“AMERICAN OVERSTRETCH AND THE END OF HEGEMONY”

BY

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APPROVAL

The undersigned certify that this thesis meets masters-level standards of research, argumentation, and expression.

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DISCLAIMER

The conclusions and opinions expressed in this document are those of the author. They do not reflect the official position of the United States Government, Department of Defense, the United States Air Force, or Air University.
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Life is tough, life with me is especially tough and I want to thank my wife and children for their patience and support during this process. The time required to complete this paper meant that some family time had to suffer and they, as always, came through with flying colors. I would also like to thank my SAASS classmates. I would list several by name but apparently Al Qaeda gets its targeting information from AU products and therefore I am prevented by AU security policy from naming them.
ABSTRACT

This study is an analysis of U.S. hegemonic power and its components. The author seeks to determine if current U.S. hegemony is being compromised by strategic overstretch. Simply put, is the U.S. taking on too much militarily and economically?

To answer this question, the study begins with a discussion of hegemonic military spending that demonstrates how a hegemon tends to purchase the amount of security that fits the budget rather than that which is necessary for its actual security. This is followed by a section that illustrates U.S. strategic overstretch through the increased use of mercenaries. Lastly in a section devoted to the application of military power, the author, points out the dangers of becoming involved in military efforts that are tangential to actual state interests.

In arguing that the inability of the United States to either, moderate spending or to increase taxes, has materially weakened U.S. power and threatens its hegemony, the author illustrates how similar deficit spending helped to end British hegemony at the beginning of the 20th century. As a final effort to assess U.S. hegemonic status beyond comparison to previous hegemons, the author then includes a section that shows a potential area for analyzing strategic overstretch focusing on U.S. participation and the backing of international institutions.

Lastly the study concludes by recommending two distinct courses of action to prevent strategic overstretch. The first is a dramatic increase in the ratio of Reserve to Active Duty forces in the U.S. military as a means to limit military overstretch. The second is the passing of a Balanced Budget Amendment in order to prevent economic overstretch. The author finds that systematic changes are necessary to prevent the loss of U.S. hegemonic power.
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Introduction

A great empire, like a great cake, is most easily diminished at the edges.

Benjamin Franklin

In this thesis I examine whether or not the United States is in danger of overstretching its capabilities in the maintenance of its global hegemonic status. If one assumes that the maintenance of U.S. hegemony is vital to the interests of the United States and all nations that operate in the liberal economic order, such an examination is of primary importance. In part it serves as a vital first step in developing policies that can counter such a tendency. My assertion is straightforward; the enemy of hegemonic power is strategic overstretch, both internally and externally, and U.S. policy makers and citizens must both be able to recognize it in current policies.

The end of the Cold War served as a capstone to the precipitous rise of US power that resulted in establishing the international dominance of the United States, economically, militarily and diplomatically. Far-sighted decisions by the United States after WWII to empower international economic institutions and resuscitate Western European markets have created an economic juggernaut that has had no historical peer. For example, the U.S. Gross Domestic Product (GDP) has been over 23% of world GDP since 1960 with a high of 38.7% in 1960 and a low of 23.4% in 2008.¹ As a comparison at the height of American concerns of falling economically behind the Japanese, the Japanese GDP crested at 17.8% of world GDP in 1994 and never came within 10

percentage points of the U.S. share. The economic success of the United States has allowed it to become the largest military spender in history, creating an unrivaled force both technologically and in terms of force projection. Consequently, both economic and military capabilities have allowed the United States to become the foremost diplomatic power in the international system. Such power does not come at a cost, however. As the sole superpower and state with the most vested interests in the current liberal international order, the United States has used its power to maintain the system and its dominance within it since the end of the Cold War. Historically, states in this position of system leader or maintainer have been labeled hegemonic.

The ancient Greeks used the word ἡγεμονία, meaning leadership or command, and during their time it came to represent the leadership of the dominant city-state. Athens is usually considered to be the first hegemon because of its dominance over affairs in the Mediterranean. The hegemonic nations that followed are generally defined as empires; the Roman, the Ottoman, the Spanish, and the British. What they lacked in commonality of origin and maintenance of power, they made up for in the seemingly inevitability of their decline. In every case, the scope of their self-imposed responsibilities, both internal and external, exceeded their ability to provide solutions for their problems leading to a condition termed as “overstretch”.

Kennedy (1987) is generally credited for advocating the theory of “imperial overstretch” in his seminal work The Rise and Fall of Great Powers. While he never actually uses the term, he alludes to a strategic

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3 Robert B. Strasser, ed., The Landmark Thucydides: A Comprehensive guide to the Peloponnesian War, (New York, N.Y.: Free Press, 1996), xviii. Athenian hegemony was decidedly regional because of the methods of transportation of the day. They could be considered hegemonic because of the way that after the defeat of Persia in 490 and 480 they “…refined the Persian system of empire, and channeled the tribute to solidify and enlarge their own democratic culture at home while seeking tyrannical aggrandizement abroad.”
military overstretch and fails to directly address the internal overstretch of a hegemon.⁴ In a later work Kennedy (1994) defines “overstretch” as a “mismatch that exists between a Great Power’s obligations and its capabilities, between its desired policies and its actual resources.”⁵ This idea was argued even earlier by Sprout and Sprout (1968) in an article titled, “The Dilemma of Rising Demands and Insufficient Resources.” In it they propose a model to identify the dilemma of the “chronic gaps between commitments and demands, on the one hand, and disposable resources, on the other…”⁶

The key then for maintaining hegemonic power is distinguishing between internal and external actions that are truly necessary and ones that cause overstretch. This paper will point out several areas of caution for the US that can be informed by experiences of past hegemons. Using history as a guide, one can provide some insight into the types of negative events that generally accompany a hegemon’s decline.

Britain at the turn of the 20th century is a good example. Despite the fact that it had added “4.25 million square miles and 66 million people to the empire,” from 1870-1900, its economic health had declined precipitously.⁷ In 1880 Britain had 22.9% of the world manufacturing output and the United States had 14.7%.⁸ 43 years later those numbers stood at 32% for the United States and 13.6% for Britain.⁹ In one typical working lifetime the relative economic power of the world’s hegemon had

declined by almost 50% while its best rival had increased its share by more than 50%. While this is one economic indicator it is indicative of numerous other measures of economic power from the time.

While shifts in economic fortunes are important, what is more critical is the reaction of the hegemon as it starts to recognize its losses. Oftentimes a hegemon has been willing to try and regain lost economic or security interests through military endeavors that further strain the hegemon’s resources and have deadly impacts internally and externally. In this regard, history is replete with cautionary tales. The Roman Empire expanded into Western Europe in order to increase its buffer from the various warring tribes in the area. This provoked an initial response that culminated in the sack of Rome by the Goths in 410 and the loss of almost all of Western Europe by 452.10

Zakaria (2008) traces the start of Britain’s demise to the Boer war, a war that Britain fought to defend the rights of English-speaking residents in an area that wasn’t ruled by the empire and wasn’t vital to its interests.11 Britain, at the end of the conflict had “suffered 45,000 casualties, spent half a billion pounds, stretched its army to the breaking point, and discovered enormous incompetence and corruption in its war effort.”12 It had entered the war because it thought it well within the duties and constraints of British power. However, all it did was illustrate, in a concrete way, the decline of British power.

It is the decline of hegemonic power that is the focus of this thesis. In the remainder of the work I employ historical analysis to gather a sense of whether the United States is indeed facing the same dilemmas of previous hegemons, internally and externally overstretching its capabilities in an effort to maintain its preferred systemic order. I begin

in chapter one with an outline of the relevant scholarship surrounding the idea of hegemonic power and the assumptions that guide my work. Foremost in this endeavor is the development of a clear definition of hegemony so that the reader will be able to judge the level of power that is potentially being lost. In chapter two I show several military related actions that either have already or have the potential of becoming areas of external overstretch for the United States. Chapter three addresses the rise of internal spending in past hegemons and the United States and its effects on their hegemony. Chapter four seeks to point out that the use of international institutions is nominally a way to transfer responsibility from a hegemon to the international community while simultaneously representing another expansion of interests for the hegemon. Lastly the conclusion focuses on the overall relevance of the examples to the current situation of the United States, followed by recommendations for the prevention of any loss of hegemony.
Chapter 1

What is Hegemony?

As mentioned earlier the great hegemons of the past have all gone by another name, empire. The use of the term hegemon as an adjective that describes the international breadth of a nation’s power is relatively recent. U.S. politicians go to great lengths to distinguish between empire and hegemony. Sandy Berger was quoted in 1999 while he was President Bill Clinton’s national security advisor as saying that the United States was the “first global power in history, that is not an imperial power.” Ferguson (2003) asks if hegemony is “a euphemism for “empire, or does it describe the role of primus inter pares, a country that leads its allies but does not rule subject peoples?” When one delves deeper into the relevant scholarship a panoply of words appear that all seek to qualify the level of power and dominance and its effects on the relationship between the state and the international system. Primacy, unipolar, empire, hegemony, and great power are a few of the most common words that have been used to define this relationship. I contend that the distinctions between these words are seldom little more than a particular semantic preference. In terms of what they define they are all remarkably similar in intent.

One of the earliest formulations of hegemonic stability theory was crafted by Charles Kindleberger in, The World Depression 1929-1939. In it he convincingly ties the depression to the lack of a dominant power that was willing to pay the carrying costs of the international economic

1 Quoted in Niall Ferguson, “Hegemony or Empire?,” Foreign Affairs 82, no. 5 (Sept/Oct 2003): 155. In this article Ferguson quotes George W. Bush and Donald Rumsfeld as both making the distinction between traditional imperialism and the exercise of US power.
2 Ferguson,” Hegemony or Empire?,” 155.
system. He characterizes the main failure as a lack of “a country which is prepared, consciously or unconsciously, under some system of rules that it has internalized, to set standards of conduct for other countries; and to seek to get others to follow them, to take on an undue share of the burdens of the system, and in particular to take on its support in adversity…” Therefore a hegemon, as defined by Kindleberger, must at least be able to fulfill the legislating and policing roles in the international economic system.

Gilpin (1981) includes Kindleberger’s economic role in his principle objectives of a state. He writes that all states seek to; increase territory, increase influence over the behavior of other states, and increase control or influence over the world economy. He then goes on to define “imperial or hegemonic control” as being the most common type of international system in history that consists of a “single powerful state [that] controls or dominates the lesser states in the system.” Combining his definitions establishes that a hegemonic state must be able to achieve its objectives at a rate that eclipses the other states in the system. What is left unstated is the level of control or domination that is necessary.

While Gilpin leaves the precise amount of control nebulous numerous authors have sought explication. Pape (2005) describes the United States as a “unipolar super-power” and then goes to great lengths to describe how a “unipolar super-power” isn’t a hegemon. His main contention, and thus the basis for his definition, is that the international system is a balance of power system and that other states are able to

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4 Kindleberger, World in Depression, 28.
balance against the leading power.\textsuperscript{8} If the leading power was truly a hegemon he contends, the “leading state in the system would need to be stronger than all the second-ranked powers acting as members of a counterbalancing coalition...”\textsuperscript{9} Pape, unlike Gilpin requires the hegemonic power to prevent any negative decision by a second rate power simply to retain its hegemonic moniker.

