WHEN “MORE” IS MEANINGLESS:

The Case Against a Four Percent of GDP Defense Spending Minimum
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Virtually every self-described conservative or libertarian would agree: defending the United States and protecting its vital interests constitutes the most important function of our federal government. Unless this broad mission of national security is fulfilled, there can be no America strong enough to lead the world to greater liberty and prosperity.

It is also true that “national security” can take on many definitions among people of good will in the limited government movement who cherish this great nation. Such opinions do not diminish their patriotism. So it should be in the current discussion about practical issues facing policymakers today, among them strategic priorities abroad, force readiness, personnel retention, and … military budgets.

The primary topic of this paper is the concept of establishing a “mandatory minimum” level of federal spending on national security, embodied in the “Four Percent for Freedom” plan. Now, for limited-government advocates who are more accustomed to discussing ceilings rather than floors on government expenditures, this proposal would likely be dismissed outright if it pertained to a budget category such as farm subsidies, or federal office buildings.

Yet, because Four Percent for Freedom invites weighty considerations about military spending – and has been offered by respected members of our policy community – many might be led to conclude that in this “special case,” a minimum amount of government spending simply must be accepted. It is the price of our liberty, which should not be open to debate.

And here is where this paper raises a more fundamental matter: fiscal and economic policy is inextricably intertwined with national security policy. From this matter springs a number of questions, chief among them: why should conservatives and libertarians be more critically involved in the financial aspects of our nation’s defense, just as they are in other issues related to the size of government? There are many reasons.

Most obviously, asserting that no price is too high for national security implies a false choice: spend without reservation on the military or face annihilation. No free-market economy can thrive for long under a burden of excessive government expenditures, regardless of their purpose. But as Matthew Fay, the author of this analysis argues, building in an automatic spending target year after year actually invites the kind of strategic complacency that proponents of Four Percent for Freedom seek to avoid.

Furthermore, military expenditures may constitute a small share of the overall federal budget compared to entitlements, but they are the dominant portion of discretionary spending, which Congress appropriates every year. For this reason alone, Members of Congress ought to take as much responsibility for overseeing and ensuring maximum efficiency in military programs as they do for civilian ones. Boondoggles abound in everything from pointless public works projects to bloated subsidy schemes, but is it not more scandalous that the Pentagon can’t pass a basic audit of its financial operations? After all, our brave service peoples’ lives – not just tax dollars – are at stake when funds are diverted from priorities due to sloppy accounting.

In addition, all things being equal, upcoming fiscal challenges for the armed forces might be manageable. Unfortunately, all things are not equal. Plans for a decades-long modernization of the nuclear deterrent, which will have to occur simultaneously among all three legs of the triad, could easily exceed $1 trillion. By some projections – admittedly imprecise – compensation costs could devour the entire military budget in roughly 15 years, leaving no room for procurement.

These challenges, however, will be confronting policymakers at a time when non-military benefit programs will be swamp- ing federal finances. Entitlements, plus interest, are on track to consume all outlays before the year 2035. This volatile budgetary environment means that every trillion dollars, even if it is among tens of trillions, could have a more adverse impact than ever before. This includes the additional $1.2 trillion in spending that the author projects to occur under the first five years of a four percent defense minimum.

Our friends who proposed Four Percent for Freedom note that civilian entitlements are the most extant threat to a fiscally sustainable future, and we agree with them 100 percent (we also embrace the same types of reforms). But would there really be a sharper focus on overhauling these programs if a four percent floor for defense were in place, as advocates suggest? Our study argues convincingly otherwise, but conservatives and libertarians should also be warned by recent history.

Recent “bipartisan budget acts” – which have lifted budget caps for two-year periods and “paid for” the spending hikes with ten years of dubious “savings” – show what Washington will often do when faced with a choice between military and civilian spending. Policymakers simply boost both categories, and kick tougher decisions about offsets further down the road.
This type of behavior, writ larger in the next decades, is ironically our worst national security nightmare. By continuing to spend more on military systems with underwhelming performance and failing to put strategy first, we expose our most vulnerable possible flank to our foes. And by continuing to waste too many tax dollars on programs of all kinds, we create a tax-spend-and-borrow machine that will rip the fabric of the country apart as completely as any foreign enemy could hope to achieve. As Admiral Mike Mullen noted even after he retired as Joint Chiefs of Staff Chairman in 2012, our national debt is the single biggest threat to our security because it precipitates a “continued loss of confidence in America.”

Finally, among all elements in our body politic, conservatives and libertarians should be most able to comprehend how military and economic assets combine to become a whole that is stronger than the sum of its parts. They need not embrace mushy nostrums of “soft power” (e.g., fruitless diplomacy through corrupt multinational entities or aid giveaways) to do so. Exporting our new-found energy abundance to friendly countries being blackmailed by resource-rich neighbors could dramatically improve our position in places like Eastern Europe. Sound trade agreements, if designed to reduce the power of foreign government-owned enterprises, could likewise thwart the ambitions of statist regimes. Even a more competitive tax system, which attracts foreign direct investment while giving our firms more clout abroad, could forge powerful new alliances that benefit our interests (while providing more stable government finances for military needs).

