

II. US military expenditure

AUDE FLEURANT

With a total of \$611 billion, amounting to 36 per cent of global military expenditure, the United States remained the largest military spender in 2016. US military spending grew by 1.7 per cent in 2016 compared with 2015, the first annual increase since 2010 when US military expenditure reached its peak.¹ Despite the slight upturn in 2016, US military expenditure decreased by 4.8 per cent over the 10-year period 2007–16.

Total US military expenditure covers outlays (actual expenditure) from: (a) ‘the base budget’, that is, spending on the regular activities of the Department of Defense (DOD); (b) Department of Energy spending on the US nuclear arsenal; (c) military spending in other government departments; (d) Overseas Contingency Operations (OCO) spending, which funds military operations around the world; and (e) spending by the Department of State on foreign military aid.²

The domestic political dynamics that have shaped the US military budget process for the past five years did not change significantly in 2016, despite the context of the presidential election. The Budget Control Act (BCA) of 2011 remained in place, obligating spending limitations (or ‘caps’) on the federal budget every year from 2012 to 2021, in order to reduce the USA’s large deficit.³ If these limitations are not met, automatic cuts to all the budget lines are to be applied to align funding with the figures mandated by the BCA, a procedure called ‘sequestration’. A comprehensive settlement between the executive and legislative branches of the federal government on how to reduce the US deficit is required before any amendment to the BCA can be made.⁴

Reaching an agreement on this issue has proved to be challenging since the BCA’s implementation in 2011. The significant differences of views and priorities on how to reduce the deficit remained in 2016 and continued to inhibit the adoption of an amendment that would repeal the budget caps and sequestration.⁵ Faced with a stalemate, lawmakers have so far addressed the

¹ 2010 was the year SIPRI recorded the highest level of military spending for the USA.

² Total US foreign military aid spending in 2016 was \$6.7 billion or about 1.1% of total US spending. US Department of State, *Congressional Budget Justification: Department of State, Foreign Operations, and Related Programmes, Fiscal Year 2017* (US Department of State: Washington, DC, 9 Feb. 2016).

³ The Budget Control Act mandates \$1 trillion in savings from 2012 to 2021. Budget Control Act of 2011, US Public Law no. 112-25, signed into law on 2 Aug. 2011. Defence is part of both the discretionary and mandatory spending categories in the US budget and is decided through an annual appropriations act passed by Congress following the US administration’s budget request review.

⁴ For further detail on the Budget Control Act see Sköns, E. and Perlo-Freeman, S., ‘The United States military spending and the 2011 budget crisis’, *SIPRI Yearbook 2012*, pp. 162–66.

⁵ Blakeley, K., *Analysis of the FY 2017 Defense Budget and Trends in Defense Spending* (Center for Strategic and Budgetary Assessment: Washington, DC, 2016).

Table 9.5. US outlays for the Department of Defense and total 'National defense' outlays, fiscal years 2002, 2007, 2011, 2013 and 2015–17

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

	2002	2007	2011	2013	2015	2016	2017 ^a
DOD, military	332.1	529.1	677.9	607.8	562.5	576.3	586.8
Military personnel	86.8	128.8	161.6	150.8	138.2	141.1	139.8
O&M	114.7	216.6	291.0	259.7	247.2	248.2	255.3
Procurement	61.4	99.6	128.0	114.9	101.3	103.6	103.1
RDT&E	44.4	73.1	74.9	66.9	64.1	65.2	71.5
Other DOD military	24.9	10.9	22.4	15.5	11.7	18.2	17.2
Atomic Energy, Defence	14.9	17.1	20.4	17.6	18.7	19.2	21.3
Other, Defence related	1.7	5.7	7.2	8.0	8.4	8.9	8.8
Total 'National defense' outlays	348.6	551.9	705.5	633.4	589.6	604.5	617.0
At constant (2009) prices	449	571	672	591	534	539	540
As a share (%) of GDP	3.4	4.0	4.7	3.8	3.3	3.3	3.2
As a share (%) of total government outlays	17.3	20.2	19.6	18.3	16.0	15.3	14.9

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

^a Figures for FY 2017 are estimates.

Sources: US Department of Defense, Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates, Various dates, 2004–16, <<http://comptroller.defense.gov/Budget-Materials/>>.

issue of the budget caps by voting for short-term legislative measures that are intended to partially alleviate the limitations on discretionary spending for two-year periods. Such measures primarily benefit the DOD because its budget represents 50 per cent of all federal discretionary spending.⁶ One of the main consequences of the short-term legislative measures has been to delay the spending cuts required by the BCA to future years.⁷

Uncertainty in the evolution of US military spending

In 2016 US military spending grew by 1.7 per cent, the first increase after five consecutive years of decline. Despite this slight growth, US military spending remained 20 per cent lower than its peak in 2010. The modest growth in 2016 can be attributed to three factors. First, the effects of the Bipartisan Budget Act of 2015, the latest short-term legislation adopted, which raised

⁶ These legislative measures are: (a) the Taxpayer Relief Act of 2012, US Public Law no. 112-240, signed into law on 2 Jan 2013; (b) the Bipartisan Budget Act of 2013, US Public Law no. 113-67, signed into law on 26 Dec. 2013; and (c) the Bipartisan Budget Act of 2015, US Public Law no. 114-74, signed into law on 2 Nov. 2015. Harrison, T., *Analysis of the FY 2017 Defense Budget* (Center for Strategic and International Studies/Rowman and Littlefield: Washington, DC/Lanham, Apr. 2016).