Mearsheimer (2001) also attempts to define the threshold of hegemonic power. He writes that “states do not become status quo powers until they completely dominate the system.”\textsuperscript{10} He eliminates the possibility of global U.S. hegemony because in his view it lacks the appropriate power projection (military) capabilities to dominate its great power rivals.\textsuperscript{11} He also discounts the ability of the hegemon to “dominate” its great power rivals through the other instruments of power. Mearsheimer very clearly places the requirements for hegemony on the level of military power available to a state and discounts the economic power argument inherent in Kindleberger and Gilpin.\textsuperscript{12}

Yet another characterization of this power relationship is the idea of “primacy.” In an influential article on U.S. primacy, Huntington (1993) defined primacy in international politics as “a government...able to exercise more influence on the behavior of more actors with respect to more issues than any other government can.”\textsuperscript{13} He further elaborates

\textsuperscript{8} Gilpin would agree with Pape about the international system being a balance of power system. Where they differ is that Gilpin views a hegemonic state as the leader not the dictator of the international order. Pape’s desire to avoid the label of hegemon is an academic distinction that may make for excellent political science discussions but has no real impact on the analysis of the hegemonic state.
\textsuperscript{9} Pape, “Soft Balancing,” 11.
\textsuperscript{11} Mearsheimer, Tragedy of Great Power Politics, 40-41.
\textsuperscript{12} Mearsheimer, Tragedy of Great Power Politics, 55. He writes that “in international politics, however, a state’s effective power is ultimately a function of its military forces and how they compare with the military forces of rival states.”
that “states pursue primacy in order to be able to insure their security, promote their interests, and shape the international environment in ways that reflect their interests and values.” Huntington leaves the notion of primacy decidedly nebulous; he doesn’t explicitly put the types of strict parameters on it that Mearsheimer finds necessary. Nor does he explicitly reject the types of power that lead to primacy, (i.e. he doesn’t say that military power is the end all be all) he does however devote the rest of the article to economic primacy. He further states that primacy is desirable because it prevents a state from having to resort to war in order to achieve its objectives. While his focus is on economics, Huntington clearly realizes that there are several areas of power that enable primacy and he argues that US primacy is not only in the best interests of itself but the international community as a whole.

Last in my discussion is the idea of a unipolar power. Numerous authors have taken on the task of defining the characteristics of a power that creates a unipolar international order. Waltz (1979) failed to discuss the possibility of a unipolar system but he did argue that “counting the poles” was necessary to determining the type of international system. He wrote that states need only to be ranked “…roughly by capability.” One can infer from his discussion of capabilities that the current dominance of the United States would perhaps have led him to a discussion of unipolarity. Krauthammer (1990) set the definitional bar in a prescient article that argued that the world was unipolar with an “unchallenged superpower” at its center. He rejects any idea of multipolarity on the basis of the failure of any other country or organization to

17 Waltz, Theory of International Politics, 131.
mount a response to the Iraq invasion of Kuwait. He sums it up by saying that “where the United States does not tread, the alliance does not follow.” Krauthammer’s basis for this unipolar system is US preeminence because it alone has the “military, diplomatic, political, and economic assets to be a decisive player in any conflict in whatever part of the world it chooses to involve itself.” His key word for this discussion of power definitions is “decisive”; in order to be the unipolar superpower, the state must be able to act decisively in areas that it engages. He never fully lets the reader know what he views as decisive or whether it is a threshold that once unfulfilled, negates the entire label. Huntington was however willing to put a bit more flesh on the unipolar bones. He proposes that a unipolar system would have a single superpower that could “effectively resolve important international issues alone, and no combination of other states would have the power to prevent it from doing so.” The key difference for Huntington is that he isn’t so much concerned with defining the threshold required to be classified as a superpower; he is concerned that the level of superpower determines the type of international system (i.e. unipolar, bipolar, or multipolar.)

The various definitions of the relationship between the leading state and the international system have far less distinction than is popularly claimed. Each definition has the same standard parts; a general type of power mechanism (e.g. military or economic), an expected level of outcome for the United States of that power (e.g. influence or dominance), and the overall effect of that state on the international system (e.g. rules-making or rules-enforcement). Keohane (1984) also followed this pattern in his discussion of the use of international institutions by a hegemonic power. His power mechanism is the

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21 Samuel P. Huntington, “The Lonely Superpower,” Foreign Affairs 78, No. 2 (Mar/Apr 99):
international institution, its outcome is consistency in the system, and its overall effect is to reduce the costs for participants.\textsuperscript{22}

I choose to use the word hegemony as the moniker for the type of relationship that most clearly explains the current state of the United States. I begin by stating what a hegemon is not. A hegemon does not have complete freedom of action and outcome. Such a litmus test is too stringent for reality. A hegemon is not omnipotent in the international system. It cannot defend every possible area against any possible combination of adversaries and it cannot coerce every other actor in the system at its leisure. It is not a “one trick pony,” it has the ability to use various types of power to achieve its goals and is not limited to military or economic power alone.

Defining hegemony is actually a discussion of consequences and actors. A key aspect of hegemony is the fact that the internal actions of the hegemon matter more than the external actions of other states upon the hegemon. Just as important is the level of consequences that are acceptable to the hegemon. The hegemon must maintain the status quo and therefore cannot accept lasting consequences that threaten it. “Lasting consequences” are actions that permanently ruin or dramatically diminish a state’s power. For example the Soviet invasion of Afghanistan clearly had economic and international repercussions that dramatically diminished the power of the Soviet Union. If a state can act unilaterally, through a variety of methods, in the international system to ensure its interests, and its actions have no large or lasting consequences, then that state is a hegemon. The relatively unfettered ability to act in the international system is enough for hegemony, total domination isn’t required. In some ways it is a characterization of a level of global leadership, leadership that doesn’t always resort to coercion and that doesn’t always get its way. It’s enough to set the majority of the

international conditions that other nations have to live by and be able, but not always willing, to enforce those rules.

The growth, maintenance, and decline of discrete areas of power that enable hegemony, is the area of investigation for this paper. Gilpin, Pape, Waltz, and Kennedy have so amply pointed out that other states will continually balance against the hegemon and that a period of hegemonic dominance is a transitory event. Lesser states seek to diminish the hegemon’s power so as to protect or grow their own. The key for the hegemon is to husband and grow its power so that its actions, even when met with resistance, achieve its objectives while enabling further action. However, this balancing isn’t the most important factor; the actions taken by the hegemon matter far more than the actions taken against the hegemon. Hegemonic actions that involve (and deplete) the full measure of power ultimately cause the loss of hegemony. Likewise the proverbial “death by a thousand cuts” can spell the end of hegemony and the passing of great power.

ASSUMPTIONS

As with any paper, I make several fundamental assumptions that significantly influence my methodology. First and foremost I am bounded by the assumption that states are the primary actors in an anarchic system. Waltz’s (1979) depiction of the international system as anarchic with the nation-state firmly ensconced as the unit of measurement is taken as a precondition.23 Waltz also rightly maintains that the overriding goal of the state is survival.24 Actions taken by the state to gain and maintain power are undertaken with the desire to ensure state survival but oftentimes the state completely misunderstands the actual consequences of its actions. The hegemon seeks, but doesn’t have to

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possess, complete security in the international order and it does this despite the balancing actions of lesser states. Indeed lesser states may accept the hegemon because it allows them to “free ride” on the structure put in place by the hegemon.25

Another key assumption of this work is the idea that the hegemon sets the international order in a manner that is beneficial to itself and the international order therefore reflects the power of the hegemon. The reflection, however, is distorted by the length of time between regime implementation and the present, changes in world political dynamics (the fall of the U.S.S.R.), and relative power of the hegemon. Keohane (1984) makes this case,

Hegemonic power and the international regimes established under conditions of hegemony combine to facilitate cooperation. Hegemony itself reduces transaction costs and mitigates uncertainty, since each ally can deal with the hegemon and expect it to ensure consistency for system as a whole. The formation of international regimes can ensure legitimacy for the standards of behavior that the hegemon plays a key role in maintaining.26

Institutions like the World Bank, The International Monetary Fund, the General Agreement on Tariffs and Trade and the World Trade Organization came into being through the leadership of the United

25 Despite how it exercises power, the general reliance on the nation-state as the principle actor has been heavily critiqued. Susan Strange argues in The Retreat of the State, that state power is gradually being subsumed by the “power” of transnational corporations that have filled, “a vacuum, a vacuum not adequately filled by inter-governmental institutions or by a hegemonic power exercising leadership in the common interest.” Susan Strange, The Retreat of the State: The Diffusion of Power in the World Economy, (Cambridge, UK: The Cambridge University Press, 1996) 14.

26 Keohane, After Hegemony, 137-138.
States. The influence of the United States has ebbed and flowed for the reasons previously listed. For this paper it is enough that the institutions exist, that they were set up under the auspices of the United States, and that the current ability of the United States to get favorable outcomes from or direct favorable internal policies in the institution is an indication of US hegemonic power.

The last assumption of this work is that the benevolent hegemon is a stabilizing and synergistic force in the international system. The thought that there is an actor that has the power to take unilateral actions in defense of the liberal economic trading order promotes good order and discipline among states. Whether this is viewed as coercion by a hegemonic state or as the proverbial “rising tide that lifts all boats” is somewhat immaterial. What is material is the outcome of system that has been put in place; results matter. This is important because it is the theoretical underpinning that allows U.S. hegemony to be “OK” for a large segment of the U.S. population. This is critical because the continual efforts by U.S. politicians to point out the differences between hegemony and empire indicate unease among some Americans with U.S. hegemony.

One of the chief arguments against this idea is that the hegemon will stop promoting the international order when it is no longer beneficial. This is undoubtedly correct and it is one of Mearsheimer’s (2001) (among many others) main arguments against cooperation among nation-states. What he discounts is the ability of a nation-state to take a long view of security. Which of the following scenarios provides the United States with greater long-term security? A U.S. policy that tries to limit Chinese economic growth at every turn, even at the expense of U.S. economic interests and capital needs or, a strategy that realizes that U.S. power is better served by access to Chinese markets and capital even if it

27 Mearsheimer, Tragedy of Great Power Politics, 52.
results in an increase in Chinese military strength. The latter scenario represents a better option for the continuation and growth of U.S. power. Shouldn’t pragmatic realism, offensive or defensive, focus on long-term effects instead of short-term slights? The maintenance of the liberal trading order is a long-haul strategy that uses hegemonic U.S. power to prevent other countries from defecting during times of internal strife and stress.

**Summary**

There has been a vigorous academic debate about what it takes to be hegemonic. Some authors purposely set the bar extremely high in order to promote their particular conception of the relationship between the dominant state and the international system. For the purposes of this paper the United States is clearly a hegemonic state and its hegemony is beneficial to its citizens and the international system as a whole. The amount of power that allows its hegemony is still very much in question. The British decline wasn’t quick and there isn’t a clear event that sent them from hegemony to lesser power status. Instead it was a series of gradual reductions across a broad spectrum of power bases that caused them to cede domination to the United States. We must therefore look at potential areas where past experience can inform current U.S. endeavors. Unfortunately we cannot truly answer the question of whether or not the United States is in decline because if the British are any guide it will happen in the clutter of daily operations. Power is relative to amounts that current actors wield. It is useful to try and compare levels of state power only in order to show changes in the system and in the nation itself. Such a comparison can at least provide a strong indicator of direction.
Chapter 2

Military Power

*Of all the enemies to public liberty war is, perhaps, the most to be dreaded because it comprises and develops the germ of every other. War is the parent of armies; from these proceed debts and taxes … known instruments for bringing the many under the domination of the few…. No nation could preserve its freedom in the midst of continual warfare.*

James Madison, Political Observations, 1795

The United States is the most dominant military power the world has ever seen. This capability has not come cheap. The United States is first in total military spending at a staggering 607B in 2008 which was 41.5% of the total military expenditures, worldwide.¹ When the expenditures for non-DOD security spending; the Department of Homeland Security (DHS), nuclear weapons spending through the Department of Energy (DE), “black” programs that are off-budget, are added to the total the United States pays more for its yearly security than every other nation combined.² The incredible size of the U.S. economy has allowed this

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The SIPRI website has a detailed discussion of the methodology used to arrive at their estimates. For the United States they use open source data such, i.e. the DOD budget. What they don’t include is “black” funding, nuclear funding through the Dept of Energy, the Dept of Homeland Security, or other areas that are very much national defense but are not directly paid for by the DOD.