Mr. Fay’s choice of a title for this paper, “When ‘More’ Is Meaningless,” is particularly fitting as far as taxpayers are concerned. In their eyes, “more” ought to mean giving the highest possible priority to a national security policy that is strategically coherent, fiscally responsible, and above all, exceedingly effective at keeping America strong. Regardless of our particular views on how, why, and where to allocate defense spending, all of us can commit to this sagacious vision.

Pete Sepp
President, National Taxpayers Union
Over the past decade, a number of conservative politicians and national security analysts have argued that the Department of Defense should have a perpetual claim on a minimum percentage of the economy: four percent of gross domestic product (GDP). They argue that because a spending floor of this type has not been established, the U.S. has been left with a “hollow force” unable to support a grand strategy of military primacy.

Focusing on an arbitrary number and misleading historical comparisons is neither fiscally responsible nor strategically coherent. Such an approach will not serve the best interests of our national security and will undermine our economic prosperity.
Outlays for America’s national defense amounted to around 3.5 percent of the U.S. gross domestic product (GDP) in 2014. In 1962, at the height of the Cold War, defense outlays consumed 8.9 percent of GDP. Yet defense spending in 1962—$443 billion—was less than the $638 billion spent in 2014. Defense spending, when measured as a percentage of GDP, appears to have shrunk by 250 percent between 1962 and 2014. But it actually grew more than 43 percent in inflation-adjusted terms. How is that possible? It’s simple. The American economy grew between 1962 and 2014. While one slice of the economic pie might be thinner, the entire pie is now much larger.

A growing economy should allow Americans to keep more of the wealth they produce. However, a number of center-right politicians and national security analysts over the past decade have contended that the Department of Defense should have a perpetual claim on a minimum percentage of national income. They propose setting a floor for defense spending at four percent of GDP. Presidential candidates—including Senator John McCain, former Massachusetts Governor Mitt Romney, and most recently, Bobby Jindal, the Governor of Louisiana—have also backed the idea, which was branded as “Four Percent for Freedom.”

Linking defense spending to GDP is useful rhetorical shorthand, but it is neither fiscally responsible, nor strategically coherent. Given economic growth, the percentage of GDP dedicated to defense spending at any point in time says little about the actual level of spending. It does, however, allow proponents of bigger budgets to make comparisons between today and the past that lack proper context.

Four Percent for Freedom is emblematic of this problem. Advocates of this approach claim that defense spending today is at historical lows, even though it is well above the Cold War average in real terms. “Four-Percenters” also attempt to justify their case with optimistic (and faulty) assumptions about the fiscal and economic impact of defense spending. Most importantly, requiring a four percent of GDP minimum for defense spending is unsound strategy because it assumes that building a larger version of today’s military is the key to security and stability. The Four Percent for Freedom proposal draws attention away from hard questions about how best to prepare for current or potential threats, assuming that defense budgets that grow with the economy automatically take care of the hard work of strategy.

Even if we assume that the United States will face a growing number of threats, the massive outlays required by Four Percent for Freedom will, by themselves, do nothing to address whether the military is properly organized, or whether resources are properly allocated to face those threats. Based on Congressional Budget Office (CBO) projections for GDP, “Four-Percenters” would require spending for national defense to reach at least $810 billion in fiscal year (FY) 2020 alone—$234 billion above the amount allowed by the Budget Control Act of 2011. Washington currently spends far more on defense than all of its most likely adversaries combined. Automatically increasing the defense budget as the economy grows will only exacerbate the country’s fiscal problems, weakening the very foundations of U.S. military power that Four Percent for Freedom is meant to ensure.

This paper proceeds in three parts. In the first part I sketch the history of the Four Percent proposal, outlining its origins and the degree of support it has received from various Republican legislators and presidential candidates. The second part presents the arguments made in favor of Four Percent for Freedom. In the final section I present the case against spending at least four percent of GDP on defense by demonstrating the flawed fiscal, economic, and strategic foundations of the proposal.
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I. The History of Four Percent for Freedom
Measuring the defense budget in relation to the size of the economy is not an entirely new idea. State Department Deputy Director of Policy Planning Paul Nitze, for example, linked defense spending to gross national product (GNP) in his seminal Cold War strategy document, National Security Council report number 68 (NSC-68). President Harry Truman had capped defense spending to avoid raising taxes, leading Nitze to bemoan the fact that the United States was only projected to spend six to seven percent of GNP in 1950—a big drop from the end of World War II just a few years prior. Nitze did not offer a specific figure for his proposed spending increase, but some within the government estimated the forces proposed in NSC-68 would cost $50 billion in then-year dollars—more than three times the planned defense budget of $13.5 billion.7