⁷ The US Office of Management and Budget estimates that if the Budget Control Act requirements were to be met, this would take place between 2018 and 2021.

budget limits until 1 October 2017.⁸ Second, the use of the special budget to fund overseas military operations to supplement the funding of regular DOD activities.⁹ Third, a planned increase in military equipment procurement. With regard to this third factor, the Office of Management and Budget estimates a slight growth in the DOD's spending for acquiring new weapons in 2017.

The issue of the additional resources for US military operations overseas provided through a specific 'supplemental' budget, distinct from the regular DOD budget, to fund military operations and security assistance continued to shape the US military spending debate in 2016 (for details of the budget see table 9.5).¹⁰ According to DOD figures, from 2001 to 2016 a total of \$1.6 trillion was allocated to 'activities and operations related to the broad US response' to the terror attacks of 11 September 2001.¹¹ Since the adoption of the BCA in 2011, the DOD's use of the OCO budget has come under increasing criticism. The suggestion is that the OCO budget is being used to sidestep the BCA to fund regular DOD budget activities, as the OCO is not subjected to the BCA's spending limitations.¹² In 2015 President Barack Obama described the OCO as an 'irresponsible budget gimmick', while others have labelled it the 'Pentagon slush fund'.¹³

The presidential election in 2016, combined with persistent divisions both in Congress and in relations between Congress and the White House, caused another difficult budget process in 2016, which ended without an agreement between the legislative and the executive branches on a budget for the federal government for US fiscal year (FY) 2017. This led to a 'continuing resolution' extending the funding levels from the FY 2016 budget.¹⁴ The National Defense Budget Estimates for FY 2017 also anticipate a modest increase in the DOD's procurement and research, development, test and evaluation

⁸ The Bipartisan Budget Act of 2015 raises funding for the DOD by \$25 billion for US fiscal year 2016 and by \$15 billion for fiscal year 2017. Harrison (note 6).

⁹ The OCO budget, which is prepared and voted on separately from the DOD 'regular' or 'base' budget.

¹⁰ After the terrorist attacks on the USA of 11 Sep. 2001 the additional budget was titled 'Global War on Terror'. In 2009 it was renamed as 'Overseas Contingency Operations'. Heeley, L. and Wheeler, A., *Defense Divided: Overcoming Challenges of Overseas Contingencies Operations* (Stimson Center: Washington, DC, 2016).

¹¹ Williams, L. M. and Epstein, S. B., *Overseas Contingency Operations Funding: Background and Status*, Congressional Research Service (CRS) Report for Congress R44519 (US Congress, CRS: Washington, DC, 7 Feb. 2017).

¹² Harrison (note 6).

¹³ Yurus, M., 'Obama vetoes defense budget: now it's time for a showdown with Congress', Vice News, 22 Oct. 2015; and Smithberger, M., 'Pentagon admits half of war spending account is slush', Straus Military Reform Project, Center for Defense Information, Project on Government Oversight, 3 Oct. 2016.

¹⁴ Continuing resolutions extend the level of resources allocated to federal departments and agencies based on the previous year's budget resources allocations. Somanader, T., 'What's a continuing resolution and why does it matter?', White House Blog, 19 Sep. 2014.

spending (outlays) in 2017, and a more substantial increase in 2018–21.¹⁵ Ongoing procurement of major weapons, such as the F-35 combat aircraft, littoral combat ships and a new generation of aircraft carriers, as well as a comprehensive nuclear modernization programme, will create further upward pressures on the US military budget.¹⁶ The Congressional Budget Office estimates the costs of the nuclear modernization project, including delivery systems and upgrades to the nuclear military laboratories complex, to be \$400 billion for the period 2015–24.¹⁷

¹⁵ A US fiscal year covers the 12-month period 1 Oct.–30 Sep. E.g. the 2017 Fiscal Year Budget would cover activities for the government from 1 Oct. 2016 to 30 Sep. 2017. US Department of Defense (DOD), Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY 2017* (DOD: Washington, DC, Mar. 2016).

¹⁶ The nuclear modernization programme includes both new delivery systems (e.g. missiles, strategic bombers and submarines carrying intercontinental nuclear ballistic missiles) and upgrades to the infrastructure of the US nuclear military laboratories managed by the US Department of Energy.

¹⁷ US Congressional Budget Office, 'Projected costs of U.S. Nuclear Forces, 2017 to 2026', Feb. 2017.