

THE IMPACT OF NATIONAL DEBT ON U.S. NATIONAL SECURITY

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USAWC CLASS OF 2011

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REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing this collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0704-0188), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. **PLEASE DO NOT RETURN YOUR FORM TO THE ABOVE ADDRESS.**

1. REPORT DATE (DD-MM-YYYY) 29-05-2011		2. REPORT TYPE Program Research Project		3. DATES COVERED (From - To)	
4. TITLE AND SUBTITLE The Impact of National Debt on U.S. National Security				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S) COL Martin L. Blank				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Col (Ret) Frank E. Blakely Department of Distance Education				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) U.S. Army War College 122 Forbes Avenue Carlisle, PA 17013				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION / AVAILABILITY STATEMENT Distribution A: Unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT The United States faces a growing national debt that will adversely impact the economy and weaken national security. The national debt is currently \$14.2 trillion; the Congressional Budget Office projects the debt to reach \$17.4 trillion by 2015, and \$21.4 trillion by 2020. The national debt can impact national security through the inevitable budget cuts that will be necessary to curb the growth in debt, as well as through more subtle effects, such as decreased soft power capabilities, reduced capacity to respond to national security concerns, a decrease in U.S. allies' confidence in the ability of the United States to protect common interests, and a decrease of U.S. influence in international affairs. To date, the impact of the debt on national security has been minimal, but that will change as payments on the debt increase and the measures required to reverse its upward trend are implemented.					
15. SUBJECT TERMS Budget deficit, public debt, budget reduction, soft power					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT UNLIMITED	18. NUMBER OF PAGES 30	19a. NAME OF RESPONSIBLE PERSON
a. REPORT UNCLASSIFIED	b. ABSTRACT UNCLASSIFIED	c. THIS PAGE UNCLASSIFIED			19b. TELEPHONE NUMBER (include area code)

USAWC PROGRAM RESEARCH PROJECT

THE IMPACT OF NATIONAL DEBT ON U.S. NATIONAL SECURITY

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ABSTRACT

AUTHOR: Colonel Martin L. Blank
TITLE: The Impact of National Debt on U.S. National Security
FORMAT: Program Research Project
DATE: 29 May 2011 **WORD COUNT:** 5,024 **PAGES:** 30
KEY TERMS: Budget deficit, public debt, budget reduction, soft power
CLASSIFICATION: Unclassified

The United States faces a growing national debt that will adversely impact the economy and weaken national security. The national debt is currently \$14.2 trillion; the Congressional Budget Office projects the debt to reach \$17.4 trillion by 2015, and \$21.4 trillion by 2020. The national debt can impact national security through the inevitable budget cuts that will be necessary to curb the growth in debt, as well as through more subtle effects, such as decreased soft power capabilities, reduced capacity to respond to national security concerns, a decrease in U.S. allies' confidence in the ability of the United States to protect common interests, and a decrease of U.S. influence in international affairs. To date, the impact of the debt on national security has been minimal, but that will change as payments on the debt increase and the measures required to reverse its upward trend are implemented.

THE IMPACT OF NATIONAL DEBT ON U.S. NATIONAL SECURITY

The fate of a nation often rests on its ability to command a durable economy and maintain economic superiority over its rivals. This advantage allows a nation to outperform its adversaries in both economic competition and international affairs. With economic superiority lies the potential for a nation to broadly and ambitiously implement its instruments of national power in support of its economic and national security objectives. Without this advantage a nation will eventually be compelled to limit its endeavors, thus providing the opportunity for a competitor, either economic or strategic, to seek an advantage. This is the record of great nations. In his seminal work, *The Rise and Fall of the Great Powers*, Paul Kennedy shares examples of nations from the Habsburg Dynasty to the British Empire that achieved international supremacy only to lose it by overreaching and squandering their economic power.¹ The United States, still the greatest power in the world, faces an economic challenge that, if overcome, will enable continued economic and international hegemony. The consequence of failure is certain decline in economic eminence, international standing, and world influence. The greatest economic challenge the United States faces today is its national debt, which if allowed to grow unabated will adversely impact the economy and weaken national security.