The military build-up proposed in NSC-68 became a reality as a result of the Korean War, but no policy linking the defense budget to the size of the economy was established during the Cold War. In recent years, however, defense scholars at the Heritage Foundation have vigorously advocated the idea. In 2007, at the height of the wars in Iraq and Afghanistan, James Talent, a former Republican Senator from Missouri and, at the time, a distinguished fellow at Heritage, kicked off the campaign. In a National Review essay titled, "More: The Crying Need for a Bigger U.S. Military," Talent argued that, even after the ongoing conflict ended, "the need for American military strength" in the world demanded "modest" increases of tens of billions of dollars. Branding the effort "Four Percent for Freedom," other Heritage defense analysts followed Talent’s lead in a series of reports and essays—urging both Congress and the White House to establish four percent of GDP as a minimum for defense spending.9

Several politicians and defense officials soon offered support for Four Percent for Freedom. President George W. Bush, Senator John McCain, and Chairman of the Joint Chiefs of Staff Admiral Mike Mullen all expressed various levels of praise for the idea—though McCain and Mullen later walked back their initial approval. Then-Secretary of Defense Robert Gates endorsed four percent of GDP as a "rough benchmark" for defense spending in 2007.10 In 2008, Senator Jim Inhofe of Oklahoma put forth a sense of the Senate amendment stating that the country should spend a minimum of four percent of GDP on defense by FY2011.11 While his efforts did not meet success that year, Inhofe and Republican Representative Trent Franks of Arizona returned with a similar legislative proposal the following year.12

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From outside Congress, Heritage Foundation scholars remained vocal advocates of Four Percent for Freedom. In January 2009, Baker Spring, Mackenzie Eaglen, and James Carafano of Heritage wrote in favor of Franks and Inhofe’s legislation. The three defense analysts contended that, despite the ongoing financial crisis and recession, “the U.S. economy can afford to devote no less than 4 percent of GDP to the core defense program.”13

Though Four Percent for Freedom failed to gain traction in Congress, Republican presidential candidates looking to burnish their national security bona fides on the campaign trail have spoken out for the idea. During his 2012 presidential campaign, Mitt Romney, advised on national security by Talent and Eaglen, stated that he would reverse recent cuts to the defense budget with an eventual goal of spending at least four percent of GDP on defense. President Obama noted in the presidential debates with Romney that spending at least four percent of GDP on defense would require $2 trillion more over the next decade than the Pentagon’s plans called for at the time.14

Four Percent for Freedom has received less attention following Romney’s defeat in November 2012. In fairness, the Heritage Foundation has recently given a thoughtful reevaluation of the idea. Yet, the plan still has vigorous adherents. In a prelude to his presidential campaign, Louisiana Governor Bobby Jindal declared his support for spending a minimum of four percent of GDP on defense in a speech at the American Enterprise Institute in October 2014. Jindal also co-authored a white paper with Jim Talent that argued in favor of Four Percent for Freedom. While it is unlikely Jindal will have the opportunity to make this vision a reality, Republican politicians and presidential candidates continue to find it an attractive campaign position and might even attempt to implement it as policy should one of them enter the Oval Office.17

II. The Case for Four Percent for Freedom
The “Four-Percenters” have never presented a systematic argument on behalf of their proposal. The case for Four Percent for Freedom, such as it is, consists of a collection of vague pronouncements about the necessity of massive increases to the Pentagon’s budget. Four basic arguments make up the case for spending at least four percent of GDP on defense. First, defense spending is currently too low. Second, spending four percent of GDP on defense is easily affordable. Third, the military will become a “hollow force” absent massive increases in defense spending. And fourth, the United States needs to spend four percent of GDP on defense to support a grand strategy of military primacy.
The most consistent theme in the case for Four Percent for Freedom is the need to increase defense spending because current spending is too low. For example, in her introduction to a 2007 compilation of Heritage essays on Four Percent for Freedom, Mackenzie Eaglen unfavorably compared defense spending as a percentage of GDP at that time to defense spending as a percentage of GDP during the years following the Vietnam War. In an earlier essay, Eaglen, Baker Spring, and James Carafano—again citing it as a percentage of GDP—asserted that defense spending was at a “historical low.”

Spring also argued, in 2007, that “by historical standards” current investments in defense are “relatively modest.” This investment is particularly modest, he subsequently argued, when compared to outlays for defense as a percentage of GDP during World War II.

Increasing the defense budget in the manner that advocates propose would, they assert, be affordable. The premise of this argument is that entitlement programs, rather than defense spending, are driving America’s debt to levels that fiscal conservatives would widely acknowledge to be alarming. Eaglen, Spring, and Carafano argued, “Congress needs to find a solution to the entitlement spending problem quickly... defense is not the problem with the budget, and cutting defense spending is not the solution.”

