U.S. National Security
Budgets in Context

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Overview of Discussion

- U.S. budget for national defense
- National defense budget in perspective
- Total U.S. federal budgets for security and foreign affairs
- Economic and fiscal pressures on future budgets for national defense
  - The recent recession
  - Longer-term federal fiscal pressures
# National Defense Budget

Budget Authority in Billions of Current Dollars

<table>
<thead>
<tr>
<th>Budget Function</th>
<th>FY 10</th>
<th>FY 11 request</th>
</tr>
</thead>
<tbody>
<tr>
<td>051 Department of Defense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>non-war</td>
<td>534</td>
<td>553</td>
</tr>
<tr>
<td>war</td>
<td>163</td>
<td>159</td>
</tr>
<tr>
<td>053 DOE Atomic Energy</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>054 Other Departments’ Defense-Related</td>
<td>7</td>
<td>8</td>
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<tr>
<td>050 Total National Defense</td>
<td>722</td>
<td>739</td>
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</tbody>
</table>
U.S. National Defense Spending in Perspective
Fiscal Year 2011, including cost of wars

- Nearly half of total world defense spending
- 19 percent of federal outlays
- 53 percent of federal discretionary outlays (annual appropriations)
- 4.9 percent of gross domestic product (GDP)
- Excluding the costs of wars, about 50 percent higher in real terms than in 2000
- Including the costs of wars, about 90 percent higher in real terms than in 2000
- Higher in real dollar terms than at any time since World War II
- Significantly lower as a share of GDP than Cold War average
Federal Outlays for FY 2011
Total $3.8 Trillion

- National defense
- Medicare
- Medicaid
- Other mandatory
- Interest
- Social Security
- Non-defense discretionary

Image by MIT OpenCourseWare.
U.S. Outlays for National Defense
(Billions of Constant FY 2011 Dollars)
U.S. Outlays for National Defense
(Share of GDP)
## Budgets for Security and Foreign Affairs

Budget Authority in Billions of Current Dollars

<table>
<thead>
<tr>
<th></th>
<th>FY 2001</th>
<th>FY 2010 Estimate</th>
<th>FY 2011 Request</th>
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<tbody>
<tr>
<td><strong>National Defense</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Excluding Iraq and Afghanistan</td>
<td>318</td>
<td>559</td>
<td>580</td>
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<tr>
<td>Iraq and Afghanistan</td>
<td>0</td>
<td>163</td>
<td>159</td>
</tr>
<tr>
<td>Total National Defense</td>
<td>318</td>
<td>722</td>
<td>739</td>
</tr>
<tr>
<td><strong>Homeland Security</strong></td>
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<tr>
<td>Total Homeland Security</td>
<td>17</td>
<td>71</td>
<td>73</td>
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<tr>
<td>HS Spending in DoD</td>
<td>4</td>
<td>19</td>
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<tr>
<td>Homeland Security Net of DoD</td>
<td>13</td>
<td>52</td>
<td>53</td>
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<tr>
<td><strong>International Affairs</strong></td>
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</tr>
<tr>
<td></td>
<td>20</td>
<td>67</td>
<td>65</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>351</td>
<td>841</td>
<td>857</td>
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</tbody>
</table>
U.S. National Security Budgets

• In nominal terms (without adjusting for inflation), total national security budgets are nearly 2.5 times higher today than in 2001.
• In real terms, they are about 90 percent higher than in 2001.
• Excluding war costs, national security budgets are nearly 60 percent higher in real terms than in 2001.
• Homeland security saw the largest percentage rise in spending.
• US spends more than ten times as much on military as on homeland security or on nonmilitary instruments of foreign policy.