The growing national debt can adversely affect the economy through the crowding out of investment, increased interest rates and taxes, and decreased economic growth. The inevitable budget cuts will reduce spending on national security–related expenditures, leading to decreased soft power capabilities, a reduced capacity to respond to national security concerns, a decrease in U.S. allies' confidence in the

ability of the United States to protect common interests, and a decrease of U.S. influence in international affairs. While the impact of the debt on national security to date has been small and indirect, it will have a much greater impact in the future as the size of the debt reaches unsupportable levels and the strong measures required to reverse its upward trend are implemented.

A Description of the National Debt

The total U.S. debt is currently \$14.2 trillion, increasing from \$5.7 trillion in fiscal year (FY) 2000 to \$13.6 trillion in FY 2010.² Figure 1 shows the total debt over the 50-year period ending in 2010 and demonstrates the rapid progression of accumulating debt.

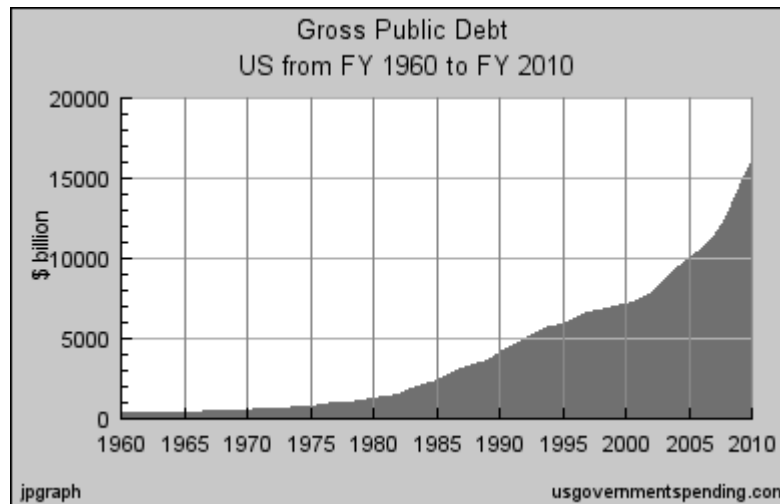


Figure 1. Gross Public Debt, FY 1960 to FY 2010³

Measuring the magnitude of the debt is helpful in understanding its effects. These metrics include 1) the ratio of the total debt to the gross domestic product (GDP) and 2) the ratio of the cost of interest payments on the debt to overall tax revenue. The GDP, which is the total output of a nation's goods and services, was \$14.86 trillion in FY 2010.⁴ The ratio of the total national debt to GDP in FY 2000 was 56.6%, increasing to

91.5% in FY 2010 (Figure 2).⁵ To put this statistic in perspective, the ratio of the total debt relative to GDP is higher now than it has ever been except during World War II.