However, according to Talent, the competition between defense and entitlement spending as budget priorities need not threaten the country’s fiscal health because increasing the former is a solution to the latter. “[Four Percent for Freedom] would also have a positive impact on our long-term fiscal position,” he contended in his National Review essay, because “it would focus debate about the deficit squarely where it belongs: on entitlement programs.” After Congress adopts a four percent of GDP minimum for defense spending, it will clear the way for entitlement reform that would leave “more than enough money for defense.”

A corollary to the affordability argument behind Four Percent for Freedom is the premise that it would have little detrimental impact on America’s economy. The proposal amounts to a relatively small amount of economic activity and that the American people spend a great deal more on a variety of consumer products. For instance, arguing that defense spending will not overburden the economy (as a plurality of respondents to a Gallup poll had thought), Baker Spring noted, “the U.S. spends less on national defense than the total amount it spends on alcoholic beverages, tobacco, cosmetics and similar products, entertainment, and restaurants.” Talent made the case more broadly, asserting that increased defense spending would reassure financial markets that the U.S. military was prepared to ensure global stability—thus reducing risk in the international economy that would promote economic growth at home. “Even a small positive impact on the economy,” he claimed, “would more than pay for the additional investment in military capability.”

Military preparedness—or, more accurately, military readiness—is another consistent theme in the case for Four Percent for Freedom. First, proponents point out, absent a four percent of GDP spending floor, the U.S. military is in danger of becoming a “hollow force.” A military force is hollow, according to Eaglen, when readiness declines because insufficient funds are available to simultaneously train and equip forces, support ongoing operations, and modernize weapon systems. Many consider the post-Vietnam War U.S. military to be an example of a hollow force, and both Eaglen and Talent cite an incident from that era to highlight the need for large increases in defense spending today. They mention the Captain of the U.S.S. Canisteo, who refused to put the ship out to sea because he felt his sailors had received inadequate training due to insufficient funding. The remedy for these ills, according to Four Percent for Freedom supporters, was the massive increases in defense spending Ronald Reagan instituted upon taking office in 1981. “The effect was electric,” Talent wrote. “Military morale skyrocketed. Training improved, and the Pentagon was able to recapitalize its [ships, planes, and vehicles] with equipment that used the latest technology and was therefore less vulnerable and more lethal.”

Second, supporters of Four Percent for Freedom observe, the 1990s represented a “procurement holiday” where concerns about readiness due to reduced spending had the effect of displacing funds for modernization. Eaglen stated that as a result of reduced procurement spending, “much of the military’s equipment is too old and increasingly unreliable.” Talent wrote, “Without a substantial increase in spending, beginning now and sustained over the next five to ten years... the U.S. will be unable to modernize forces to the degree necessary to preserve its security with the necessary margin of safety.”

The need to increase defense spending—and the need for military readiness—is ultimately about the purpose for which the military is to be used. It is about strategy. And the strategy behind plans such as Four Percent for Freedom can best be described as “primacy.” Military primacy suggests that the United States should have forces that can be used at any time, anywhere on the planet. Ostensibly, having such forces will obviate the need to use them because potential aggressors will be deterred by overwhelming U.S. military superiority. This

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level of military power is not necessary to protect the United States itself, given its nuclear retaliatory capability and favorable geography—with weak, friendly neighbors to its north and south and large oceans to its east and west. Instead, military primacy assumes a single, dominant power is necessary to secure the global commons, thus ensuring international trade flows that benefit the U.S. economy, and to prevent regional conflicts that could disrupt economic activity by deterring aggressive attempts at territorial revisionism. With threats to their physical safety deterred, other countries within the system are free to focus on peaceful economic activity rather than building military forces of their own.

Advocates of a minimum spending level for defense rarely articulate this strategy explicitly. For example, in the foreword to the compilation of Heritage Foundation essays on Four Percent for Freedom, then-Heritage president Edward Feulner described the United States as a global power with global interests. Talent, in his National Review essay, wrote, “The War on Terror will eventually end, but the need for American strength will not.” In their 2014 white paper, Talent and Louisiana Governor Bobby Jindal refer to their strategy as America’s post-World War II “national defense consensus.” However, the most explicit call for this strategy comes from Mackubin T. Owens, a professor at the Naval War College. In an article calling for defense spending equivalent to 4.5 percent of GDP, Owens argues that primacy is necessary to maintain a liberal international order. He further postulates that, because “order in world politics is typically created by a single dominant power,” the United States must ramp up defense spending to ensure it remains the most dominant military power in the international system.

The architects of Four Percent for Freedom and similar concepts are motivated by honorable convictions and a great deal of thought. Yet, are the perceived benefits of larger defense budgets likely to materialize? Are the arguments advanced in their favor persuasive? The following analysis seeks to demonstrate that in both cases, the answer is no.

