



How Will America's Borrow And Spend Politicians Pay For An Imperial Foreign Policy?

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During the Cold War Republicans took the lead in pushing for ever-increasing military outlays. Pushing expenditures upward was one of President Ronald Reagan's priorities and led to constant battles with the Democratic House. Today, however, GOP members are pushing on an open door.

Last year Congress passed a record \$858 billion Pentagon spending bill. This number didn't include important national defense expenditures, such as for nuclear programs, which lie within the Department of Energy. When a few Republicans pushed for cuts during the January speakership stand-off, Democratic as well as GOP hawks vilified the holdouts.

Virginia's Abigail Spanberger, a CIA officer turned legislator warned of multiple Armageddons: "As the Chinese Communist Party is increasing its military spending, Ukraine is under siege, and Iran and North Korea are watching, cutting our nation's defense spending is shortsighted and dangerous." Tom Malinowski, a progressive Democratic member ousted in 2022, was similarly splenetic: "You can say all day to these people that if we gut defense spending and withdraw from global leadership, Putin and Xi Jinping will win, but they honestly don't care." Biden spokesman Andrew Bates contended that "This push to defund our military in the name of politics is senseless and out of line with our national security needs."

Such hysterics ignore reality. The US spends far more than its chief antagonists. The disparity grows vastly larger when outlays by Washington's allies in Asia, Europe, and the Middle East are included. America is the most secure great power ever, with oceans east and west and pacific neighbors north and south. The right question to ask is: Why do Americans spend so much to defend allies who spend so little?

After all, Russia has yet to best Ukraine while studiously avoided war with the US. The Europeans are more than capable of containing Moscow. China suffers from multiple weaknesses and does not threaten America militarily. Instead, Washington is attempting to impose its will on Beijing thousands of miles from home. Better for friendly states in the region, led by Japan, to steal China's anti-access/area denial strategy for their own defense. Iran and North Korea would

face destruction if they attacked America and can be contained by their neighbors, most important, respectively, Saudi Arabia and Israel, and South Korea.

Defense has been the federal government's most essential responsibility since the Founding. But when the Founders talked about such things, they meant protecting the American people, their lives, liberties, constitutional system, and territory. Alliances were a means to an end and, as George Washington famously warned, should not turn into permanent attachments: "nothing is more essential than that permanent, inveterate antipathies against particular nations, and passionate attachments for others, should be excluded."

Treating military alliances as foreign welfare wouldn't matter so much if the US Treasury was bulging, filling with cash faster than Congress was spending the funds. Alas, the federal financial cupboard is bare. Presidents and legislators of both major parties have pushed outlays and deficits ever upward, squandering the spoils.

The Republican Party no longer even makes a pretense of fiscal probity, having largely abandoned any attempt to slow expansion of the American welfare state. Democrats, long advocates of bountiful social programs, have increasingly become avid advocates of high military spending. Neither party wants to tax the middle class, where most of the money is. The result is ever more federal borrowing and indebtedness, making a fiscal crisis almost inevitable.

Even the most minimal constraints on federal deficit expenditures have been eroding at an accelerating rate. Absent significant policy changes, the Congressional Budget Office figures that the federal deficit will nearly double to \$2.9 trillion over the coming decade. That is *without* another hot war, pandemic, or financial crisis. Add one or more of those and the red ink would escalate even more dramatically.

But the coming decade is merely the start. As detailed by the agency: "federal deficits are large by historical standards: From 2023 to 2053, deficits average 7.3 percent of GDP, more than double their average over the past half-century. And deficits are projected to grow almost every year over the next three decades, reaching 10.0 percent of GDP in 2053. In the past 100 years, deficits have been that large only during World War II and the pandemic. The growth in deficits over the next three decades occurs as increases in spending—especially spending on interest, the major health care programs, and Social Security—outpace increases in revenues."

The result is frightening. Indeed, the CBO's latest report on the long-term budget outlook reads like a horror novel without the pictures. Explained the agency in early July: "If current laws governing taxes and spending generally remained unchanged, the federal budget deficit would nearly double in relation to gross domestic product (GDP) over the next 30 years, driving up federal debt, the Congressional Budget Office projects. In CBO's extended baseline projections, debt held by the public rises from 98 percent of GDP in 2023 to 181 percent of GDP in 2053—exceeding any previously recorded level and on track to increase further."

The economic burden would be enormous and could easily spiral toward crisis. Warned the agency: "Such high and rising debt would slow economic growth, push up interest payments to

foreign holders of U.S. debt, and pose significant risks to the fiscal and economic outlook; it could also cause lawmakers to feel more constrained in their policy choices.”

The latest estimate is slightly better than the numbers in the previous report because of the budget accord reached between the House Republican leadership and the Biden administration. Unfortunately, nothing ensures that the deal will hold through this year’s end-of-year budget machinations—the federal government’s fiscal year ends September 30—let alone 2024, with a bitter election campaign likely. If the GOP loses its narrow House majority, the balance of power will shift against any cuts. Or if Donald Trump, who currently leads the Republican presidential race, is elected, the GOP will join Democrats infirmly opposing entitlement reform.