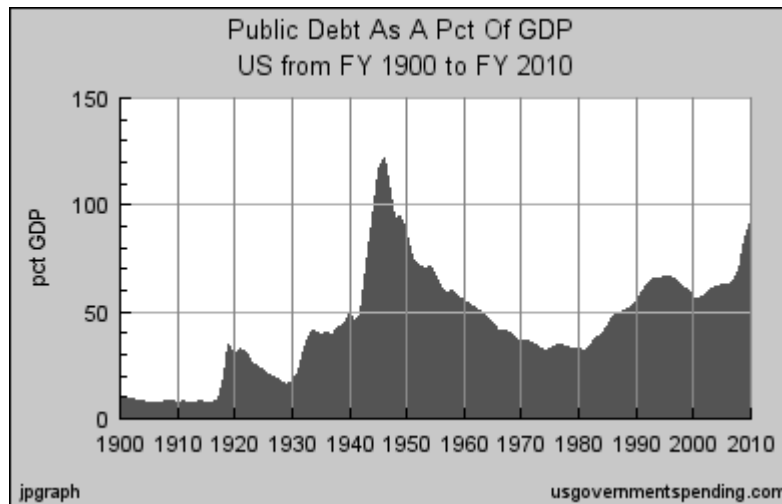


Figure 2. Public Debt as a Pct. of GDP, FY 1900 to FY 2010⁶

The ratio of interest payments to overall tax revenue reflects the government's capacity to service its debt. The higher the ratio of interest payments to tax revenue, the more difficult it is for a government to service its debt. The gross interest payment on the debt, which is the total cost of financing all federal debt, was \$414 billion in FY 2010.⁷ Net interest, which is the gross interest payment less interest earned by the federal government on its trust fund investments and loans to the public, was \$197 billion.⁸ With an overall tax revenue of \$2.16 trillion in 2010, the ratio of gross interest payments to tax revenue was 19.1% and the ratio of net interest payments to tax revenue was 9.1%.⁹ These figures help demonstrate the burden of the debt service on the government, and show that a substantial portion of tax revenue must be dedicated solely to the payment of interest on the debt.

Also important in considering the debt burden is the interest rate charged the government by its creditors. The interest payments of \$414 billion were made when rates paid by the U.S. government were at historic lows. If these rates rise, interest

payments will increase as well. As burdensome as the current debt service is, the future debt burden, should its upward trend continue, will be much greater.

The Congressional Budget Office (CBO) published its budget and economic projections for 2011–2021 and expressed concern for the “daunting economic and budgetary challenges” facing the United States.¹⁰ The CBO’s concern was related to projections for growing budget deficits and national debt, anticipated increases in interest rates, and future interest payments on the debt, which, according to the CBO, are “poised to skyrocket over the next decade.”¹¹

Impact of the National Debt on the Economy

The growing national debt can adversely impact the economy through the following mechanisms: a rise in interest rates, the crowding out of investment, and an increase in taxes. Higher interest rates accompany increasing debt due to competition for available investment capital. As the government requires greater amounts of capital to fund its budget deficits and accumulated debt, it will have to compete with other borrowers for available capital.¹² The competition for a limited supply of capital will eventually result in higher interest rates. Furthermore, the growing debt could bring into question the government’s capacity to service its debt and thereby diminish lenders’ confidence in the creditworthiness of the United States, leading them to demand higher interest rates for their capital.

The “crowding out” of investment is the shift of private savings from productive capital and technology investments to the purchase of government debt. The rising interest rates that will eventually accompany the growing national debt will divert investments from more productive use.¹³ The loss of this productive investment will

result in reduced productivity and competitiveness, thereby affecting the greater economy.¹⁴

Another potential effect of the growing national debt on the economy is an increase in tax rates. The federal government will eventually need to reduce its debt burden and will exercise the few feasible options available to decrease the debt, including steps to increase revenue. The desire for increased revenue may lead the government to increase taxes, which could also adversely impact the economy. The impact higher taxes would have on individuals, businesses, and economic growth is a controversial topic, but many economists believe that higher taxes would lead to a decrease in disposable income, distorted incentives to work, and a decrease in investment.¹⁵

The potential effects of the growing national debt—increased interest rates, the crowding out of productive investment, and increased taxes—can contribute to a decline in economic growth. The magnitude of the effect of national debt on economic growth has been well documented.¹⁶ In their work, “Growth in a Time of Debt,” Reinhart and Rogoff demonstrate that nations with a ratio of public debt to GDP greater than 90% had lower economic growth (median growth roughly 1% lower; mean levels of growth almost 4% lower) compared to nations with a ratio below 90%.¹⁷ Their finding held for advanced as well as emerging market nations. The United States is gradually approaching this threshold. The United States’ ratio of public debt to GDP was 62% in 2010 and is projected to reach 77% in 2021.¹⁸ Longer-term projections approach 80% by 2035 and, under alternative scenarios suggested by the CBO, the ratio could be much higher.¹⁹ Under these alternative scenarios, the ratio of public debt to GDP could

reach 87% by 2020, 109% by 2025, and 185% by 2035. The effects of the national debt on the economy have not yet been strongly felt; however, as the debt increases, the potential for adverse economic effects increases as well. When these effects occur, the impact of the debt on national security will be more evident.