III. The Case Against Four Percent for Freedom

In this section I explain why each pillar in the Four Percent proposal is either misleading or based on faulty assumptions. First, I explain why comparing the percentage of GDP dedicated to defense across different periods of time creates misconceptions. Next, I discuss the likely fiscal and economic impact of spending a minimum of four percent of GDP on defense. In the third section, I discuss why perpetually increasing the defense budget is unlikely to improve U.S. military readiness because it fails to address how defense spending is allocated or the organizational prerogatives of the military services. Finally, I explain why the massive defense spending increases will undermine the “Four Percenters” preferred strategy.

1. Measuring Defense Spending

Comparing defense spending from different historical periods using percentage of GDP can misrepresent what is being spent at any given time. The period following the Vietnam conflict, referred to pro-Four Percent analysis, is instructive. In FY 2007, defense spending was 3.8 percent of GDP. In FY 1976, at the nadir of the post-Vietnam drawdown, it was 5 percent of GDP. However, 3.8 percent of GDP in FY 2007 amounted to $634 billion, while 5 percent of GDP in FY 1976 comes to $369 billion when adjusted for inflation. The disparity in percentage of GDP spent on defense is because the size of the economy nearly doubled in real terms over the three decades in between.
As long as the economy grows at a faster rate than the defense budget, spending will appear to decrease as a percentage of GDP. As Chart 1 shows, even with the massive increase in defense spending that followed September 11th, the gap between outlays for national defense and defense spending as a percentage of GDP continued to grow.\textsuperscript{44} To illustrate the point, defense outlays averaged 7.5 percent of GDP on a yearly basis during the Cold War. Yet the yearly average for defense outlays during the same period was $439 billion.\textsuperscript{45} In FY2014, defense outlays amounted to 3.5 percent of GDP but were $198 billion higher than the Cold War average.\textsuperscript{46} Historical comparisons of defense spending using percentage of GDP do not properly explain what is actually spent on defense today.

2. Starving the Entitlement Beast?
“Four-Percenters” applaud President Ronald Reagan’s defense build-up. However, they should not overlook the fiscal impact of Reagan’s defense spending increases. Government debt doubled between 1981 and 1986; during those years outlays for national defense rose much faster than those for entitlements. The exploding deficits of the early 1980s required legislative fixes in 1985 and 1987—including statutory limits on spending.\textsuperscript{47} They similarly attempt to downplay the effect that establishing a minimum for defense spending at four percent of GDP will have on America’s debt burden today. While the proponents of Four Percent for Freedom are quite correct that entitlement programs are driving spiraling deficits, that problem cannot be wished away by claiming that higher defense spending would focus attention on entitlement reform.

Such a claim is erroneous for two unfortunate reasons. First, for better or worse, entitlement programs enjoy popular support from the American people. Polling in recent years shows that more Americans than not were willing to cut military spending in deficit reduction efforts to preserve entitlements.\textsuperscript{48} Second, as economist William Niskanen demonstrated, attempts to “starve the beast” do not work. As long as the American people demand entitlement programs, increases in defense spending will be made in addition to—rather than instead of—entitlement spending.\textsuperscript{49}

Examining projections of defense spending at four percent of GDP illustrates the fiscal impact of the proposal. Assuming Four Percent for Freedom became established policy by 2020, spending on defense for that year alone would be $810 billion based on CBO’s GDP projections.\textsuperscript{50} That amount will be $234 billion above the Budget Control Act spending limit for that year. The picture of increasing debt worsens when projecting defense spending over the following five years. According to CBO, deficits between 2015 and 2024 will total $7.6 trillion.\textsuperscript{51} Once again using CBO projections of GDP, Four Percent for Freedom would require more than $4.2 trillion in defense spending between 2020 and 2024.\textsuperscript{52} As Chart 2 shows, assuming economic growth remains in line with CBO projections, that $4.2 trillion will be $1.2 trillion higher than projected defense spending over the same period based on its analysis of the 2014 Future Years Defense Program.\textsuperscript{53}

Increasing debt will ultimately have a negative impact on the economy. Yet, “Four-Percenters” downplay the impact of defense spending on the economy by noting its affordability.\textsuperscript{54} Though it may be affordable compared to other federal undertakings, defense spending is still a net drag on the economy. As economists such as Benjamin Zycher have demonstrated, because every dollar of federal spending must first go through the tax system, every dollar spent on defense costs the private sector around $1.35.\textsuperscript{55} It is therefore defensible to argue that the actual economic impact of Four Percent for Freedom is 5.4 percent of GDP. As Chart 3 shows, using the example of defense spending in FY 2020 mentioned above, the economic burden of $810 billion in defense spending would amount to $1.09 trillion—as opposed to $777 billion if defense spending remains at the Budget Control Act spending limit for that year. Talent argues that the U.S. will not pay a price for the proposed increase in defense spending because the resulting stability provided by additional military capability will spur invest-
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ment and economic growth at home. However, research by political scientists Eugene Gholz and Daryl Press has found that the economic effects of foreign wars on neutral third parties are limited because the neutral party responds to disruptions by finding alternative trading partners. \(^{56}\) Their research suggests that the United States spent far more on its military even before the post-September 11th military build-up than it was likely to have lost should a foreign war disrupt international economic activity. \(^{57}\) More recently, political scientist Daniel Drezner finds that military primacy does not necessarily redound to domestic economic benefits. He argues that security is a prerequisite for economic gain, but military primacy can undo the economic benefits of security. \(^{58}\) A hegemonic power that must frequently flex its muscles can actually undermine itself. With the United States already largely secure from military threats, and U.S. military activity abroad a regular occurrence since the collapse of the Soviet Union, the economic benefits Talent suggests are likely to prove illusory while the economic burden proves all too real.