² Expenditure numbers are taken from numerous sources. The vast majority of the data comes from the Office of Management and Budget’s historical tables. For a more detailed discussion see Appendix A which covers the various sources of budgetary data used.
largess despite ranking only 23rd in military spending, worldwide, as percentage of gross domestic product.\(^3\)

In an era of such economic and therefore military largesse, what factors can be evaluated to illuminate American decline? This chapter will examine the use mercenaries, the military cost differential between the hegemon and rising states, and the tendency of declining hegemons to undertake tangential military endeavors.

**Military Costs**

Smith (1937) wrote “the first duty of the sovereign, therefore, that of defending the society from the violence and injustice of other independent societies grows gradually more and more expensive, as the society advances in civilization.”\(^4\) One of his frames of reference was comparisons between the cost of an American Indian tribe and the nation-state that had to fight it. He contends that there is a fundamental difference between the cost of a nomadic society that goes to war in an ad hoc manner, and a state that must pay for a standing army even in times of peace. This seems instinctively correct, and the thought process applies to the differences between developed (stagnant) nations and developing (innovative) nations. The same pattern of cost differential presents itself between hegemonic powers and rising powers.

The United States is currently at a plateau of economic growth and therefore the relative costs of its defense are greater when compared with a rapidly growing developing nation. In simpler terms, U.S. defense costs more in real dollars and relative ones and this has generally been true for


all hegemons. Gilpin (1981) attributes this phenomenon to the
transaction costs associated with hegemonic power. He writes, “because
of the increased costs of military capabilities and the diffusion of military
technology from the dominant state to rising competitors, the costs to the
dominant state of maintaining the system rises with time.”5 Thus the
hegemon bears the bulk of costs of military development in addition to
the risks of failure to maintain military superiority. Competitors
conversely have less cost and risk because they know that direct
conventional confrontation with the hegemon is national suicide. A
hegemon can spend decades and billions developing an advanced
military capability only to see it reproduced by a competitor on a much
shorter time-line and for less money.

While the hegemon is undoubtedly burdened with remaining “cutting-
edge”, Gilpin fails to address the largest factor of hegemonic military
costs; the hegemon has a vastly larger pool of potential opponents. The
developing state can focus spending on things that targets the hegemon
but the hegemon usually must spend on any possible threats from any
possible state. At some point it becomes a simple math problem, when
every other state can focus on the hegemon it is unlikely that the
hegemon can focus on every other state. Additionally the hegemon must
ensure the security of the entire system in order to ensure its
dominance. Potential adversaries may gain very little from the status
quo and therefore have the complementary benefit of targeting the
system as a means to target the hegemon. The hegemon chooses, for a
variety of internal and external reasons, to dramatically increase military
spending as it balances against many powers instead of one. Oftentimes
it is unable to distinguish true threats from chimeras and continue
spending for both until a major event (i.e. War or bankruptcy) checks the
expansion.

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5 Robert Gilpin, War and Change in World Politics, (Cambridge, U.K.: Cambridge
University Press, 1981), 162
The British Experience

The British experienced this phenomenon during their naval build-up prior to WWI. The British Navy had been able, through a combination of economic superiority and potential adversary weakness, to maintain an overwhelming naval capability, for a relatively low cost, during the first three-quarters of the nineteenth century. This led them to declare in the late 1800’s “a "two-power standard," which decreed that the Royal Navy should exceed the might of the next two largest navies combined.”6 This standard, “at the very least...meant a modern British battleship force numerically equal to the combined battleship fleets of the next two strongest naval powers; at the very most it provided for a fleet certain of containing the combined fleets of the next two strongest naval powers or, in quantitative terms, a British battle fleet approximately 10 to 15 percent larger than that of her potential opponents.”7 In the late 1800’s the quality and quantity of British battleships was unmatched by any other naval power, as was Britain’s ability to pay for this force. Unfortunately for the British, their near-peer competitors were not content with the status quo.

As a check against this overwhelming battleship superiority the French, among others, decided to fight battleships with torpedo boats and armed cruisers. Admiral François Fournier argued that trying to match British forces directly was impossible and that recent technological changes would allow a new armed cruiser the ability to run from (and possibly) fight a current battleship because of its increase in speed and gun caliber.8 It would also allow the French to better attack the center of gravity of the British Empire, merchant vessels, in a more effective

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8 Lambert, Sir John Fisher’s Naval Revolution, 25.
manner. He buttressed his argument with the belief that the French reliance on smaller and cheaper torpedo boats would present the British with a cheap flotilla that had “battle power” that would prevent British capital ship retaliation against French ports.\(^9\)

The French reliance on torpedo boats and armed cruisers was a targeted response to the overwhelming capability advantage possessed by the hegemon. Two years after the French started construction of their first armed cruiser the British learned that Russia, the third ranked naval power, began planning to significantly increase its naval spending. Prior to confirmation about the extent of the Russian program, the first lord of the Admiralty, George Goschen, got cabinet support for, “the proposition that we must meet the Russian program whatever it might be.”\(^\text{10}\) The British were alarmed to find out that the Russians planned to spend almost £2 million more for this single program, than the combined amount of the last four years of British ship-building.\(^\text{11}\) Although the Russian program was specifically designed to add an extra fleet in Asia at Port Arthur, the British took a decidedly realist approach to the buildup. They treated it with the same gravity as the French buildup despite the fact that the Russian program was clearly designed in response to Japanese expansion.\(^\text{12}\)

The British fear of any reduction in their superiority caused a building program that severely strained the British economy, precipitated fundamental political changes, and eventually caused them to retrench from colonial requirements. The first indications of financial strain were reported by the treasury in 1898 as a result of the “unprecedented size of

\(^\text{10}\) Quoted in Lambert, Lambert, *Sir John Fisher’s Naval Revolution*, 23.
\(^\text{12}\) The British very clearly had interests in the Pacific but these interests were not significantly threatened by either the Japanese or the Russian buildup. The more pressing concern was the relative size reduction in the British fleet when compared with the rest of the world.
the of the 1898-1899 naval construction program.” This shortfall, and others caused by the Boer War, was covered in the short-term with deficit spending and later with higher taxes. However, the demands of the admiralty proved to be ever increasing, instead of a temporary response to external threats. Naval expenditures climbed by more than 80%, £22.5 million vice £41.7 million, between 1897-98 and 1904-05. During the same period total government expenditures only increased by 40%. The massive increase in naval spending was also a large portion of the 25% increase in the national debt and the proportionate increase in annual debt service between 1899 and 1903.

The naval expansion and the budgetary pressures it caused reached a culminating point during the “Navy Scare” of 1909. The pressure to remain dominant on the seas gradually increased after the Russians were replaced by the Germans in the British “two-party” calculus. Four years after Admiral John “Jacky” Fisher introduced the Dreadnought to the world, the British government began receiving information that indicated that the Germans were not only building comparable dreadnoughts but that they had surpassed the British in yearly building capacity. Based on this faulty information they doubled their production schedule and ultimately ended up building 22 battleships instead of 16. This was exacerbated by the fact that all the countries involved were adept at incorporating new technology into their designs and this caused the cost of a modern battleship to double, the cost of an armed cruiser to quintuple, and the effective combat lifetime of a warship to drop to 15 years or less. The increased financial burden forced the

17 Lambert, *Sir John Fisher’s Naval Revolution*, 3. The increase in costs were between 1889 and 1904.
Chancellor of the Exchequer, David Lloyd George, to find new sources of revenue. The new taxes he proposed caused a constitutional crisis in the British government that ultimately cost the House of Lords their ability to veto a bill passed by the House of Commons.¹⁸

The last major impact from Britain’s increase in naval spending was colonial retrenchment. Between 1904 and 1909 the British Navy transitioned from four major fleets and numerous individual stations to three geographic commands with the bulk of the force centered on protection of the home islands.¹⁹ The practical result of this reorganization was a de-emphasis of colonial protection and the reduction of over 154 obsolete ships from the navy’s role.²⁰ The reduction was part of Fisher’s plan to shift operational funds and bodies to the production and crewing of new armed cruisers. While historians differ over precipitating causes of the reorganization, it is clear that growing concern over the size of the naval budget and potential fears about European threats played a significant part.

Britain’s self-imposed level of supremacy forced a naval arms race had enormous consequences for the nation. It spawned several events that weakened the British Empire. The massive budgetary issues that surrounded the two decades prior to the start of WWI were more than a security discussion. The spending forced Parliament to make choices between “guns and butter”, while also forcing them make decisions between “guns and guns.” The naval expenditures were coupled with an increase in social spending and both came at a relatively bad economic time for Britain. British economic power had been steadily eroding since its highwater mark in the middle 1800’s. Kennedy (1987) details this, “in 1880 the United Kingdom still contained 22.9 percent of total world manufacturing output, that figure had shrunk to 13.6 percent by 1913;

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¹⁸ Massie, *Dreadnought*, 640-662.
and while its share of world trade was 23.2 percent in 1880, it was only 14.1 percent in 1911-1913.”

Britain’s need to balance against a vast range of potential enemies caused it to dramatically increase military spending despite a worsening economic position and to the exclusion of other legitimate concerns.

**Current Defense Spending in America**

Like the British at the turn of the 19th century, America is currently in the middle of a massive military buildup that is based on a self-imposed perception of external security threats. The current “War on Terror” has imposed an unachievable security goal on the United States, paralleling the self-induced dilemma of the “two-power” policy of Britain. Shortly after the 9/11 attacks President George W. Bush said that “We will not rest until terrorist groups of global reach have been found, have been stopped, and have been defeated.”

In the National Strategy for Combating Terrorism published in 2003 the “enemy” was defined as being:

...not one person. It is not a single political regime. Certainly it is not a religion. The enemy is terrorism-premeditated, politically motivated violence perpetrated against noncombatant targets by subnational groups or clandestine agents. Those who employ terrorism, regardless of their specific secular or religious objectives, strive to subvert the rule of law and effect change through violence and fear...Our goal will be reached when Americans and other civilized people around the world can lead their lives free of fear from terrorist attacks.”

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Britain’s strategic challenge was to remain quantitatively superior to any combination of naval powers despite overwhelming evidence, (i.e. the Russian fleet purchase), that the growth of rival powers was not directly aimed at British power. The United States has adopted a strategic challenge that, at least rhetorically, means that any terrorist action, anywhere in the world is a national security threat, even if those actions don’t affect Americans. The statement referenced above is quite clear, albeit impossible, and the United States has also levied a security requirement in the 2010 Quadrennial Defense Review that requires the U.S. military be able to; win the current conflicts in Afghanistan and Iraq, prevent and deter any attacks on the United States and the emergence of new terrorist groups, and be prepared to fight two regional aggressors simultaneously.\textsuperscript{24} The United States has clearly defined what it thinks it must balance against and has put massive resources behind the effort. The United States may have the resources and the willpower to try and achieve these goals but it is more likely that by so broadly defining the strategic problem the United States is bound for failure. The complete rejection of any “expectation management” has created a situation where the United States will fail without total success. The United States has signed itself up to Mearshiemer’s version of hegemony or Huntington’s view of a unipolar world.