The Impact on National Security

It is well accepted by the military leadership that the United States' growing national debt will lead to a decrease in defense spending.²⁰ Less recognized effects of the debt on national security include diminished soft power capability, reduced capacity to manage national security concerns, a decrease in U.S. allies' confidence in the ability of the United States to protect common interests, and a decrease in U.S. influence in international affairs. In addition, potential adversaries could be encouraged by the United States' weaker economic and security standing to challenge U.S. influence and power.

In facing the growing national debt, President Obama created the National Commission on Fiscal Responsibility and Reform to study ways to bring the federal budget into primary balance (balanced budget excluding interest costs) and to improve the long-term fiscal outlook.²¹ The Commission recommended, as part of their debt reduction plan, placing a cap on discretionary spending (optional spending based on Congressional vote) through 2020.²² Their recommendations included a freeze on FY 2012 discretionary spending at FY 2011 levels, followed by a return to pre-crisis FY 2008 levels in FY 2013, and then a limit on discretionary spending increases to one-half the projected rate of inflation through FY 2020.²³ Security expenditures, including defense spending, make up approximately two-thirds of discretionary spending. The

Commission also recommended establishing a “firewall” between security and non-security spending through 2015 and requiring equal reductions by percentage from each category.²⁴

Consistent with the Commission’s recommendations, Secretary of Defense Robert Gates proposed \$78 billion in defense budget cuts for 2012–2016.²⁵ Secretary Gates’ budget recommendations were aimed at reducing overhead costs and improving efficiency across the Defense Department.²⁶ His recommendations included consolidating four Air Force air-operations centers in the United States and Europe and three numbered Air Force staffs, decreasing Army manning by more than a thousand civilian and military personnel, consolidating six Army installation-management commands into four, decreasing Naval manpower ashore with reassignment of 6,000 personnel to operational missions at sea, and disestablishing staffs for submarine patrol aircraft and destroyer squadrons. Secretary Gates also proposed canceling procurement of the Army’s Surface-Launched Advanced Medium-Range Air-to-Air Missile and the Marine Corps’ Expeditionary Fighting Vehicle, and placing the Marine Corps’ Short Take-Off and Vertical Landing fighter on two-year probation. Though these spending cuts would reduce the rate of growth of the defense budget, the cuts would not decrease defense spending below the current level, bringing into question the need for further defense budget reductions.

In response to a question about the possibility of further defense budget cuts, Admiral Mike Mullen, Chairman of the Joint Chiefs of Staff, stated, “Any significant budget cuts can only be met—keeping us whole, not hollowing us out—can only be met through substantial reductions in force structure, and that’s against the national security

requirements that we see in the world we're living in."²⁷ In light of the critical need to decrease the national debt and meet the National Commission on Fiscal Responsibility and Reform's recommendations, further defense budget cuts are likely. Although these cuts are necessary, Secretary Gates' recommendations and Admiral Mullen's comments validate that these further budget cuts will adversely impact national security.

Outside of the military, opinions are more mixed about defense budget requirements, with many believing that the military is overly funded already. The Cato Institute, in its 2009 "Cato Handbook for Policymakers," suggests that the United States could adopt a far less active defense strategy, which would require less in defense spending.²⁸ They argue that defense budgets are too large considering the threats faced by the United States. They also highlight that defense spending, reported as a percentage of GDP and compared to World War II levels, does not take into account the economic growth that occurred since that period.²⁹ The need for debt reduction is commonly accepted; whose opinion the President and Congress most value will determine the size and source for this reduction.