Much else also could go wrong, dramatically worsening the budget picture in the coming decades. CBO cited several worrisome contingencies. If productivity grows .5 percent slower per year than predicted the debt to GDP ratio in 2053 would be 228 percent. If interest rates end up five basis points higher, the ratio would be 231 percent. If government borrowing reduces private investment at twice the predicted rate, the ratio would be 250 percent. Moreover, warned the agency, “[i]f, between 2023 and 2053, discretionary spending and revenues were at their 30-year historical averages as a percentage of GDP, then federal debt held by the public in 2053 would exceed 250 percent of GDP.”

Imagine if a combination of these factors occurs. Of course, events could turn out better than expected, but only a deranged optimist would see domestic politics, international affairs, and economic trends heading in a positive direction. And only a reckless fool would make policy as if “happy days are here again.”

Indeed, the US almost certainly would face a financial emergency well before debt levels grew so great. CBO’s latest estimate is that the debt-to-GDP ratio will run 144 percent in 2043, significantly higher than Greece’s burden of 127 percent in 2009 at the onset of the Euro crisis. The agency observed: “There would be an elevated risk of a fiscal crisis—that is, a situation in which investors lose confidence in the U.S. government’s ability to service and repay its debt, causing interest rates to increase abruptly, inflation to spiral upward, or other disruptions to occur.”

In this environment, how will the US afford its imperial foreign policy, which has surprisingly little to do with defending America? Absent a significant rise in taxes, which neither party supports, outlays will have to be sharply reduced. Defense hawks say cut away! But which programs? Those untethered to political reality, usually ensconced at universities or think tanks, target so-called entitlements, especially Medicare and Social Security. Those in Congress typically think smaller, and during the recent GOP debate over balancing the budget focused on domestic discretionary outlays.

Unfortunately, one cannot hike military outlays, preserve social spending, avoid tax increases, and restore fiscal responsibility by slashing the latter category, administrative and program expenditures appropriated annually. Domestic discretionary spending runs just 6.5 percent of expenditures today and is expected to fall to 5.4 percent by 2053. Further sizeable reductions would require a political miracle but still be inadequate.

Instead, one must go where the money is. For instance, interest rates are destined to rise along with the massive increase in federal borrowing. This will greatly inflate the cost of financing the growing debt. CBO estimates that federal net interest payments will go from \$663 billion this year to more than \$1.4 trillion in 2033, roughly the cost of Medicare and almost a third more than military outlays. However, interest payments cannot be cut without repudiating debt, which would destroy Washington's creditworthiness and yield financial chaos.

Even more money goes to social welfare, highlighted by Social Security, Medicare, and Medicaid. The aging of America's population will push up the first two; continued health care inflation will exacerbate the latter two. The agency figures Social Security alone will run \$2.3 trillion in 2033, while federal health care programs will cost even more, \$2.6 trillion. Slowing, let alone halting, Washington's slide toward fiscal Armageddon is nearly impossible without restraining such outlays.

Yet there is no political appetite for cutting these programs, or many others, for that matter. Four years ago the Pew Research Center surveyed people's budget views: "When Americans are asked to make up the budget for the federal government, they have little appetite for austerity measures. Asked about 13 different government program areas, from veterans benefits to foreign aid, no more than about a quarter favor reducing spending in any specific area." Indeed, in all but two areas, unemployment insurance and foreign aid, at least a plurality wanted to *hike* outlays. Without paying more in taxes.

Serious efforts to control deficits and debt will require a series of politically painful decisions. The only way to make such unpalatable fiscal sacrifices possible is to kill all the sacred cows, including the Pentagon. America's elderly, especially, are unlikely to forgo their benefits in order to keep subsidizing Washington's foreign security dependents. Major social welfare programs tend to be badly designed and thus wildly wasteful, often directing much of their outlays to the middle class. However, at least such initiatives benefit those who are paying.

In contrast, Washington's use of "defense" as a form of foreign welfare is a dead loss for Americans. Consider recent history. Following former secretary of state Madeleine Albright's arrogant claim that officials like her "see further ... into the future," the US government wasted some \$8 trillion (and, even worse, sacrificed thousands of American and hundreds of thousands of other lives) on the misdirected "global war on terrorism." How to aid friendly nations today, if necessary? Allied support for Ukraine, though still creating significant dangers for the US, has demonstrated a more cost-effective model than promiscuously forging defense pacts that are "mutual" in name only.

Uncle Sam is headed toward insolvency. Only radical budget surgery can save the patient. No program should be exempt from scrutiny, but the place to start paring wasteful spending is the Pentagon. Today the military does more to protect wealthy allied states than to protect the US. Policymakers should drop social engineering as foreign policy and again make defense of America and Americans the top priority of the Department of Defense.

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