The United States has had a massive increase in security spending over the past decade. U.S. DOD spending increased by $346,950 billion between 2001 and 2009, a 119\% increase.\textsuperscript{25} When overall security spending is taken into account (not just DOD dollars) the increase has been over 140\%.\textsuperscript{26} As a comparison, overall government spending, with

\textsuperscript{25} Appendix A.
\textsuperscript{26} Appendix A. Department of Defense spending is a poor indicator of the money spent on “national security.” The massive explosion in domestic spending in response to 9/11 must be accounted for because a large portion of that spending is legitimized by its
overall security spending factored out, has only increased by 74%. When
the numbers are run using 2008 as the benchmark, prior to the drastic
fiscal action taken for the global financial crisis, the total US spending
only increased by 39%.27 The numbers are useful because they clearly
indicate a massively increasing amount of “security” spending in the
United States when compared to the growth of government spending in
general. This spending, like the increase in British naval spending, isn’t
surprising given the strategic context the United States has imposed
upon itself. What remains to be seen are the internal implications of
this massive increase in military spending.

There are other current U.S. defense policies that the British naval
buildup can illuminate. One of these is the trading of force structure for
weapon modernization. Admiral Fisher was willing to cut 154 ships from
the British Navy Rolls to gain money for modernization; in 2007 the U.S.
Air Force cut 40,000 troops in order to redirect around $6 billion dollars
from manpower to aircraft modernization.28 Secretary of Defense, Robert
Gates, has also been willing to sacrifice current force structure and
modernization programs for budgetary maneuvering room. The 2010
Quadrennial Defense Review labeled these efforts as, “action to direct
resources away from lower-priority programs and activities so that more
pressing needs could be addressed.”29 It remains to be seen if Gates has
identified the most appropriate “pressing needs” for the future.

An indication of hegemonic decline is when the hegemon allows a
strategic fear to lead to military spending that has disproportionately

inclusion under the broad heading of “national security.” As explained in Appendix A
my “Total Security Spending” column includes DOD funding, DHS funding, VA funding,
Other Defense Civil Programs, and War Supplemental.

27 Appendix A.
28 Gen. T Michael Mosley, interview by Timothy Clark, 31 October 2007, transcript,
negative internal effects. That fear is almost always caused by the perceived need of the hegemon to account for all possibilities, to the exclusion of, or diminution of other legitimate concerns. Do massive increases in military spending lead directly to decline? The answer is not necessarily, although the evidence suggests it is a harbinger of it.

**Mercenaries**

Mercenaries have been used throughout history and have historically been a cheaper and safer alternative to a large standing army during peacetime. This section will focus on an examination of the use of mercenaries by a hegemonic power. While all powers, hegemonic or not, have engaged mercenaries for their war efforts there is a linkage between the level of mercenary use and the internal strength of a state. There are numerous cases in modern Africa where a weak national government has engaged mercenaries to prevent its demise and/or to fight in the place of a weak or corrupt national military.\(^\text{30}\) A hegemonic power is no different from these weak African states insofar that it is willing to go to great lengths to ensure its security. The hegemon engages mercenaries for three reasons; because its leaders do not trust or want to inform the populace of the true nature of a conflict, because the citizens once informed fail to support the course of action, and/or because the population size is insufficient to populate the military.

So the question becomes, why is a hegemon unable to provide for its defense in the manner that it used previously and why does it use mercenaries to round out military endeavors? Gilpin writes that

\(^\text{30}\) Peter Singer, *Corporate Warriors*, (Ithaca, N.Y.: Cornell University Press, 2003). Mr. Singer details several accounts of a weak national government or a hated dictator being able to employ mercenaries to great effect. Most of the cases revolve around the use of corporate mercenaries, after the end of the Cold War put thousands of military professionals, from dozens of states, out of work.
“affluence appears to have a corrosive effect on the martial spirit.” He points to gradual unwillingness of the population, because of its increasing “civilization,” to undertake the dirty and dangerous work of the military. Gilpin’s point is a larger one that runs the gamut from military participation to menial job accomplishment. He suggests that as a hegemonic society matures its people become less and less willing to do the “dirty” work, whether fighting or trash pick-up. While this dulling of the warrior spirit does indeed seem to take place, another major aspect is that mercenaries allow the political leaders of the hegemon to circumvent normal processes as well as execute strategies that the populace finds objectionable.

Adam Smith makes the identical point in a discussion about the use of mercenaries and he amplifies the point with a discussion of the relative ineffectiveness of citizen militias. In Smith’s opinion the lack of standardization and relatively small investment in training time simply cannot match a standing national army. While this undoubtedly plays a role, the main problem of militias is that it is much harder to align their interests with that of the political master that is employing them. Standing militaries have a vested interest in conflict that they are directly involved in as well as those potential conflicts that influence future military preparations. A citizen militia that is predominantly occupied with life outside the military must have a powerful inducement, either physical or emotional, that will trump their civilian concerns. If aligning the interests of militias, which are nominally under state control and have sanctioned methods to discourage defection, is enormously difficult, is it even possible with mercenaries? The difficulty of aligning interests is why the use of mercenaries by a hegemonic state can be viewed as an indication of weakness and decline. Why would a state open itself up to the possibility of a truculent mercenary complex if it was able to avoid it?

31 Gilpin, War and Change in World Politics, 162.
Before an examination of the use of mercenaries some discussion on terms is appropriate. Many raise a significant objection to the very term mercenary because it usually used pejoratively. Assigning a value judgment to the term is useless for this discussion; the term is used to distinguish a group of individuals and companies that provide military services independent from or in concert with the state sponsored military. Most definitions of “mercenary” start with the assumption that it is a foreign fighter bound by a contractual obligation and motivated by money. The emphasis on foreign is what has historically distinguished a mercenary from a soldier because both are paid by the state, and soldiers like mercenaries are bound by contractual terms. The emphasis on foreign is overstated because it excludes citizen actors that perform military tasks or duties outside of the “normal” functioning of the governmental system. Accordingly, I consider a mercenary to be any actor, foreign or domestic, that is contracted by the state for duties that have traditionally been or are currently being accomplished by soldiers or governmental support agencies.\textsuperscript{33} The mercenary is made by the refusal, for a whole host of reasons, of the government to accomplish the activity through internal means.

**Roman Mercenary Use**

The Romans had a long history of using mercenary troops prior to the decline of the Western Roman Empire. They were well versed in buying a military capability outright or recruiting military specialties based on

\textsuperscript{33} Singer, *Corporate Warriors*. Singer has an excellent discussion on the vagaries of the term mercenary. In it Singer goes to great lengths to distinguish between Privatized Military Firms and mercenaries. While I appreciate his distinction, I think he is splitting hairs. A corporate structure and all its attendant benefits and problems don’t fundamentally alter the fact that a good (military service) is being provided by an actor (the mercenary) for a benefit (individual pay, company profit). At its core mercenaries provide these services, even if they are contracted by the government of record, external to the systems originally designed by the state to provide those services.
ethnicity to augment their legions.\textsuperscript{34} The Romans were also extremely good at integrating troops from newly conquered areas into their existing military. Until the latter stages of the Empire they generally took these new troops and distributed them among legions in a geographically different area. The sheer size of the Empire made this an effective hedge against the danger of arming a former foe. Given their previous success at using mercenaries, the question becomes what changed that caused the use of mercenaries to contribute to the decline?

The Romans had been extremely good at the integration of mercenaries; either bought outright or incorporated through expansion, into the existing structure. The main reason was that the existing structure was not only big enough but homogenous enough to deal with new additions. The homogeneity wasn’t in ethnicity but in citizenship. Roman citizenship was such a desired commodity that the Army routinely recruited auxiliary (non-citizen) forces whose reward for 25 years of service was citizenship.\textsuperscript{35} This homogeneity started to change in the late 3\textsuperscript{rd} century as the Empire expanded its borders in order to increase the distance between the barbarians and itself. It was also hastened when Diocletian implemented a number of military reforms aimed at bringing greater territorial security to the empire. Diocletian started a transition of the army, from centrally organized and directed legions that occupied a set camp, to a system that had a preponderance of smaller, militia-type, forces that fought near their frontier homes.\textsuperscript{36} Luttwak (1976) writes “by the first decades of the fourth century the dual army structure

\textsuperscript{35} Southern and Dixon, \textit{The Late Roman Army}, 6.
\textsuperscript{36} Edward N. Luttwak, \textit{The Grand Strategy of the Roman Empire: From the First Century A.D. to the Third}, (Baltimore, M.D.: The Johns Hopkins University Press, 1976), 187-188. The entire third section of this work is a treatise on how the defensive strategy of the Roman Empire changed as a response to the Third Century Crisis. The citation above particularly references Luttwak exploring whether the reforms were truly instituted under Diocletian or Constantine.
was in existence, with limited limitanei and provincial troops on the border under the control of sector commanders (duces), and with centralized field forces under the emperor and his magistri." The gradual transition to forces that were more intimately tied to their areas of operation was staffed to a much greater extent by locally recruited forces, including barbarian forces that a century before could have served but only in a different part of the empire. The situation was exacerbated by the policy of receptio, “whereby tribes were taken into the empire en masse and given lands on which to settle.”

All of these policies, implemented over the course of a century, effectively institutionalized the use of mercenaries for frontier defense. The Roman emperors failed to raise and support enough Roman legions (citizens) to adequately ensure their border security. The increasingly common practice of using local tribes as the primary line of defense was only useful as long as the interests of these tribes aligned with that of the Emperor. Unfortunately for the continuation of the empire, as the frontiers came under increasing pressure, the mercenaries realized that their best chance of security did not rest with the empire but with the barbarian. The divergence of purpose and the inability of the later Emperors to convince these troops that the benefits of Roman citizenship outweighed the danger of barbarian invasion greatly contributed to the empire’s demise.

Southern and Dixon (1996) attribute the decline more to a lack of standardized training and discipline of the barbarians used by the army rather than their presence itself. While this is surely a factor, they also acknowledge that this directly contributed to the failure to “integrate the barbarians into existing units, or to train them as Roman soldiers, or to

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37 Luttwak, The Grand Strategy of the Roman Empire, 188.
38 Southern and Dixon, The Late Roman Army, 20.
39 Southern and Dixon, The Late Roman Army, 177-180.
Romanize them sufficiently…”⁴⁰ The authors also support the idea that a hegemon uses mercenaries because it cannot entice its population to support the military necessary for its strategy. They write “the disparate nature of the late Roman army brought with it many problems, although due to the reticence of the citizen population to enlist, the state had little alternative but to resort to the policy of large-scale barbarian recruitment.”⁴¹ Ferrill (1986) gives credit to the information above when he links the true decline of the Roman army (and therefore the empire) to the Emperor Theodosius whose “settlement with the barbarians and the use of large ‘federate’ barbarian forces in military campaigns began almost immediately to undermine the marvelous military machine of the Roman state.”⁴²

It is clear to anyone with a passing knowledge of Roman history, that an attempt to blame the entirety of Roman decline on the use of mercenaries (barbarians) would greatly overstate the case. What is equally clear is that the Roman army was forced for a variety of reasons to use mercenaries in an increasing role after the reign of Diocletian. It is equally clear that the use of so many barbarians, that did not share the same ultimate interests of the state, contributed to internal instability and invited external invasion.