3. **Allocating Defense Dollars**

Even if the economic burden is limited, taken at face value, the argument that the capacity exists to perpetually increase defense spending at four percent of GDP still fails because the *affordability* of defense spending says little about the *wisdom* of how it is spent. "Four-Percenters" demonstrate an admirable concern for military readiness. But, they assume more money will solve potential readiness problems in today's military, rather than looking at how money is allocated. According to defense analyst Todd Harrison, the military services lack proper metrics for determining readiness. Harrison demonstrates that the military's system for measuring readiness is based entirely on "inputs" for which funding serves as a proxy. \(^{59}\) He argues that without knowing how funding levels relate to mission performance, there is no way to know whether the military has sufficient or insufficient resources. \(^{60}\) Harrison's research suggests that the "hollow force" that some have cited as a concern may simply indicate a misallocation of funds. Where problems do exist, increasing the budget in line with economic growth may paper over such a misallocation at continually greater expense to American taxpayers.

Where problems do exist, increasing the budget in line with economic growth may paper over such a misallocation at continually greater expense to American taxpayers.

Four Percent for Freedom also exacerbates problems with status quo bias in Pentagon strategic planning that increases the chances the military services will be unprepared for emerging threats. Whether or not some post-Cold War "procurement holiday" left the military unprepared for future operations, reductions in defense spending were always likely following the Reagan defense build-up. \(^{61}\) In fact, Department of Defense budget authority began to drop before the Soviet collapse—peaking in 1986 at over $592 billion. \(^{62}\) While spending did decline in
real terms, as Chart 4 shows, the post-Cold War drawdown was relatively gradual compared to past postwar drawdowns. Political scientist Harvey Sapolsky and others have argued that the relative resource stability of the gradual drawdown reinforced the military services’ preferences when it came to force structure and weapon systems.

The organizational preferences of the military services would have likely meant preservation of more of their Cold War force structure given additional funding during the 1990s, rather than preparation for the wars fought in the early 2000s. The military services have organizational cultures, or as the late RAND Corporation defense analyst Carl Builder described them, “personalities.” According to Builder, these personalities, not strategy or national interest, determine the services’ priorities in purchasing weapon systems and planning force structure. Given the inherent unpredictability of future conflicts, creating a minimum for defense spending at four percent of GDP means increased funds would likely go to [the services] organizational priorities rather than a variety of likely threats.

U.S. Army priorities since the end of the Vietnam War illustrate the way increased funding often serves organizational prerogatives rather than preparation for new challenges. Following Vietnam, the Army left counterinsurgency behind and reoriented for its preferred way of fighting. Military analyst Andrew Krepinevich calls this way of fighting the “Army Concept.” As Krepinevich defines it, the Army Concept has two characteristics: emphasis on conventional war and reliance on heavy firepower to avoid Army personnel losses. The Army made a number of doctrinal advances during the lean budget years of the 1970s in preparing for a conventional war in Europe with the Soviet Union. Though, instead of diversifying to include both conventional warfare and counterinsurgency capabilities during the flush years of the Reagan military build-up, the service worked to erect political barriers (in the form of the Powell-Weinberger doctrine) to ensure it would avoid the latter. Two decades later, even as it

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bore the primary burden of two counterinsurgency efforts in Iraq and Afghanistan, the post-September 11th defense spending “gusher” and routine supplemental war appropriations allowed Army modernization efforts to continue in line with the service’s preferred style of warfare. During the “procurement holiday” of the 1990s, increased funding could very well have preserved programs such as the Comanche helicopter or Crusader howitzer, which fit the services’ inclination toward conventional warfare—not the counterinsurgency missions it ultimately fought.

The character of future conflicts will always remain unknowable. Analysts today discuss the need to contend with challenges such as hybrid warfare and anti-access/area denial capabilities. While these are plausible threats that the U.S. military may face someday in a conflict, the 1990s conventional warfare with Iraq and North Korea was thought to be quite plausible as well. Instead, the military fought a brief land campaign (Iraq) and two counterinsurgency campaigns (Iraq and Afghanistan) over the subsequent decade. Continuously increasing defense spending in line with economic growth might build a military eminently capable of fighting one potential type of conflict. It is just as likely to provide exquisite capabilities for a military ill prepared for the type of conflict that does occur.