The growing national debt will not only affect national security through cuts in defense spending, but in more subtle ways as well. One area affected by the growing national debt will be the use of soft power. The tools of soft power, including diplomacy, foreign aid, economic development, humanitarian assistance, governance-enhancing measures, and strategic communication, are routinely employed by the military as well as by the State Department and the United States Agency for International Development (USAID). President Obama's proposed FY 2012 budget for the State Department and USAID increases their funding by 1%, which is less than the rate of

inflation.³⁰ The proposed FY 2012 budget contains an 18% decrease in funding for assistance in Europe, Eurasia, and Central Asia, as well as reductions in bilateral assistance, funding for international organizations and peacekeeping, and migration and refugee assistance.³¹

The final FY 2011 Continuing Resolution Act contains a \$504 million reduction in State Department and foreign operation funding from the previous year's level and \$8.4 billion from the President's FY 2011 budget request.³² Several programs with soft power functions were particularly hard-hit by the budget reductions: the Economic Support Fund (which helps support fragile governments in Southeast Asia and Africa), the United Nations, USAID, the Peace Corps, educational exchanges, and the Millennium Challenge Corporation (a U.S. foreign aid agency active in the fight against global poverty).³³

Secretary of State Clinton, in testimony before the Senate Committee on Foreign Relations regarding the FY 2012 budget, commented that the combination of smart power, diplomacy, development, and defense is the most effective way to sustain and advance U.S. security.³⁴ She cautioned the committee members not to decrease funding for the State Department and USAID beyond the administration's proposal, emphasizing the need for the State Department and USAID to be part of a fully-engaged and fully-funded national security team. Also, in a 2011 letter to the Chairman of the House Appropriations Committee regarding its proposed Department of State spending reductions, Secretary Clinton commented that the reductions would be devastating to national security.³⁵ She specifically mentioned that the spending cuts

would impair economic development, global health, and humanitarian assistance—key elements of soft power.³⁶

At the same time the United States is decreasing its funding for soft power operations, other countries including Brazil, India, and China are increasing their expenditures.³⁷ Brazil has ascended to prominence in global health diplomacy, in part, by taking a controversial stance on access to generic AIDS medications and treatment.³⁸ Brazil's position was in conflict with U.S. drug manufacturers' patent rights, but ultimately Brazil was successful in negotiating agreements with the drug manufacturers for lower prices for the patented AIDS medications. Brazil's success paved the way for similar agreements in other regions (including Africa) and was made possible because of its growing economic power and influence.³⁹

India has also dramatically increased its use of soft power tactics, as exemplified by its provision of humanitarian and economic aid in Afghanistan.⁴⁰ For example, in 2010 India pledged \$1.3 billion in aid to provide electricity to underpowered areas.⁴¹ India is very interested in Afghanistan because of the country's strategic position as a bridge between the subcontinent and Central Asia's gas and oil reserves, and recognizes the utility of soft power in acquiring access to the region.⁴²

One of the most significant increases in soft power use during the past several years has been by China, which has dramatically increased its foreign aid especially in Africa, Latin America, and Southeast Asia.⁴³ Researchers at New York University's Robert F. Wagner Graduate School of Public Service noted an increase in Chinese foreign aid in these regions from \$1 billion in 2002 to \$25 billion in 2007.⁴⁴ Chinese foreign assistance is attractive to many developing countries because it typically does

not require changes in the recipient's domestic policies (democratic reform, open markets, environmental protection, etc.), requirements frequently placed on aid by Western donors.⁴⁵

China's willingness to ignore recipient countries' domestic policies, and the economic dependence it engenders, provides a mechanism for China to leverage its influence and bolster its political goals.⁴⁶ For instance, China has been able to induce a break in some of Taiwan's official international relationships.⁴⁷ China, by making acknowledgment of its "One China" policy a condition for receiving Chinese investment and assistance, effectively pressured several countries that previously had diplomatic relations with Taiwan to sever their formal ties.⁴⁸