**Recent American Mercenary Use**

The use of mercenaries by the United States is at an all time high. The genesis of the current reliance on mercenaries was the drawdown in American forces at the end of the Cold War. U.S. active duty force levels shrunk from 2,138,213 in 1988 to 1,705, 103 in 1993, and further

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⁴⁰ Southern and Dixon, *The Late Roman Army*, 180.
⁴¹ Southern and Dixon, *The Late Roman Army*, 178.
declined to 1,385,116 in 2001.\textsuperscript{43} The reduction cut into every area of the military from front-line combat troops to the troops that support and supply them. The troop reduction was also largely responsible for the flat-lining of DoD budgets in the 1990’s. For example the DoD budget in 2000 was almost $8 billion dollars less than 1990 budget.\textsuperscript{44} The decrease in troops helped to balance the budget in the late 90’s and it also started an increasing reliance on mercenaries.

The U.S. military has always used contractors, the vast bulk of these contractors were in the materials supply business. They were the infamous “war profiteers” from the Civil War and the receiving end of the “$300 dollar hammer” in the 80’s. They supplied goods and materials to the military and the military translated those goods and materials into services required by the nation. The last 30 years have seen the addition of private actors that provide services that are essential to the running of a military. The areas that these mercenaries have been contracted to service are myriad but two examples from my own experience highlight the breadth of their use.

The first example is the contracting out of maintenance support for all USAF pilot training aircraft. Current USAF pilots will not fly an aircraft maintained by military troops until they are past pilot training. While these training aircraft will never be involved in combat, and neither will their maintainers, they do affect the production of pilots for combat. After a strike at one of the four pilot training bases, the USAF released the following statement, “normal flying operations at Vance AFB have been temporarily suspended and the base is currently assessing the

\textsuperscript{43} Department of Defense, Personnel and Procurement Statistics Website, retrieved from http://siadapp.dmdc.osd.mil/personnel/MILITARY/miltop.htm. The numbers for this citation are taken from their respective years reports.

\textsuperscript{44} Appendix A. Those numbers are not adjusted for inflation which means that the difference in purchasing power between 2000 and 1900 was much greater than 8 billion.
mission impact of the strike.” In this case, the decisions of a private company materially affected the ability of the USAF to produce pilots.

The second example is that of food service for the conflicts in Afghanistan and Iraq. All of the rations supplied to troops in Afghanistan come from a private contractor. The contractor, Supreme Foodservice, won the contract in 2005 and supplies rations to over 65 military sites around the country. Once that food arrives it is cooked by another contractor before being fed to the troops. The U.S. military is currently unable to provide its own food for a major operation and even if it could there is no one to cook it. The U.S. Army currently has almost 11,000 “food service specialists” or cooks to support over 500,000 troops. Of that 11,000 a little over 10% is in a rank that would preclude their active involvement in food supply. The logistics support required to support basic human necessities has been out-sourced to mercenaries.

The previous examples are useful anecdotes, but the true numbers of mercenaries supporting or conducting current military operations is staggering. Singer (2007) references an internal US study that found “almost 180,000 private contractors were employed in Iraq (compared with 160,000 total U.S. troops at the time).” It is impossible to determine how many of those 180,000 are performing non-mercenary functions instead of duties formerly (or currently) accomplished by the military, but what is clear is that the number clearly indicates that the U.S. military is undersized for the tasks it is currently charged with. The question becomes, why is the United States unable to field a force that is more “skewed” to state soldiers instead of mercenaries?

48 Singer, Corporate Warriors, 245.
The usual answer to that question is that the privatization of certain military activities is far more cost effective; however this contention is very much in question.\textsuperscript{49} While cost savings are often the main argument, Lawrence Korb, an Assistant Secretary of Defense under President Reagan argued that is politically expedient.\textsuperscript{50} When asked about President Clinton’s troop deployment to Bosnia he said “When you’re sending in forces, everybody’s obsessed with the number of troops deploying. You can keep the numbers down and send in [the contractors] to make up the difference.”\textsuperscript{51} Singer makes the same point about the use of mercenaries for the invasion of Iraq. He makes the case that the other “fixes” for the insufficient number of US troops were politically impossible. The Bush administration could not admit that the original number was too low and deploy more active duty troops from an already thinly stretched force. Likewise the prospect of a full call-up of National Guard and Reserve forces would have dramatically raised the profile and pain threshold for many Americans. He writes that, “the private military industry was an answer to these problems and, importantly, an answer that had not existed for policymakers in the past. It offered the potential backstop of additional forces but at no political cost.”\textsuperscript{52} Just as the Romans were unable to raise forces from within the empire, the United States in recent years has been unwilling to try and raise additional forces in the traditional manner in order to avoid increasing the human costs of war on its citizens.

\textsuperscript{49} Ann R. Markusen, “The Case Against Privatizing National Security,” \textit{Governance: An International Journal of Policy, Administration, and Institutions} 16, no. 4, (October 2003): 471-501. In her article Ann Markusen forcefully disputes the notion that privatization of military efforts is a money saving proposition. She details how most studies of the cost savings have been done using the initial bid amount for the contract instead of the actual cost to the government at the end of the contract. Her main point being that until a through historical economic analysis is done, the question will be unresolved.


\textsuperscript{51} Peters, “Civilians at War.”

\textsuperscript{52} Singer, \textit{Corporate Warriors}, 244.
At first blush the thought of reducing “blood” costs on one’s citizens should be an indication of a caring government, but the opposite is true. When a government intentionally or not, deflects the costs of war from its citizens in order to prevent an increase in opposition to the conflict, it shows a remarkable break in the trust between the government and the governed. It also shows a governmental ability to martial monetary resources that can be used to accomplish ends that discount the need for popular support. This situation is common in totalitarian states, but is a troubling use of resources in a democratic state. In the case of the United States, both the Executive and Legislative branches are complicit in these actions, the first by executing it and the second by funding it.

Another critical problem that accompanies the use of mercenaries is illustrated by the maintenance strike related earlier. The main problem for the principle (the United States) is that of aligning mercenary interests with its own. The Romans failed to realize that their barbarians were retaining a sense of self, that was independent of being a Roman citizen, and they ultimately paid for it. Similarly to the Romans, the United States is creating a constituency that has an extreme conflict of interest with the government once the United States abandons its current conflicts. The mercenaries need the conflicts to remain employed. Likewise the tremendous use of mercenaries places the U.S. government in a position of dependency upon those groups that provide a unique service to the government. When the company providing that unique service demands more money or refuses to execute the contract, what then? The United States can prosecute them after the fact, but the failure to execute remains and so do the consequences of that failure.

Avant (2005) tests how three different scenarios will affect the control of force. She uses case studies to illuminate the effects of; states contracting with mercenaries, the exportation of mercenary services, and
the private financing on the control of force by the state. What she found was that in all cases the traditional role of state control over the use of force was weakened and that the long-term consequences of this change in the relationship were inevitable even though their exact composition is difficult predict. In most cases the hegemon is better served by a vigorous defense of the status quo suggesting that the monopoly of state control on the use of military force is a precedent that should be abandoned with extreme caution.

Tangential Military Efforts

The last military area that will be examined is the tendency of hegemonic states to grasp at the status quo or continuing security through tangential military efforts. This last area can be viewed as the logical execution of the expanding strategic problem that was addressed in the beginning of the chapter. The price of being a hegemon is that one's interests are almost limitless. The actions of the hegemon can affect the entire world and therefore its interests grow to match its capabilities. Lesser powers are able to better focus on national interests not because there are fewer categories, but because there is implicit knowledge that nothing can be done. The hegemon is held hostage to the art of the possible. This is manifest in the use of a hegemon’s military. The hegemon tends to use military power on issues that it can impact but that do not return the investment being made.

The hegemon is in an internationally awkward situation because it has the ability to affect an enormous range of situations and that capacity often trumps the argument of necessity. In the run-up to U.S. involvement in Bosnia, then Secretary of State Madeline Albright asked General Colin Powell “What’s the point of having this superb military that

you’re always talking about if we can’t use it?" The U.S. adventure in Iraq is a recent example of this, but equally poignant are the hundreds of minor interventions and expenditures of power that bleed a hegemon to death. The extension of the English empire created a “relentless logic to guarding the next valley, river or island that soon got the British involved in places that had little strategic importance except to the colonies that it already controlled.” The Romans eventually pushed their borders into barbarian territory in the vain attempt to use this area as a buffer zone when executing a defense in depth strategy.

All of these real military interventions involved a direct cost in blood and treasure to their respective hegemons. The measure of decline lies in the judgment that the costs of involvement greatly outweighed the benefits and that this misallocation of resources weakened the hegemon.

**British Involvement in the Boer War**

British military actions during the nineteenth century were varied and numerous. One listing had 74 actions in Africa, 10 in the Middle East, 26 in the Far East, 16 in the America’s, five under the heading of Australasia and the Pacific, 115 in Indian and the Near East, and four in Europe proper, for a grand total of 245. The empire was busy and the British were not afraid to use military force to further their goals. In hindsight, it is safe to say that not all 245 actions were necessary to...

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55 Stephen Luscombe, The British Empire website, Strategic Imperatives paragraph, http://www.britishempire.co.uk/
57 Stephen Luscombe, The British Empire website, Land Forces pages under the campaigns heading, http://www.britishempire.co.uk/. The website breaks the Empire’s actions down by geographic area. Mr. Luscombe does not include his criteria for adding the event to the list of military actions and my use of this reference is simply to show the aggregate of British actions taken by the central government or by its colonies during the nineteenth century. I am not making any qualitative assertion about the size of these actions or that they are independent.
either expand British dominion or maintain the status quo, although there were undoubtedly some that accomplished both. The “wicked problem” for the hegemon is having less of the former and more of the latter.

The British involvement in the Boer War is a useful exemplar of a tangential military effort that incurs costs disproportionate to its gains. A cursory understanding of the background is necessary to examine the reasons for the war. The British seized control over the Cape Colony in 1806 in order to secure the shipping routes between Europe and the east; the very reason that the Dutch had first colonized the area.\footnote{Thomas Pakenham, \textit{The Boer War: Illustrated Edition}, (New York, N.Y.: Random House, 1979), 11.} The British had a difficult time enticing English settlers to the area and the white population in the whole of South Africa was to remain predominately Dutch (Afrikaners), which created the curious condition of Britain administering a colonial area where it wasn’t the dominant white population.\footnote{Pakenham, \textit{The Boer War: Illustrated Edition}, 11.} While most Afrikaners were willing to submit to British rule a significant minority left the Cape Colony in 1835-1837 for the interior, after Britain abolished slavery throughout its possessions. These “voortrekkers” established the Boer states of the Transvaal and the Orange Free State which were recognized as free states by Britain in 1852 and 1854.\footnote{Thomas Pakenham, \textit{The Boer War}, (New York, N.Y.: 1979), 11.}

Britain annexed the Transvaal in 1877 at the request of the indigenous government that was in danger of being wiped out by the dominant Zulu tribe. In 1880, the Boers, unhappy with Britain’s colonial administration, fought three successful military engagements against British troops that ultimately influenced the British Prime Minister W.E. Gladstone, to make a quick peace. This political situation remained until the start of the Boer War in 1899 but significant economic events
transpired in the interim. The discovery of both diamonds and gold in the Boer states in the mid 1880’s quickly changed the economic fortunes of the Boer states and gold made the Transvaal the “richest and militarily most powerful nation in southern Africa.”⁶¹ Lastly the new mining concerns caused the influx of a significant white minority, the Uitlanders into the Boer states as prospectors and capital owners. The Boer’s were adept at selling mining concessions and then taxing the workers and owners of the mines all without granting any enfranchisement to any Uitlander.⁶²

The enfranchisement issue was officially the reason for the entire conflict. The British, according to their view, were simply trying to ensure the rights of a significant minority of British settlers in the two Boer states. While this sounded great in the press it ignored several salient issues the largest being that “a large minority [of the Uitlanders] were not British at all, but Cape Afrikaners, Germans, Frenchman, even Americans.”⁶³ It also ignored the simple fact that a large percentage of the Uitlanders didn’t view a lack of franchise as the dominant concern in a time of relative prosperity. A much larger factor in the start of the conflict was the political opinions held by policy makers on both sides.