MIT Security Studies Program
September 2010
Federal fiscal picture exerts downward pressure on defense

- Fiscal costs of recent recession
  - Bank bailouts, stimulus, unemployment compensation
  - Lower revenues
- Large federal deficits and growing debt
- Rising cost of federal entitlement programs, especially health care
- Retirement of baby boomers on the horizon
U.S. Federal Surplus (+) or Deficit (-)  
As Share of GDP

Source: OMB, CBO

MIT Security Studies Program  
September 2010
U.S. Federal Debt (Share of GDP)

Source: OMB, CBO

MIT Security Studies Program
September 2010
Revenues and Primary Spending, by Category, Under CBO's Long-Term Budget Scenarios

(Percentage of gross domestic product)

Extended-Baseline Scenario

Alternative Fiscal Scenario

Source: Congressional Budget Office.

Notes: Primary spending refers to all spending other than interest payments on federal debt.

The extended-baseline scenario adheres closely to current law, following CBO's 10-year baseline budget projections through 2020 (with adjustments for the recently enacted health care legislation) and then extending the baseline concept for the rest of the long-term projection period. The alternative fiscal scenario incorporates several changes to current law that are widely expected to occur or that would modify some provisions that might be difficult to sustain for a long period. (For details, see Table 1-1 on page 3.)

CHIP = Children's Health Insurance Program.
Federal Debt Held by the Public Under CBO’s Long-Term Budget Scenarios

Percentage of Gross Domestic Product

- Actual
- Projected

- Alternative Fiscal Scenario
- Extended-Baseline Scenario

Years: 2000 - 2035
Measures to avert unsustainable level of federal debt

• Increase revenues above projections
• Rein in entitlement spending
• Rein in discretionary spending

Probably a combination of the three
Will surely include reductions in defense as share of GDP, probably in real terms as well
Defense also faces cost pressure from the inside

- Future costs of wars
- Military & civilian pay raises above inflation
- Rising costs of health care for military and civilians employees
- Rising costs of weapon systems
- Rising operating & maintenance costs for aging and new weapon systems
## President’s Plan for DoD

Discretionary Budget Authority, Current $ Billions

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Non-war</th>
<th>War</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>513</td>
<td>146</td>
<td>667</td>
</tr>
<tr>
<td>2010</td>
<td>531</td>
<td>163</td>
<td>693</td>
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<tr>
<td>2011</td>
<td>549</td>
<td>159</td>
<td>708</td>
</tr>
<tr>
<td>2012</td>
<td>566</td>
<td>50</td>
<td>616</td>
</tr>
<tr>
<td>2013</td>
<td>582</td>
<td>50</td>
<td>632</td>
</tr>
<tr>
<td>2014</td>
<td>598</td>
<td>50</td>
<td>648</td>
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<tr>
<td>2015</td>
<td>616</td>
<td>50</td>
<td>666</td>
</tr>
</tbody>
</table>
What do the fiscal pressures portend for the US military?

- Cancellation of systems with weak performance or big cost and schedule overruns
- Stretch-outs of equipment modernization programs
- Belt-tightening concurrent with drawdown of forces in Iraq and Afghanistan?
- Reductions in size of force?
- Changes in allocation of budgets among the services?
Backup Charts
## CBO’s Projections under Current Law

<table>
<thead>
<tr>
<th>Percentage of Gross Domestic Product</th>
<th>Today</th>
<th>2035</th>
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</thead>
<tbody>
<tr>
<td>Federal Spending on Major Mandatory Health Care Programs</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Spending on Social Security</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10</strong></td>
<td><strong>16</strong></td>
</tr>
</tbody>
</table>
The Population Age 65 or Older as a Percentage of the Population Ages 20 to 64
Spending for Social Security Under CBO’s Long-Term Budget Scenarios

Percentage of Gross Domestic Product

Actual | Projected

Mandatory Federal Spending on Health Care, by Category, Under CBO’s Extended-Baseline Scenario

Percentage of Gross Domestic Product

Actual  Projected

Medicaid, CHIP, and Exchange Subsidies

Medicare

Sources of Growth in Federal Spending on Major Mandatory Health Programs and Social Security, 2010 to 2080

Percentage of Gross Domestic Product

Effect of Excess Cost Growth

Effect of Aging

In the Absence of Aging and Excess Cost Growth