Want to Fix the Deficit? Bring Home the Troops

Doug Bandow

May 28, 2020

In active foreign policy is costly. Intervention requires aid programs, trade initiatives, and diplomatic personnel. Reliance on the military is especially expensive. What are described as "endless" wars post-9/11 are expected to eventually cost, including veterans' care, more than $6 trillion. And combat is not over: Approximately 12,000 service members are posted in Afghanistan, though the number is dropping under the peace accord with the Taliban, and some 6,000 troops remain in Iraq. A few hundred work in Syria, while special operations forces have been deployed in Yemen. Peacetime deployments, some permanent, some temporary, also create a significant, ongoing burden. For instance, the United States currently stations some 78,000 troops in East Asia, as many as 65,000 in the Persian Gulf, about 35,000 in Europe, and 6,000 to 7,000 in Africa. Additional units in the United States back up these commitments. Every military alliance and relationship requires additional force structure, wherever the troops are deployed at any given time.

The financial burdens of this activist military policy had been growing difficult to bear long before the economic crisis created by the coronavirus pandemic. In June 2019, the Congressional Budget Office forecast trillion-dollar annual deficits as far as the eye can see. The agency warned: "Large budget deficits over the next 30 years are projected to drive federal debt held by the public to unprecedented levels—from 78 percent of gross domestic product (GDP) in 2019 to 144 percent by 2049." For comparison: Greece was at a similar deficit level when it was battered by its own debt crisis in the wake of the global financial crisis. If interest rates in the United States grow by just 1 percent, in three decades the federal government's debt will run 199 percent of GDP. However, well before that level is reached, Washington would risk what the Congressional Budget Office terms "a fiscal crisis—that is, a situation in which the interest rate on federal debt rises abruptly because investors have lost confidence in the U.S. government's fiscal position." This would greatly intensify the fiscal crunch.

With the ongoing economic collapse and massive federal bailouts, the federal financial situation has dramatically worsened. At the end of April, the budget office projected a 12 percent drop in real GDP this quarter, an unemployment rate of 14 percent, a likely annual deficit of $3.7 trillion in 2020 and $2.1 trillion next year, and debt at 101 percent of GDP by the end of the fiscal year. Those numbers may well rise. The Manhattan Institute's Brian Riedl believes the red ink might even hit $4.2 trillion this year. If so, Washington will borrow more this year than during 2014 to 2019 combined.

States also face enormous economic pressures. Most are forced to at least nominally balance their budgets, as only Uncle Sam has a printing press, but their pension funds, which collectively faced a $1 trillion funding hole at the start of the year, are likely to have $1.5 trillion to $2 trillion in unfunded liabilities by December. Some states, most notably Illinois, Kentucky, and New Jersey, already are at risk. The Democratic House has proposed including a state bailout in its proposal for another $3 trillion in aid.

The debt tsunami cannot continue indefinitely. Last year, Washington spent $4.4 trillion, of which nearly a quarter was borrowed.

There are no simple solutions. Congress is unlikely to raise taxes. In 2017 the federal budget was awash in red ink, but Congress passed a large tax cut. Making ends meet was pushed even further into the future, when government programs presumably would be paid by someone somehow sometime. The alternative is to scale back spending programs—but there isn't much to cut. Domestic discretionary outlays, which Congress normally targets when intent on reducing expenditures, ran only $661 billion in 2019. These expenditures, at 6.3 percent of GDP, already were below their historical average, 8.4 percent over the last half-century, and wiping out everything would still leave a deficit. A trillion dollars went for Social Security and $644 billion for Medicare last year—both of which make up the traditional, untouchable third rail of U.S. politics. Although proposals for reform abound, President Donald Trump has refused to trim either, and progressive activists continue to push for benefit increases. Other mandatory entitlement programs, with benefits set by law, constituted $642 billion. Medicaid ran $409 billion; it already provides the lowest reimbursement rates of any government program or private health insurance. Net interest payments came to $375 billion. Interest rates have nowhere to go but up, and these outlays cannot be cut without repudiating the debt.

Meanwhile, last year's military budget was $676 billion. Today most of that is "defense" only in the sense of protecting allies, many of which can defend themselves and little of which can be considered essential for this nation's security. (Of course, the United States has other less-than-vital interests, in stability, for instance, and thus the defeat of a group like the Islamic State. Yet Washington, too, has proved to be a major force for instability—as in the cases of Iraq and Libya.) Americans may not mind their government turning military alliances into welfare programs when the United States dominates the global economy. But the calculations change when the federal government is racing toward insolvency.

Americans may not mind their government turning military alliances into welfare programs when the United States dominates the global economy. But the calculations change when the federal government is racing toward insolvency.

In another decade or two, when entitlements are competing with the national debt in spiraling upward, priorities will finally have to be set. And missions that are not essential, such as engaging in nation-building and protecting prosperous, populous allies, are likely to lose out.

Some right-leaning hawks acknowledge the imminent fiscal crunch but blame social programs. The answer they argue, is simple: entitlements, not the Pentagon, should be slashed. Alas, they have yet to find a credible presidential candidate willing to make that case. Liberal interventionists have an even bigger problem, as most leading progressives want to spend more, much more, on domestic priorities. Creating "Medicare for All" and wiping out student debt would cost trillions of dollars. Despite the veneer of moderation retained by former Vice President Joe Biden, the presidential candidate has shifted leftward to bolster his support among activists.

The bipartisan advocates of promiscuous intervention are likely to resist any military cutbacks. However, once a fiscal crisis hits, dramatic and rapid if not instant reductions will be required. That risks creating a dangerous mismatch with international objectives.

Doug Bandow is a senior fellow at the Cato Institute. A former special assistant to President Ronald Reagan, he is the author of several books, including Tripwire: Korea and U.S. Foreign Policy in a Changed World.