Alfred Milner, the British High Commissioner for South Africa and the Governor of the Cape Colony, was an ardent imperialist who viewed the capitulation of the British government to the Boer states as a mighty injustice.⁶⁴ He was primarily concerned with, “‘imperial unity’ and ‘consolidating the Empire’...He was interested in power. Not merely for himself, but for England.”⁶⁵ The enfranchisement was simply a means to an end; a useful pretext to execute the strategy of imperialism that he

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thought was threatened by the perception of a British lack of resolve in southern Africa. Having made up his mind he was left to convince the Colonial Secretary, Joseph Chamberlain, that it was in British interests to “work up a crisis” that would allow military action against the Boer’s.\textsuperscript{66} Chamberlain did not specifically prevent Milner from taking action as he saw fit, and Milner saw fit to take action.

Several weeks after Milner and Chamberlain’s meeting a series of events in Transvaal brought a young Uitlander, Percy Fitzpatrick, to see Milner and he came with the justification that Milner had been looking for. Fitzpatrick brought a petition, signed by 21,000 British subjects, asking the Queen to intervene on their behalf over the franchise issue. Fitzpatrick was a political watchdog for one of the largest mining concerns in Transvaal and he was a leader of the Uitlanders in Transvaal. At the behest of Milner he spent most of the next months agitating Uitlander sentiment in Transvaal and Milner used this time to increase British public support for intervention and convince the cabinet to accept the petition.\textsuperscript{67} It culminated in a public dispatch from Milner to Chamberlain laying out the case for intervention, “the spectacle of thousands of British subjects kept permanently in the position of helots, constantly chafing under undoubted grievances and calling vainly to her majesty’s government for redress, does steadily undermine the influence and reputation of Great Britain and the respect for the British government in the Queen’s dominions.”\textsuperscript{68} His dispatch received Cabinet approval and Milner, after refusing a peaceful resolution from Transvaal, started to engage the British government about war preparations.\textsuperscript{69}

\textsuperscript{66} Pakenham, \textit{The Boer War}, 26.
\textsuperscript{67} Pakenham, \textit{The Boer War}, 49-57. All previous statements in this paragraph taken from this section.
\textsuperscript{69} Pakenham, \textit{The Boer War}, 57-67. Pakenham details a four day conference between Milner and Transvaal President Paul Kruger. Milner entered the conference with a demand for a five year enfranchisement period for Uitlanders and Kruger countered
The result of the conflict was as Milner predicted a “victory” for the idea of British imperialism and a defeat for British power and influence. Britain was able to consolidate almost all of southern Africa into a federation that closely resembles modern South Africa. It was also able to give the Uitlanders and the large mining concerns a greater political voice. What didn’t change was the flow of gold and diamonds that had been mostly controlled by British dominated parties prior to the war.

Were the British victorious? In Pakenham’s words the answer is no, “it proved to be the longest (two and three-quarter years), the costliest (over £200 million), the bloodiest (at least twenty-two thousand British, twenty-five thousand Boer, and twelve thousand African lives) and the most humiliating war for Britain between 1815 and 1914.”

The war impacted the British government’s ability to pay for naval modernization and it also caused problems in India because a significant amount of the troops used in southern Africa were detailed from India.

The Boer War was also costly in terms of prestige when the abysmal conditions of British run “concentration camps” was revealed. The camps had been setup to deal with Boer women and children that were displaced by the conflict. British camp administration was in most cases incompetent and the numbers of Boer civilians that died is estimated between 18,000 and 28,000.

In the end demographics accomplished what the Boer military couldn’t and what the British had fought to prevent. When the two republics gained their independence (like Canada or Australia) the Boer’s outnumbered the British and the same men that led the Boer military now led the republics.

Was the British effort necessary? The answer is clearly no. The costs of the war in blood and treasure impacted the British in material ways

with seven years. Neither side would budge and the conference, the last real hope for a negotiated settlement, ended with “no obligation on either side.”

70 Pakenham, The Boer War, xix.
71 Pakenham, The Boer War, 607.
that were certainly greater than the cost of a “stain” on British honor. The tangential military effort in southern Africa had real consequences for their ability to prepare for the theater that truly mattered, Europe.

**American Military Use After the Cold War**

The U.S. military has seen a marked increase in its use since the fall of the Soviet Union. There have been bitter political debates about the use of the military for activities that are seemingly unrelated to U.S. vital interests. While the current occupation in Iraq is the largest and costliest example of American involvement in tangential military efforts, the majority of the underpinnings for such an expansive use of the United States military happened during the Clinton administration. The acceptability of using the U.S. military to support actions that clearly had no possibility of threatening U.S. security is another example of how U.S. strategic interests have expanded. U.S. military involvement in Bosnia, Haiti, and Somalia all created a modern precedent that was an enabling factor in the invasion of Iraq.

There is a clear path that indicates a rising U.S. proclivity for the use of military force. Perhaps the first example was the U.S. invasion of Panama. President H.W. Bush’s Secretary of State James A. Baker III said that the invasion of Panama was critical “in breaking the mindset of the American people about the use of force in the post-Vietnam era, Panama established an emotional predicate that permitted us to build the public support so essential for the success of Operation Desert Storm...”

Whatever mental roadblocks may have remained were certainly eroded by the tremendous victory of the first Gulf War. President Clinton further diminished the notion of reserving the military for “vital” interests. Snider and Kelly (1996) wrote:

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The administration’s foreign policy has also imposed on US defense policy the requirement to conduct operations like those in Somalia or Haiti by its insistence that the United States has an obligation to lead the way in building a multilateral community, bound together by common values, that would participate in the administration’s program of engagement and enlargement. This has led to substantial US military commitments to “causes” rather than “interests”...73

The initial impetus for U.S. engagement in Somalia was the desire to end massive starvation among the populace. The initial deployment was initiated by H.W. Bush (in Dec 92) and continued by Clinton after his inauguration. At numerous times during the next 10 months both military officers and civilian policymakers contributed to a gradual change in the military’s mission from that of humanitarian relief to nation-building.74 The Joint Chiefs of Staff (JCS) were extremely concerned over the use of the military forces in Somalia and had acted expeditiously and consciously to quickly reduce U.S. troop levels when U.N. peacekeepers were available.75 Despite this reduction, the publicized nature of the failed raids on October 3, 1993 that resulted in the deaths of 18 and the wounding of 74 U.S. soldiers inextricably linked Somalia and the United States despite the overall U.N. ownership.76 That raid ultimately ended with the worldwide broadcast of a dead U.S. soldier being dragged through the streets of Somalia by angry crowds.

The important point is that even in a case where the United States got involved in a limited humanitarian operation it turned out to be an event

75 Herspring, The Pentagon and the Presidency, 345.
76 Herspring, The Pentagon and the Presidency, 347. The raid is most famously characterized in the book Black Hawk Down by Mark Bowden.
in which the U.S. military and the country as a whole lost power and prestige that was wholly disproportionate to the size of the original event. Indeed Osama Bin Laden has been quoted numerous times that the U.S. experience in Somalia exposes the United States as a “paper tiger.” In a May 1998 interview he says “After a few blows, it forgot all about those titles and rushed out of Somalia in shame and disgrace, dragging the bodies of its soldiers. America stopped calling itself world leader and master of the new world order, and its politicians realized that those titles were too big for them and that they were unworthy of them.” U.S. actions in Somalia apparently served to reinforce Bin Laden’s beliefs about the nature of the United States and those very obviously affected his willingness to directly attack the United States.

The U.S. experience in Haiti was likewise a blow to US prestige. The initial use of military force in Haiti ultimately showed more about a lack of U.S. power than anything else. The U.S.S Harlan County was dispatched with a small contingent of U.S. soldiers with orders in hand to “begin the process of nation-building and training the Haitian military.” When it arrived it was met by an armed mob that prevented the soldiers from unloading. After several days of internal bickering the U.S. government brought the ship back home. “Its return was a major embarrassment for the Clinton administration. The great power from the north had been forced to retreat—just as in Somalia!” What was meant to be a show of U.S. power ended up a debacle because it was poorly conceived at the highest levels. Even when Clinton got a “redo” and

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78 I am not being so bold as to say that Osama Bin Laden authorized the 9/11 attacks because of the events in Somalia. While a direct causal linkage between the two is obviously false, it is equally clear that it influenced his thinking and that his thinking has had significant negative consequences for the United States
79 Herspring, The Pentagon and the Presidency, 352.
80 Herspring, The Pentagon and the Presidency, 352.
forced the Haitian government to capitulate under threat of the 82nd Airborne, the question remains for what purpose? The nominal reason was to prevent Haitian refugees, refugees that had been seeking entry under the previous regime, from swamping Florida. The trade-off of a second indication of weakness to the world was wholly disproportionate to the costs of the temporary care and feeding of several thousand Haitians.

The consistent theme of military operations during the Clinton administration is that they were undertaken for no apparent strategic benefit. Somalia was humanitarian, Haiti was for diplomatic reasons, and Bosnia and Kosovo were for outrage over Serbian actions. Each case clearly ended in a loss of prestige for the United States and its military. Kosovo clearly demonstrated to the world that the U.S. ability to direct and exercise military power through NATO was broken at best and impossible at worst. Clinton never clearly articulated a goal, other than forcing Milosevic to give up, and that failure ultimately caused the United States to lead an extended aerial campaign. This campaign was widely perceived as ineffective and its greatest impact was in blunting the fear of U.S. aerial dominance. Each use of U.S. military power weakened the subsequent effectiveness of military power because the United States failed to fully commit. The reason that the United States failed to fully commit was because all of the operations were viewed as being small enough or unimportant enough for the expenditure of significant amounts of U.S. blood.

This gradual expansion of “appropriate” uses of the U.S. military clearly set the stage for what has become the most ruinous tangential military effort in U.S. history; the U.S. invasion of Iraq. The reasons that the Bush administration wanted to invade Iraq are well documented.82

81 Herspring, The Pentagon and the Presidency, 372.
82 There has been voluminous literature on the impetus for the Iraq war. Several that were specifically used were Woodward’s Bush at War, Mann’s Rise of The Vulcans, and
Whether or not there was a legitimate threat to U.S. national security by Iraq is actually somewhat immaterial. What is material is the amount of money spent on the campaign and the opportunity costs that it represents. National security is and has never been a binary proposition, war or peace. There are several different ways that could have been used to counter a WMD threat from Iraq including the deterrence strategy of the decade prior to the invasion of Iraq. Failure to foresee the consequences of the decision to wage war led the British to the Boer War and the United States to Iraq and both conflicts had a material effect on their respective national power.

Several authors have tried to quantify the monetary costs of the Iraq war. It is an enormous task that is complicated by the on-going nature of the conflict, the absolute disaster of DOD book-keeping, and the fact that large healthcare costs can only be predicted. Stiglitz and Bilmes (2008) have written what is currently the authoritative version on the total costs of the war. They “estimate that the total cost of the war ranges from $2.7 trillion in strictly budgetary costs to $5 trillion in total economic costs.”

83 The Iraq War is the costliest U.S. war since WWII and it has the possibility to surpass it. $2.7 trillion dollars was the size of the entire federal budget in 2007, it is slightly less than the last five years of social security spending, it is the last seven years of interest on the national debt, it is the last nine years of Medicare spending, and it is the last five years of DOD budget. These comparisons show in terms of government spending what some potential opportunity costs were for the money used for the war. Does not paying for Iraq equal paying for Social

Western’s article “The War Over Iraq: Selling the War to the American Public.” This paper does not argue the veracity of the claims made by the Bush administration. Instead I focus on the opportunity costs of the enormity of the war.

