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U.S. Defense and the Four Percent Smokescreen (Part I)

By **Christopher A. Preble** | Tuesday, May 19, 2009

With wars in Iraq and Afghanistan, the United States continues to spend more than any other country in the world on its military. The Cato Institute's Christopher A. Preble takes a close look at Washington's reasoning behind its enormous defense budget in the first of three excerpts from his book, "The Power Problem."

The preferred tactic for mobilizing public support for defense spending is to portray that spending as a share of GDP.

This has several advantages. First, it appears to be a small number — just 4% of GDP. Just four cents on every dollar.

By dedicating resources to our military in order to defend others, our government is neglecting its responsibilities at home.

Is that too much to spend to make your children safe? The 4% figure also looks modest when compared with other countries.

Whereas no one disputes that the United States spends far more on its military than any other country on the planet, there are a number of countries that do spend more as a percentage of their GDP.

In their annual survey, the International Institute for Strategic Studies (IISS) found that 16 countries spent more than 4% of their GDP on defense in 2006. The CIA's *World Factbook*, which ranks expenditures of 173 countries worldwide, finds that 27 countries spent at least as much as the United States.

A closer look at this list reveals just how irrelevant the statistic really is. There are a few very poor countries that spend a larger percentage of their meager GDP, but that translates to far less military capacity in real terms. Eritrea's 6.3% of GDP in 2005 bought them only \$65 million for defense.

In general terms, then, what a country spends as a share of GDP doesn't tell us very much about how much it should spend. My argument is that the considerable wealth of the United States, and our relatively advantageous geo-strategic position, should enable us to spend far less on defense as a percentage of GDP than do many other countries, and certainly less than we do today.

We have chosen to spend far more than others, both in real terms, and as a share of our output. We do so not because our own security is at stake, but rather because we fear that other countries might come under threat, or that entire regions may collapse into chaos, were it not for the U.S. military

maintaining a constant presence in distant corners of the world.

By holding ourselves out as the indispensable nation, we have discouraged other countries from spending more on defense — in some cases deliberately.

In the immediate aftermath of World War II, when a number of the most important trading partners of the United States were forced to rebuild their economies from a standing start, Washington worried that the diversion of precious financial resources to their militaries might impede their economic recovery.

There is a fear that if other countries take steps toward self-defense it might be interpreted as hostile.

However, this argument loses its appeal with the passage of time. Given that military spending can have harmful long-term effects, why should Americans continue to pay the costs indefinitely into the future?

Washington has done so, in large part, on the assumption that the international system would be inherently less stable if a number of different countries were more capable of defending themselves. This was the logic of the 1992 Defense Planning Guidance, and it is consistent with the broader theory of hegemonic stability theory.

There is also the related fear that for other countries to take reasonable steps toward self-defense might be interpreted as hostile intent by neighbors. For example, one of the explicit rationales for the U.S. security guarantee to Japan, which spends less than 1% of GDP on defense, is that the United States does not want Japan to be strong militarily.

NATO operates in much the same fashion. No NATO country spends more than 3% of GDP on defense, and the average expenditure among NATO member countries — excluding the United States, of course — is a paltry 1.74% of GDP.

But just as the economic arguments lose their appeal as the international economy becomes more competitive, so too do the lingering fears of incipient turmoil and warnings of uncontrolled arms races begin to grate with the passage of time.

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European countries have been joined for decades in a political union. No one believes that France and Germany will lapse into a ruinous arms race if the United States were to withdraw its forces from Europe.

In Asia, meanwhile, even bitter rivals — China, Japan, South Korea — have extensive trading relations and have cooperated to address common security challenges. It is unreasonable to believe that this cooperation would come to a halt if U.S. troops were withdrawn from South Korea and Japan.

Americans have for too long carried the burdens and risks that should have been shifted to others. In the worst such cases, we are inadvertently encouraging our

**distant corners
of the world.**

putative allies to engage in irresponsible behavior relative to the challenges and risks in their neighborhood.

Nowhere is that more evident than in the case of Taiwan. Policy experts can debate all day what Taiwan should be spending on its own defense, but such decisions ultimately must be made by the people of Taiwan.

In the meantime, however, it should rankle Americans that the Taiwanese currently spend a mere 2.6% of GDP on their military, or about \$416 per capita, at a time when U.S. military planners are dedicating tens of billions of dollars to design and deploy equipment to deter China from attacking Taiwan sometime in the distant future.

As the Cato Institute's Justin Logan and Ted Galen Carpenter note, "America is now in the unenviable position of having an implicit commitment to defend a fellow democracy that seems largely uninterested in defending itself."

For some time now, the defenders of America as global cop have argued that because the United States is the wealthiest country on the planet, we should bear a greater share of the costs of sustaining the system that made us so wealthy.

By holding ourselves out as the indispensable nation, we have discouraged other countries from spending more on defense — in some cases deliberately.

In making the case that we should — indeed that we must — spend as much if not more, the advocates of U.S. hegemony often stress that because we sit at the top of the global hierarchy, we have active obligations to sustain and extend this order. But this "global public goods" rationale does not withstand close scrutiny.

We spend too much on our military relative to our own needs. We spend too much relative to alternative strategies that will keep us safe, but at far less cost.

The primary obligation of government, any government, is to its own citizens, but much of the money that we spend on our military is actually intended to do for other governments what they should be doing for themselves.

By dedicating resources to our military in order to defend others, our government is neglecting its responsibilities at home.

This is the first of a three-part series. Part II will run on Wednesday.

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