

U.S. defense spending subsidizes European free-riding welfare states

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Throughout NATO's existence, U.S. leaders have complained about the tendency of the alliance's European members to skimp on defense spending and take advantage of America's security shield to free ride. The free-rider problem, bad even during the Cold War, became worse when that struggle ended.

In the past few years, especially since the onset of the global economic crisis, the problem has become much worse as European nations struggle to deal with increasingly burdensome social welfare states. Military spending in Europe has moved from the realm of inadequate to the realm of pathetic.

America's already huge defense budget continues to grow. Counting the costs of the missions in Iraq and Afghanistan, the U.S. spends nearly as much on the military as the rest of the world combined. This year, defense spending will be roughly five percent of America's almost \$15 trillion GDP.

Contrast that with the efforts of the NATO allies. Even Britain and France, the two countries with the most serious defense budgets, provide little cause for satisfaction. The former is currently spending a mere 2.6 percent of GDP, and the latter an even smaller 2.1 percent. Even worse is the trend. Both figures represent significant declines from the 2009 budgets, and Paris and London contemplate still further cuts. Reliable media reports indicate that France plans another whopping 12.5 percent reduction, amounting to \$5 billion. The new British government is conducting a comprehensive defense review that will likely slash at least another 10 percent from the already shrinking defense budget.

But Britain and France are militarized Spartas compared to NATO's other European members. Germany, which made at least a credible effort during the Cold War, has allowed its military spending to dwindle to a mere 1.15 percent of GDP—with another major cut planned for the coming year. Italy is down to an anemic 0.91 percent, and Spain an even more paltry 0.69 percent. And as with the other NATO countries, more drastic cuts are in the works—in Italy's case, an already announced 10 percent reduction.

Nor are matters significantly better with NATO's newer, supposedly more enthusiastic, members. Poland, for example, devotes just 1.9 percent of GDP to defense, despite professed fears of Russian intentions. Moreover, Warsaw's spending is trending down, not up. The new center-right government in the Czech Republic is likely to reduce military expenditures by approximately \$4.6 billion on top of cuts made last year.

Money is flowing from defense programs to shore up beleaguered European welfare states. Jan Slota, the leader of Slovakia's Nationalist Party, inadvertently provides the reason why that is happening. Slota, a xenophobic demagogue, tried to drum up support for his party prior to the last general election by warning against a (wholly imaginary) planned attack by Hungary, Slovakia's southern neighbor. He also criticized the Slovak military for being "incapable" of defending the homeland.

Yet the Nationalist Party was part of the ruling coalition whose claim to fame was the building of “a strong social state.” Indeed, social spending took precedence throughout the period from 2006 to 2010—all the while military spending declined. When questioned about his party’s support for such cuts, Slota claimed that his coalition partners convinced him that Slovakia did not need additional military spending because “we enjoy protection primarily from NATO.” That was little more than a code phrase for protection that the U.S. as the alliance’s dominant player provides.

Most other NATO governments appear to have implicitly made similar calculations. They are reducing their militaries to skeletal size and increasingly rely on the U.S. to protect their security. But it gets worse. Instead of being grateful to U.S. taxpayers for enabling European welfare states to persist without the drag of more military spending, European elites miss no opportunity to castigate “American conditions”—a caricature of “cut-throat capitalism.”

But unless Washington changes the incentive structure, the behavior of the NATO allies will never improve. U.S. leaders need to make the Europeans less confident that they can continue their free-riding ways. Ideally, Washington should at long last carry out Secretary of State John Foster Dulles’s 1954 threat to conduct an “agonizing reappraisal” of America’s NATO commitment to Europe’s defense. Even if we did not want to go that far initially, a good first step would be to withdraw at least half of the U.S. troops still stationed on the continent and close some of the bases there. Such action would be a cost-saving measure at a time when the U.S. is awash in red ink, running annual federal budget deficits approaching \$1.6 trillion. But it would also send a stark, tangible message to the Europeans that would convey the depth of American dissatisfaction about their free-riding behavior.

Implementing even that modest retrenchment would require overcoming the predictable shrill objections of allied governments. It would also require overcoming the lobbying efforts of American military contractors and other vested interests that are just as comfortable as the Europeans are with the status quo. But the Obama administration owes it to American taxpayers—and to the American military that continues to bear an unfairly disproportionate share of the collective defense burden—to at least make the effort.

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