83 Joseph E. Stiglitz and Linda J. Bilmes, The Three Trillion Dollar War: The True Cost of the Iraq Conflict, (New York, N.Y.: W.W. Norton and Company, 2008), 31. Stiglitz and Bilmes go to great lengths to lay out a methodical and repeatable approach to estimating the costs of the Iraq war. Admittedly much of their work is based on assumptions about future costs but their assumptions have been conservative and have biased their study to underestimation vs. overestimation of costs.
Security, of course not, but it does illustrate some alternative scenarios. The Congressional Research Service has also testified to the monetary size of the conflict. In October 2007, Amy Belesco testified that the in “strict military costs” the Iraq war has cost about 65% as much as Vietnam, 50% more than Korea, and four and one half times the first Gulf War.\textsuperscript{84} Given the amount of money spent the question returns to that of Panama, Haiti, Bosnia, and Kosovo; has the United States gained more in national security than the costs it has paid out?

The Iraq War has certainly failed to achieve the goals that were laid out by the Bush Administration prior to the invasion. The democratic elections in Iraq, while encouraging, have not started a regional move to democracy and the winners of “democratic” elections in the Middle East have usually been the party most abhorrent to the United States\textsuperscript{85} U.S. efforts at nonproliferation have clearly been mostly unsuccessful in the past decade (North Korea, Syria, and Iran) despite the contention that the hard-line demonstrated by the Iraq invasion would bring truculent states to the table.\textsuperscript{86} Nor has the Iraq War caused an increase in the supply of oil to the United States or decreased the price that it has paid. The United States (data through 2008) has failed to reach the level of oil


\textsuperscript{86} On October 9 2006, the North Korean’s detonated an atomic bomb. On Oct 13 2007 the New York times reported that the previous months Israeli air attack was targeting a partially constructed Syrian reactor that was modeled after the North Korean reactor that produced North Korea’s weapons grade material. Iran has continued to move forward with efforts to create an atomic weapon. In a Fall 2007, No. 6, \textit{Democracy: A Journal of Ideas}, article Jessica Tuchman Matthews, the Director of the Carnegie Endowment for International Peace laid the blame for the gradual crumbling of the nonproliferation regime squarely at the feet of a lack of US “energy” because of the conflict in Iraq.
imports from Iraq that existed in 2001, the highest amount ever. Stiglitz and Bilmes (2008) put the cost of the Iraq War as $5 to $10 dollars per barrel which they project to a $175 or $400 billion dollar increase over the first seven years of the conflict. Duffield and Dombrowski (2009) sum up their examination of the costs of the Iraq War by saying “the costs of the Iraq War have outweighed the benefits….the war has tended to exacerbate the national security challenges faced by the United States, in some cases significantly.”

**Summery**

The expansion of the interests of the hegemon is usually backed by the steel of its military. The hegemon starts to weaken itself economically in its quest to remain militarily dominant. Additionally the use of large numbers of mercenaries is indicative of a structural weakness in the hegemon’s current policies or its population and this tendency only grows as the hegemon grows more diverse in its population. Lastly the expansion of interests makes it extremely difficult for a hegemon to fight what is worth fighting and ignore what is worth ignoring. The hegemon must guard equally against legitimate existential threats and becoming unduly involved with minor transitory threats. This is ultimately the key challenge for the hegemonic statesman.

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88 Stiglitz and Bilmes, The Three Trillion Dollar War, 117..
Chapter 3

Economic Issues

We live by the Golden Rule. Those who have the gold make the rules.
Buzzie Bavasi

Wealth may be an excellent thing, for it means power, and it means leisure, it means liberty.
James Russell Lowell

While military power is a key component of hegemony, the true engine is a state’s economic strength. Without the latter sustained military power is impossible. The fall of the Soviet Union is a dramatic example of the importance of economic power to state power. A research paper on “Soviet Economic Decline” prepared for the World Bank makes the link explicit: “Soviet Growth for 1960-1989 was the worst in the world, after controlling for investment and human capital. And relative performance worsens over time.”¹ Their abject economic failure placed the Soviets in an untenable position that forced them to rapidly downgrade their military capabilities in order to reflect their true economy. Conversely the Japanese have shown the world that a state can be economically successful without military prowess. Despite a constitutional ban on anything other than a skeleton military, Japan became, for a time the world’s second largest economy, in the late 1980’s and early 1990’s.

The report predictably lays the corpse on the doorstep of an overly planned economy that failed to adequately manage its capital resources.
While neither the Soviets nor the Japanese reached the global hegemonic status of Britain or the United States; they both teach lessons to the global hegemon. The Soviet decline was swift, sudden, and punishing and it raises questions about the maintenance of global hegemony. What conditions precipitate such economic failure and how bad does it have to be to cause decline?

In this chapter, I examine and discuss some of the factors that caused British economic decline. I focus on the role of social spending and make the argument that it played a significant role in the diminishment of Britain’s hegemonic power. I then compare and contrast their experience with current U.S. social spending and discuss possible implications for U.S. hegemony.

**Increased Societal Spending in Britain**

Domestic spending shares a similar pattern with military concerns in democratic hegemonic states; it rises disproportionately to the economy as a whole. There are numerous reasons that societal spending outstrips the broader economy. The ruling class may increase spending to placate the masses and/or the expectations of the lower-class may translate to political power and ultimately to spending. Politicians and constituents of all political persuasions have found it expedient to focus on short-term satisfaction instead of long-term economic health. The events that lead to a greater share of political power for the under-class are beyond the scope of this paper as are the motivations of the ruling-class to accommodate that power. It suffices to say that “as the poor have

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2 As always, some definitions are in order. What I term societal spending is all government spending not related to defense or administration. Where possible I have sought to include the main areas of societal spending: welfare, healthcare, education, and subsidies of any kind.
become less poor, more articulate, more politically active, their demands in Britain (as elsewhere) have risen steadily and steeply, along with those of nearly all classes of society.”

Regardless of the motivations, it is the side effects of the rise of internal spending that are the mechanisms that weaken hegemonic power.

Constant increases in internal spending are by no means a single-point of failure for a hegemonic state. In fact, social spending is only reflective of increased interests when it outstrips the broader growth of GDP. Gilpin writes that, “the apparent universality of this tendency for the public sector to expand more rapidly than the economy as a whole has long been known by students of public finance as Wagner’s [law of expanding state expenditures.]”

Numerous authors have blamed the increasing expectations of affluence as a civilization matures on the simple fact that a stable society allows the lower economic classes to see, covet, and expect the trappings of the higher economic class. Sprout and Sprout (1968) wrap it all up under the heading of “The Dilemma of Rising Demands and Insufficient Resources.”

The welfare state is a modern invention. Roman emperors spent massive amounts of money to buy the loyalty of the legions and the populace but it was in a mostly ad hoc manner. The original idea of “safety nets” has been gradually replaced with programs that the general populace has come to perceive as a basic function of government. It is a phenomenon no different from the gradual expansion of external strategic interests, as a democratic civilization gets richer it starts to expand the areas that government is expected to be involved. The British started this trend and the United States has continued it.

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5 Sprout and Sprout, “The Dilemma of Rising Demands and Insufficient Resources,” 1.
There are two questions that must be answered; the first is, “has societal spending outstripped normal economic growth?” and the second is “has that had negative consequences for hegemonic power?” This section will address these separately. The continual increase in government spending for social programs is well documented in the past century of British and American history. It is a history of continuous incremental expansion of the role of government in social services.

**Did British Societal Spending Outpace Normal Economic Growth?**

The gradual growth of government involvement in the British education system is an excellent proxy for the path of all British social spending. British education throughout the first half of the nineteenth century had been characterized by private schools at every socio-economic level. This gradually changed. One of the earliest educational laws was the Factory Act of 1833; it had a little enforced provision that child textile workers must receive two hours of instruction per day. The act was toothless because it provided no government money and levied no punishment on the factories for non-compliance. In the mid 1800’s the government started to give grants for the building and operation of voluntary schools while also paying a maintenance stipend based on enrollment, thus creating a competitor for private schools. The next major initiative was the Elementary Education Act of 1870, that codified the responsibility that “every local authority was obliged to set up a School Board, elected

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6 British educational spending underwent a continuous and easily identifiable series of increases. It is reflective not only of the overall increase in spending but in the legislative efforts that codified and required the spending.


by the ratepayers, the primary function of which was to erect schools in all districts.”

This was followed by a compulsory attendance law in 1880, a provision for the government payment of school fees for indigent children in 1891, and the establishment of a national Board of Education in 1899. In 1926 the Hadow Report reorganized the British educational system into more streamlined paths and raised the minimum age of completion as a means to reduce the number of workers. The last major initiative was the Butler Education Act of 1944. The act further standardized the educational system and sought to ensure equality of opportunity for all socioeconomic levels. The act also standardized teacher pay and set the conditions and payment that allowed a lower income student to progress to University.

In slightly more than a century the British progressed from an educational requirement solely chosen and paid for by the parents (guardians) to a system wholly administered and substantially paid for by the state. The monetary costs of this expansion of responsibility were substantial. A. Fishlow pegs British educational spending as .9% of GNP in 1880 and 1.3% of GNP in 1900. Another source documents educational spending at 2.18% of GDP in 1921, 3.01% in 1946, and 4.06% in 1960. The consistent rise in educational spending as well as the continued expansion of government oversight vastly outstripped GDP

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15 Appendix D.
growth. Between 1880 and 1960 British GDP increased 2341%, during the same period British educational spending increased 8,418%.

The other main areas of social spending also had similar growth patterns in British history. Healthcare was the single largest growth area in terms of percentage. Between 1870 and 1960, Britain’s expenditures for healthcare went from .1% of GDP to 3.36% of GDP. This was a spending increase of almost 82,000%. The numbers are useful to indicate the value that Britain came to place on its societal programs. In 1870 social spending was 14% of non-defense government spending; by 1960 it had grown to be 46% of non-defense government spending. In this period government spending increased almost 9700%, in its climb from 8.83% of GDP in 1870 to 35.2% of GDP in 1960. In almost every instance (with the exception of education) the percentage increase of social spending outpaced the overall increase in total government spending and it dwarfed the rise in GDP.¹⁶

**Effects of Increase Social Spending**

This leads to the more important question; did the increase in social spending have a negative effect on British hegemony? Conventional wisdom has long held that the increase in social spending was directly causal to British economic decline. In reality, Britain had been declining economically for several decades prior to the increase in social spending. This decline has been amply chronicled by numerous authors. The height of British economic power is usually pegged to 1880 because, when looking at 20-year cohorts of data, 1900 is the first time that the United States passes Britain in most economic categories. In 1880 Britain had 22.9% of world manufacturing output and the United States

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¹⁶ All Figures taken from Appendix D.
was second with 14.7%.\textsuperscript{17} In 1900 that relationship had been reversed with the United States at 23.6% vs. Britain’s 18.5%.\textsuperscript{18} Paul Kennedy presents a table of “Total Industrial Potential” in which the United States had surpassed Britain by 1900 and Germany had surpassed Britain by 1913.\textsuperscript{19}

To be clear, Britain was still growing, it just wasn’t growing as fast as its competitors. There have been numerous popular explanations for this relative decline; one of the most cited is a lack of entrepreneurship and productivity among British workers.\textsuperscript{20} Another oft-cited example is Britain’s adherence to the liberal free trading order that had built its economic dominance even when it was very clearly hurting specific interests. Some British politician’s seemed to recognize this, Joseph Chamberlain a Tariff Reformer said in 1903 “Agriculture, as the greatest of all trades and industries of this country, has been practically destroyed. Sugar has gone; silk has gone; iron is threatened; wool is threatened; cotton will go! How long are you going to stand it?”\textsuperscript{21} Britain’s island geography had much to do with their unwavering support for free trade. That support was manifested in their explicit actions to open up, and bear the cost of, foreign markets like China and India. It also buttressed the policies that allowed other industrialized nations unencumbered access to those new markets.