4. Undermining Grand Strategy
How the military plans its forces is ultimately a question of how, and for what purpose, military force might be used—which comes down to strategy. As noted earlier, calls for perpetually increasing defense spending serve a strategy of primacy, based on the assumed need for a single overarching power to provide stability in the international system by deterring aggression and protecting access to the global commons.

Strategy prioritizes resources to link means to political ends. While “means” can be defined as political, diplomatic, economic, or military, the latter often takes priority because military capabilities are the most costly and military threats are the most dangerous. The “Four-Per-centers” strategic goal is a liberal international political and economic order. It is a worthy goal, but they wrongly assume that more military means will ultimately lead to the stability and security necessary for the international order they seek.

Recent scholarship suggests that attempting to provide international stability through military primacy does not provide the return on investment its proponents claim. In fact, the opposite is likely true. Daniel Drezner’s research, mentioned earlier, on the supposed economic benefits of military primacy indicates there are diminishing marginal returns on investments in military power.

According to Drezner, the maintenance of stability by a single overarching power requires both military and economic primacy. When investments are made in the former to the detriment of the latter, it creates the perception that economic primacy is waning and will negate the salutary effect military primacy ostensibly has on stability in the international system. Drezner’s findings suggest that shoring up the domestic foundations of economic growth provides a better foundation for international stability than further investments in military capabilities.

Shoring up the domestic foundations of economic growth provides a better foundation for international stability than further investments in military capabilities.
There is already a large gap between what the United States spends on its military and what states hostile to U.S. interests spend on theirs. As Chart 5 shows, the United States spent nearly as much on defense as the next fourteen countries combined in 2014. Of those fourteen countries, eight were U.S. allies or partners and four others maintain generally friendly relationships with Washington. Chart 6 demonstrates that U.S. defense spending in 2013 dwarfed that of countries hostile to the United States. Even China, the closest competitor to the United States does, and will continue to, spend far less even on its military. As Chart 7 shows, even assuming China can maintain ten percent annual increases in its defense budget over the next five years, Beijing would still spend over $1.8 trillion less on its military than the United States would if U.S. military spending remains in line with the limits mandated by the Budget Control Act. Under this same estimate, if Four Percent for Freedom became policy by FY 2020, in that year alone, the United States would spend $590 billion more than China is likely to spend on defense.

Even under the Budget Control Act spending limit that same year, Washington would spend $356 billion more on its military than Beijing would on the People’s Liberation Army. As Drezner notes, if the current disparity in military spending is not enough to deter recent assertiveness by China, Russia, or Iran, it is because military primacy has passed the point of diminishing returns and the uncertainty about the U.S. economy will feed the perception that American power is waning.

If strategy is about prioritizing resources to link means to political ends, then Four Percent for Freedom is at best counterproductive. It assumes building more military “means” is the key to accomplishing its desired political end. Instead of improving the ability of the U.S. military to provide stability in the international system, it would undermine the economic foundations of American power at home. The price the American people would likely pay for this counterproductive strategy is an additional $1.2 trillion in debt in the half decade after the policy goes into effect.

Conclusion

Linking defense spending to GDP is a useful rhetorical device for analysts, politicians, and candidates who wish to increase the Pentagon’s budget. Citing the defense budget as a percentage of GDP allows proponents of increased defense spending to portray as dangerously low budgets that grow at a slower rate than the economy as a whole. It also allows them to make misleading historical comparisons to levels of defense spending when GDP was a fraction of the size that it is today. Moreover, creating a GDP-linked minimum for the defense budget is based on faulty fiscal and economic assumptions that will serve to push the country’s debt burden higher. Strategically, Four Percent for Freedom is counterproductive. It assumes more military means are the key to achieving political ends, examining neither the proper allocation of defense dollars, nor the impact of perpetually increasing the defense budget on the ability of the United States to provide stability in the international system. “Four-Percenters” call for “more” at the expense of American taxpayers, the country’s fiscal health, and sound strategy.
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Proponents of the idea suggest the minimum need not be absolute and the most recent is Colin Dueck, see Congressional Budget Office [hereafter CBO], Budget and Economic Strategies of Containment: A Critical Appraisal of American National Security Policy During the Cold War (New York: Oxford University Press, 2005), 91.


Gaddis, Strategies of Containment, 98. Figures in then-year dollars.


Romney’s campaign later claimed four percent was a “goal” that might not be reached during his first term. See Gopal Ratnam, "Romney Wouldn’t Meet Defense Spending Pledge for Years," Bloomberg, October 22, 2012, available at http://www.bloomberg.com/news/articles/2012-10-22/romney-wouldn-t-meet-defense-spending-pledge-for-years. Eaglen had by that point left Heritage and moved to the American Enterprise Institute.

