2014 quadrennial defense review', News release, 4 Mar. 2014, <<http://www.defense.gov/releases/release.aspx?releaseid=16568>>.

<sup>30</sup> US Department of Defense, 'DOD releases fiscal year 2016 budget proposal', News release, 2 Feb. 2015, <<http://www.defense.gov/Releases/Release.aspx?ReleaseID=17126>>.

<sup>31</sup> US Department of Defense (note 30).

### **Adapting to maintain influence in the context of the BCA**

The DOD submitted its FY 2016 budget proposal to Congress on 2 February 2015. The \$534.3 billion request for the base budget is \$38 billion higher than the total allowed under the BCA, which would lead to the application of sequestration in January 2016 unless Congress enacts measures to cancel or at least suspend sequestration for FY 2016.<sup>32</sup> The budget proposal is presented by the US administration as a ‘strategy-driven, resources informed’ document that supports the DOD’s missions outlined in the 2014 QDR.<sup>33</sup> The administration estimates that it reflects the level of resources required to carry out these missions. In essence, the QDR’s primary focus is on adjusting the US military posture to an era in which the USA anticipates challenges to its leadership in all aspects of international affairs and to its ability to ‘shape events globally’.<sup>34</sup>

The 2016 budget submission has brought to the fore once again a multi-faceted discussion about the appropriate levels of spending on US defence and how to renew the USA’s influence as a leader in international affairs—or, more pessimistically from a US perspective, how best to stave off decline. Military force is still seen as a cornerstone of US influence and global reach.

Periods of decline in military spending and consequent adjustments to the structure of US armed forces and capabilities are not new. They have followed the end of every major war the country has been involved in since the end of World War II, including the cold war. But the BCA, and especially the sequestration process which allows very little control over how and where in the budget cuts are applied, are seen as impediments to the establishment of a new defence posture, and detrimental to the maintenance of US power globally and the protection of its interests.<sup>35</sup>

<sup>32</sup> The request for the OCO budget is \$50.9 billion. US Department of Defense (note 30).

<sup>33</sup> US Department of Defense, ‘Briefing by Deputy Secretary Work and Adm. Winnefeld on the Fiscal Year 2016 Budget in the Pentagon Briefing Room’, News transcript, 2 Feb. 2015, <<http://www.defense.gov/Transcripts/Transcript.aspx?TranscriptID=5580>>.

<sup>34</sup> Sköns and Perlo-Freeman (note 27); and US Department of Defense (notes 24 and 33).

<sup>35</sup> Sköns and Perlo-Freeman (note 27).