The impact of the growing national debt and future budget reductions on national security will also be evident in a reduced capacity to respond to lesser but still vital national security concerns, such as those not requiring robust military involvement. Though the United States will always employ the necessary resources to counter a national security threat or emergency, the proposed budget reductions for FY 2012 will reduce U.S. capacity in other areas of concern, such as the War on Drugs.⁴⁹

The proliferation of illicit drug and criminal organizations in Latin and South America poses a security threat to the United States through cross-border smuggling and violence, as well as the organizations' associations with U.S.-based street and prison gangs.⁵⁰ In response to this threat, the United States works with international partners to battle illicit drug and criminal organizations and participates in counter-narcotic operations through several U.S. agencies, including the Department of Justice (DOJ). The proposed FY 2012 budget has a \$19.2 million reduction for the DOJ's

National Drug Intelligence Center, which is responsible for domestic drug-related intelligence. The State Department also faces reductions in their programs to battle the proliferation of criminal organizations. For example, the FY 2012 budget has a \$20.2 million reduction in the Beyond Merida program, a State Department program that supports the fight against drug trafficking.⁵¹

Another risk accompanying the growing national debt is that allies may lose confidence in the United States' ability to fully recover from its economic problems and maintain its leading role in world security. Two economic indicators of world confidence in the United States are the value of the U.S. dollar relative to other currencies, and the dollar's position as the main international reserve currency. The "dollar index" measures the value of the U.S. dollar against a "basket" of six other currencies. In recent months the U.S. dollar lost value relative to the other currencies.⁵² The loss of value was not great but was still significant because it occurred at the time of several world crises (i.e., Middle East turmoil, the earthquake in Japan, and the conflict in Libya). The U.S. dollar is usually considered a safe haven for investments during periods of world turmoil, with the value of the dollar usually rising compared to other currencies during such times. The minor changes in the value of the dollar during recent world events may signify a decline of world confidence in the United States.

Recent debate over the vulnerability of the U.S. dollar as the main international reserve currency also raises concern.⁵³ The choice of an international reserve currency is based on several factors including the broad use of the currency in global markets, the liquidity of the currency, and the macroeconomic stability of the country issuing the currency.⁵⁴ The growing national debt brings the liquidity of the dollar and the

macroeconomic stability of the United States into question and may eventually affect the role of the U.S. dollar as the dominant global currency.⁵⁵ If the dollar lost its position as the main international reserve currency, its demand would decrease and higher interest rates would be necessary to finance the national debt.⁵⁶

The likelihood of the U.S. dollar losing its status as the main international reserve currency is small in the near future, but realistic in the long run. The creditworthiness of the United States was recently called into question by Moody's Investors Service, Inc. and Standard and Poor's Corporation, two leading credit rating agencies.⁵⁷ Moody's warned that "the United States will need to reverse its expansion of its debt if it hopes to keep its AAA rating."⁵⁸ Standard and Poor's demonstrated its concern when it revised its long-term credit rating outlook for the United States from stable to negative.⁵⁹ In addition, leaders of the International Monetary Fund expressed concern for the economic condition of the United States and recommended alternatives to the U.S. dollar as the reserve currency.⁶⁰ These actions demonstrate the vulnerability of the value of the U.S. dollar and its standing as the main international reserve currency.

If concern about diminished U.S. economic power develops further, allies may lose confidence in the United States' ability or willingness to maintain its role as a reliable guarantor of security.⁶¹ In a paper on great power retrenchment, MacDonald and Parent discuss the fear of some nations that the U.S. economic crisis will cause the United States to reduce its overseas commitments.⁶² This sentiment may cause nations that followed the United States' lead in international affairs in the past to not feel compelled to support U.S. policies, especially if they believe that the United States cannot maintain its hegemony. It is understandable that as new leaders of allied

countries enter their governments there will be some policy adjustments and their relationships with the United States may ebb and flow; however, these changes could also signify a real shift in their confidence in the United States.