For example, Heritage Senior Research Fellow Dakota Wood recently wrote in reference to spending a ‘fixed percentage’ of GDP on defense: “percentage of GDP does not accurately reflect security requirements per se any more than the size of the budget alone correlates to levels of capability... just because the economy changes over time does not mean that defense spending should increase or decrease in lock-step by default.” See Dakota L. Wood, “An Assessment of U.S. Military Power,” 232, in “2015 Index of U.S. Military Strength,” February 2015 (Washington DC: Heritage Foundation) available at: http://index.heritage.org/militarystrength/.


As of this writing Jindal is polling at zero percent nationally, according to Quinnipiac. See Quinnipiac University Poll, September 24, 2015, available at http://www.quinnipiac.edu/images/polling/us/us09242015_ui47mfb.pdf.


Baker Spring, "Ten Myths About the Defense Budget,” March 30, 2007, Backgrounder No. 2022 (Washington, DC: Heritage Foundation): 1. However, Spring also makes many commendable arguments on behalf of military retirement and health care reforms, as well as reforms to major entitlement programs.

Spring, “Ten Myths About the Defense Budget,” 2.

Carafano, Spring, and Eaglen, “Four Percent for Freedom,” 2. National Taxpayers Union Foundation fully agrees with and recognizes the urgent need for entitlement reform that avoids ruinous tax increases.


Ibid, 35.

Spring, “Ten Myths About the Defense Budget,” 2.


33 Ibid.
34 In international relations theory, the idea that a single power dominating the international system will provide international stability is called hegemonic stability theory. For the classic work on hegemonic stability as it relates to international security, see Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1983).
39 Ibid., 311-313.
40 OMB, Historical Tables, Table 6.1.
41 Ibid.
42 Ibid.
43 Calculated using historical data on GDP from the Department of Commerce Bureau of Economic Analysis, "Interactive Tables, Table 1.1.5, available at http://bea.gov/iTable/iTable.cfm?ReqID=9&step=1&step=9&step=3&isuri=1&903=5. Figures adjusted for inflation using BLS, "CPI Inflation Calculator."
44 OMB, Historical Tables, Table 6.1.
46 Ibid. The FY 2014 figure includes spending on Overseas Contingency Operations.
48 At the end of 2013, Pew found that 68 percent of Americans said entitlements should not be included in deficit reductions efforts, while 51 percent said military spending should be. See "In Deficit Debate, Public Resists Cuts in Entitlements and Aid to Poor," Pew Research Center, December 19, 2013, available at http://www.people-press.org/2013/12/19/in-deficit-debate-public-resists-cuts-in-entitlements-and-aid-to-poor/. Recent research has also shown that younger Americans are more skeptical about defense spending than older generations. See A. Trevor Thrall and Erik Goepner, "Millenials and U.S. Foreign Policy: The Next Generation's Attitudes toward Foreign Policy and War (and Why They Matter)," June 16, 2015 (Washington, DC: Cato Institute): 11.
50 CBO, *Budget and Economic Outlook*, Supplemental Data, Figure 2.1.
52 CBO, *Budget and Economic Outlook*, Supplemental Data, Figure 2.1.
53 Figures calculated using GDP projections from CBO, *Budget and Economic Outlook*, Supplemental Data, Figure 2.1; and CBO, *Long-Term Implications of the 2015 Future Years Defense Program* (November 2014), 9, https://www.cbo.gov/publication/49483. CBO projects approximately 2 percent real growth in the defense budget between 2019 and 2024. The total for defense spending between 2020 and 2024 under CBO’s projection would therefore equal approximately $3 trillion. This estimate does not include possible supplementary war funding.
54 See Justin Logan and Benjamin H. Friedman, "Why the U.S. Military Budget Is 'Foolish and Sustainable'," *Orbis* 56, no. 2 (Spring 2012): 177-91.
57 Ibid, 1, fn 3. Writing in 2001, before the increase in military spending following September 11th, Gholz and Press suggested that forgoing investments in the type of military forces for global stability might save between $70 and $150 billion (in 2001 dollars).
59 Todd Harrison, "Rethinking Readiness," *Strategic Studies Quarterly* 8, no. 3 (Fall 2014): 41-42.
60 Harrison, "Rethinking Readiness," 51-52.
63 Gholz and Sapolsky, "Restructuring the U.S. Defense Industry," 15, Table 2. Originally in 1996 dollars, figures have been adjusted for inflation using the BLS, "CPI Inflation Calculator."
64 Harvey M. Sapolsky, Benjamin H. Friedman, and Brendan Rittenhouse Green, *U.S. Military Innovation since the Cold War: Creation without Destruction* (New York: Routledge, 2009), 4.


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This estimate does not include some spending for internal security and research and development that might have some military applications. See IISS, Military Balance 2015, 212–217 & 237.

Based on CBO, Budget and Economic Outlook, Supplemental Data, Figure 2.1.

Drezner, “Military Primacy Doesn’t Pay (Nearly as Much as You Think),” 73–74, 79.

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Based on CBO, Budget and Economic Outlook, Supplemental Data, Figure 2.1.

Drezner, “Military Primacy Doesn’t Pay (Nearly as Much as You Think),” 77.
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