U.S. allies' loss of confidence in the United States could be reflected in a decline in U.S. influence in international affairs.⁶³ Evidence of decreased influence can be seen in Japan's move toward China, Brazil's move toward Iran, and Turkey's toward Syria. In 2010, Japan pursued a policy shift as it warmed its relationship with China, which had overtaken the United States as Japan's largest trading partner.⁶⁴ Also in 2010, Brazil, diverging from a U.S. proposal, refused to support sanctions against Iran for its uranium enrichment program. Remarks by the Brazilian foreign minister showed Brazil's willingness to challenge U.S. policy.⁶⁵ And Turkey, acting counter to U.S. wishes, increased its cooperation with Syria.⁶⁶ The willingness of Japan, Brazil, and Turkey to act in opposition to U.S. interests does not necessarily signal a retreat from their ties with the United States, but it does suggest a decline in U.S. influence.

As nations assess the ability of the United States to recover from its economic problems and consider whether the United States will retain its unrivaled power, some will look for opportunities to expand their own influence and power. China serves as a key example. Though China considered its economic rise to be inevitable, it is unlikely it considered that the United States would soon see a decline in its economic power. However, some in China now believe the United States' economic strength has peaked and will soon be in decline. Some Chinese scholars, debating the possibility of a U.S. economic decline and loss of hegemony, strongly asserted this view.⁶⁷ In 2009, the Jamestown Foundation's China Brief quoted a Chinese state-run newspaper article:

“The global financial crisis offers global leaders a chance to change the decades-old world political and economic orders.”⁶⁸ This quote and another describing “a diminution in U.S. soft power” and “a decrease in its ability to influence its allies” show that some leaders in China do view the United States as a declining power.⁶⁹ How that view will shape China’s national security strategy is unclear.

If China views the United States as a declining power it may become more aggressive in its pursuit of regional control, especially as it pertains to Taiwan. Or, if China sees the United States entangled in a prolonged war in Afghanistan while at the same time battling an economic crisis, it may see an opportunity to assert its power in the long-standing territorial disputes in the South China Sea. It is impossible to predict what China will do if it believes the United States is in decline; however, the further the United States does decline, the more likely it is that China will act.

What to Expect in the Future

As mentioned, the CBO projects the national debt to reach \$21.4 trillion in 2020 and even higher levels if alternative economic scenarios play out. Debt reduction from these levels will require greater budget cuts than those proposed so far by the President or Congress. It is difficult to speculate what will comprise future budget reductions because the current and projected levels of debt and the circumstances of debt accumulation are without precedence in U.S. history—there is no straightforward comparison. The highest previous level of national debt as measured by the debt to GDP ratio occurred during World War II.⁷⁰ Then, as now, defense expenditures played a large role in the rise of budget deficits and increased national debt. Different now is the magnitude of non-defense—related expenditures that contribute to the budget deficits

and which will require a different set of solutions than the defense-related debt of World War II.

In 1940, defense spending made up 17.5% of the federal budget and 1.6% of GDP. In 1945, defense spending was 89.5% of the budget and 37.2% of GDP, which fell in 1948 to 30.6% of the budget and 3.5% of GDP. These figures represent a significant peace dividend.⁷¹ In a pre-9/11 comparison, defense spending made up 16.4% of the federal budget and 3.0% of GDP in 2000. In 2005, amid the wars in Iraq and Afghanistan, defense spending was 20.1% of federal spending and 4.0% of GDP, and in 2010, 20.6% of federal spending and 4.8% of GDP.⁷² Following the wars in Iraq and Afghanistan, defense spending will likely return to the pre-9/11 range of 3.0–4.0% of GDP—not as significant a peace dividend as earlier. Furthermore, the Defense Department’s Future Year Defense Plan forecasts increases in defense spending through 2016.⁷³ This means that not only will the peace dividend be small, but the military will continue to require similar or increased funding to maintain its current capacity—not a formula for significant budget reductions.

After World War II an economic expansion occurred that allowed the United States to reduce the national debt it incurred during the war. The conditions of World War II created opportunities for collaboration between the federal government, private enterprise, and organized labor that enabled great economic growth after the war.⁷⁴ The United States was at the center of the post-war world economy and tied to the economic reconstruction of Europe and Japan, ensuring further economic growth through imports from and exports to these countries.⁷⁵ Servicemen received educational and economic assistance, such as guaranteed mortgages and small business loans, through their G.I.

Bill benefits.⁷⁶ Consumer demand pent up by the unavailability of consumer products during the war was ready for release. All of these factors contributed to a great economic expansion after World War II. Today, the United States faces difficult economic challenges and does not share the economic growth potential that existed after World War II; rather, with its growing national debt, the United States faces the potential for economic decline.

The growing national debt must be reduced to avoid the inevitable economic consequences and potential economic decline. Though the magnitude and type of budget reductions in the future can only be speculated, there is growing information that sheds light on what those reductions may look like. One tool to assist in projecting what future budget cuts will look like is a 2011 CBO report, “Reducing the Deficit: Spending and Revenue Options.”⁷⁷ The report presents options for debt reduction, including across-the-board defense spending cuts ranging from a 1% reduction in growth to a 1% reduction in annual funding. These cuts would result in a decrease of defense outlays ranging from \$286.1 billion to \$861.9 billion, respectively, over the ten-year period of 2012–2021. The option of a 1% reduction in growth would not result in actual debt reduction, but rather a slowing of the rate of debt growth; the 1% reduction in annual defense funding would, indeed, reduce the debt. Somewhere between the two options lies an approach the President and Congress will likely choose.

Other options presented in the CBO report include reducing the number of aircraft carriers from 11 to 10 and the number of naval air wings from 10 to 9, discontinuing the Medium Extended Air Defense System Program, and terminating the Precision Tracking Space System Program.⁷⁸ The CBO also presented options for

reductions in personnel levels, pay rates, and benefits; training and supplies; and day-to-day operating and administrative costs.⁷⁹ Any further reduction in defense spending will impact national security to some degree, but how much of an impact it will have is difficult to predict.

It is important to consider defense spending reductions in the context of the spending of potential adversaries. The defense spending of many nations is rising. For example, China and Russia are increasing their military expenditures in 2011 by 12.7% and 50%, respectively.⁸⁰ The increase in their defense spending may mean that those countries will be better prepared for confrontation and, perhaps, armed with more sophisticated and deadly weaponry. China's use of an anti-satellite weapon in 2007 demonstrates the growing sophistication of its weapon systems and the necessity for the United States to maintain its technological advantage.⁸¹ This advantage requires intense research and development, an area of the proposed 2012 defense budget set to be reduced by 6%.⁸²

Conclusion

The impact of the debt on national security has thus far been small and indirect. The Defense Department's proposed budget cuts have satisfied the current round of budget reduction requirements without significant impact on national security. As Secretary Gates and Admiral Mullen noted, the cuts so far have not diminished national security, but further reductions in defense spending will have a greater impact. Also, as evidenced by the recent military actions in Libya, the United States will take all actions necessary to protect its interests. However, the ability to act ambitiously in the future will

be limited as the growing national debt reaches unsupportable levels and greater reductions in expenditures are required to reverse the trend in debt accumulation.

The United States remains the greatest economic and military power in the world. However, the growing national debt, if not reversed, will adversely impact the U.S. economy, confidence in the United States, and future national security. The reductions necessary to combat the debt will undoubtedly affect all aspects of national endeavors, including, and especially, national security.

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