Britain clearly was losing its economic dominance long before it ramped up its societal spending. There also has been recent debate about the

\textsuperscript{18} Kennedy, \textit{The Rise and Fall of Great Powers}, 202.
\textsuperscript{19} Kennedy, \textit{The Rise and Fall of Great Powers}, 201.
\textsuperscript{20} Andrew Gamble, \textit{Britain in Decline: Economic Policy, Political Strategy, and the British State}, (Boston, M.A.: Beacon Press, 1981), 20. He cites a worker productivity table that measures GDP per man hour. Of the six countries listed (US, UK, Japan, German, Italy, France) the UK had the lowest number between 1870-1913. It wasn’t that UK workers were not productive. They were just not as productive as their foreign counterparts.
\textsuperscript{21} Quoted in Gamble, \textit{Britain in Decline}, xxviii.
effects of social spending in general. Lindert (2004) makes a compelling argument that increases in social spending have no effect on GDP growth.\(^{22}\) He argues that the common perception that a $1.00 dollar increase in social spending has a negative effect (IE. GDP growth would only grow $.95) on GDP growth is actually a misperception or in his terms “educated fiction.” His thorough statistical analysis debunks the common perception that increases in social spending cause negative changes in GDP. He writes, “Across countries or over time, the coefficients linking growth to total government size are not negative, even in a sophisticated multivariate statistical analysis….Whether one looks at level or at rates of change, one cannot show any clear negative relationship between social spending and GDP per capita.”\(^{23}\)

So the question still stands; did a massive increase in social spending diminish British hegemonic power? The answer is yes, but the convenient causal links between spending and direct effect on economic growth appear to be a mirage. The diminishment of hegemonic power lies in the manner in which Britain accomplished her expansion of social spending and the apparent inability of the state to lessen these interests. In the case of social spending those interests are often programs and policies that transcend from law to entitlement to right. British social spending was truly codified with the passing of the numerous social programs laws between 1946 and 1948.

The two main programs, National Insurance and the National Healthcare System, have only grown in size and scope since their passage. The tax rate of the National Insurance has doubled between


\(^{23}\) Lindert, Growing Public, 30. Lindert goes to great statistical lengths to buttress his argument. His answer to the question of why, is that the tax policies of high social appending states have evolved to limit their negative effects on capital. For example a nation taxes income instead of capital gains/dividends in order to preserve the working capital necessary to encourage economic growth. He also argues that the nations with a significant investment in social programs have structured the programs such that they discourage “free riding” that would cause major economic problems.
1975 and 2003 and the National Health System has risen from 3.07% of GDP in its first year to over 8% in 2010.\textsuperscript{24} Social Spending when taken as a whole has increased from slightly below 15% of GDP to just under 30% of GDP between 1950 and 2010.\textsuperscript{25} More importantly that percentage has been clearly increasing. The British people have been unwilling or unable to reduce this trend and therefore an increasing amount of British capital is locked away in social spending that defies any attempt to lessen them. Even Margret Thatcher the most fiscally conservative Prime Minister (post WWII) was only able to reduce the level of social spending 2% during the 11 years she spent in office. Between their high-water mark in 1880 and present day the British have increasingly concentrated their internal wealth into areas that cannot easily be diverted to other uses. As a matter of governance it has made the legislative and executive branches of government responsible for an enormous portion of British wealth and greatly expanded the nature and scope of their duties.

The inability to match the rise of social spending to the rise of GDP and the inability of the British government to reduce it in bad economic periods has caused significant stress on the financial operations of the government. Prior to WWII Britain usually only took on debt in order to fight a war. The amount of British debt as a percentage of GDP has peaks that are closely associated with wartime spending. There is a significant peak five years after the Napoleonic Wars, a large a steady rise

The National Insurance data is for an employee that has opted in to the system. The employer portion of the tax has also increased substantially.

starting at WWI and peaking in 1923, and a more than doubling of the debt during WWII. Each of these peaks is followed by a gradual diminishment of the debt following conflict.

![Debt as a % of GDP](http://www.ukpublicspending.co.uk/downchart_ukgs.php?year=1800_2011&view=1&expand=&units=p&fy=2010&chart=G0-total&bar=1&stack=1&size=l&color=c&title=)

**Figure 1. British Debt as a percentage of GDP**

UKPublicSpending.com

The long decline after the Napoleonic Wars is attributable to the massive growth in British GDP and the relative stability of military expenditures. Britain has been consistently lauded by historians for maintaining its empire on the “military cheap” during the nineteenth century. The key point is that there was something to cut after the Napoleonic Wars and it was defense spending. In the interval between WWI and WWII there was “extra” defense spending that could be cut,  

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leading to reductions from 38% of GDP in 1918 to 8% of GDP in 1921. However, the crucial difference is that when defense spending returned to more normal levels, government spending as a whole did not. In 1920 non-defense spending was 18% of GDP and social spending was 32% of that total. In 1930 non-defense spending was 22% of GDP (vs. 2.6% of GDP for defense) and social spending was 42% of that total. The expansion of internal social commitments was a key factor in preventing the British government from continuing the “normal” military debt cycle. To put it clearly, cuts in defense spending no longer had the same relative effect on British debt. Charles Kindleberger lays part of the blame for Britain’s inability to lead during the Great Depression to the devaluing of the pound that was precipitated by British debt levels.

27 Appendix D.
28 Appendix D.
29 Appendix D.
30 Charles P. Kindleberger, *The World in Depression 1929-1939*, (Berkley, C.A.: University of California Press, 1973), 156-160. Kindleberger focus in this section is on the “bank run” that happened on the Bank of England (BOE) in 1931. He writes that there was a belief that in order to get external financing the BOE was “persuaded that, to be creditworthy, Britain had to correct its deficit by the methods outlined in the May Report, i.e. by a cut in the dole.” Instead of being able to cut spending the government instead raised taxes which failed to prevent the continuing devaluation of the pound.
During the period between the wars, Britain was significantly weakened by the fact that large amounts of its debt were held by foreign powers. Between 1924 and 1929, the United States loaned Britain $3.3 billion dollars on top of the significant amount of war-time lending that had taken place.\(^3\) It was the war-time lending that initially exposed British weakness. The British stated in a note from Lord Balfour to the allies that “in as much as the United States insisted on collecting its war debts, the British had no choice but to collect debts owed to her, but would do so only up to the limit of the British debt to the United States.”\(^3\) The precarious British financial position after WWI caused them to cede


effective control over a major issue of foreign policy to the United States. This episode forced Britain off the gold standard and served as the final “nail in the coffin” of British economic dominance. The lack of British economic leadership during the Great Depression represented a tangible effect of their loss of hegemonic power. Their inability to act as the “lender of last resort” meant they were unable to defend the international trading order that they had spent over a century building and nurturing.

After WWII the British were faced with a similar circumstance. The debt had more than doubled during the war years and a significant amount of British foreign assets had been sold to pay for war expenditures. The increase in debt was undoubtedly directly related to defense expenditures, but the expectation that government expenditures could fall after victory was quickly bludgeoned by the Labour government’s expansion of social programs. By 1950 non-defense spending was almost 27% of GDP and slightly less than half of that amount was social spending. While the British were clearly able to reduce their debt after WWII, the biggest difference is that in the decade immediately after, they were unable to do it quickly enough to possibly forestall their decline. They were again unable to defend the liberal trading order that they had created with that duty ceded to the United States.

British debt problems after WWII exposed their loss of dominance on the world stage. The United States, as they did after WWI, played a swift and punishing game of real-politik with their allies. The United States stopped the Lend-Lease almost immediately after the cessation of hostilities. “The American view was that British imperialism only deserved aid when it was fighting on behalf of the United States,” and this opinion became firmly entrenched in the Washington Loan

34 Gamble, Britain in Decline, 104.
35 Gamble, Britain in Decline, 103.
36 Appendix D.
Agreements of 1946.\textsuperscript{37} The conditions of the loans; strictly forbidding the reintroduction of British imperial preference, no discrimination against American goods, and convertible sterling signified just whom was in charge.\textsuperscript{38} Britain lacked the monetary strength to defend the empire and was then ordered by the United States to abandon it or be cut off.

While the expansion of social interests and spending in Britain didn’t cause their economic decline it certainly had tangential effects on their ability to financially recover from WWI and WWII. Social spending may have had no effect on GDP growth but its growing dominance over national spending severely interrupted the normal cycle of debt and payment that followed major military actions. It is a counterfactual to say that without the increased social spending that British power would have remained intact. What we do know is that it exacerbated these economic problems and it contributed to Britain’s financial reliance on the United States, a relationship that was clearly used by the United States to end British hegemony once and for all.

**Increased Societal Spending in the United States**

Like Britain in the early 1900s, the United States at the federal level has been on an increasing trend of social spending since the close of WWII.\textsuperscript{39} Also like Britain, the level of U.S. debt has consistently risen despite a relatively static level of military spending. Additionally the holders of that debt have become increasingly foreign. Social spending has come to dominate the federal budget and the systemic problems that have arisen to pay for the spending are no different than the British

\textsuperscript{37} Gamble, *Britain in Decline*, 109.
\textsuperscript{38} Gamble, *Britain in Decline*, 110.
\textsuperscript{39} Unlike the data used for Britain the following US economic data only accounts for federal spending. The numbers, when including state and local spending are simply bigger than at the federal level but the overall trends are the same. The majority of education spending and a significant minority of healthcare spending through Medicaid are all disbursed at the state level.
experience after WWI and WWII. It isn’t social spending that is inherently bad or wrong; it is the potential negative effects regarding payment that represent the greatest threat to U.S. hegemony. Put simply, the inability of U.S. politicians and constituents to live within their means has been primarily caused by social spending and there seems to be no abatement in sight.

A cursory knowledge of the expansion of U.S. social spending is useful before an examination of the statistical growth of those programs. The Social Security Act was passed in 1935 after it had grown in the politically fertile soil of the Great Depression. The rapid industrialization of the United States and the economic havoc wrought after 1929 had conspired with a rising elderly population to create a perfect storm for passage of the act. In 1965 the Act was significantly modified under President Lyndon Johnson’s Great Society program to include Medicare and Medicaid. The recent passage of the Health Care and Education Affordability Reconciliation of Act of 2010 has completed the transformation of US social programs to a model that closely resembles the British. Interestingly enough both President Roosevelt and President Obama remarked that they signed the legislation because of the “limits” that the programs place on potential federal liability. As a matter of reality the federal responsibility for social spending has greatly outpaced the growth of GDP and become the dominating responsibility of the U.S. government.

41 President Roosevelt said at the signing statement in 1935 that the act was “a protection to future administrations against the necessity of going deeply into debt to furnish relief to the needy.” (Schreiber and Schoven, 42) In his remarks at the signing President Obama said “This legislation will also lower costs for families and for businesses and for the federal government, reducing our deficit by over $1 trillion in the next two decades. It is paid for, it is fiscally responsible. And it will help lift a decades-long drag on our economy.” (Speech text as reported in the NY Times @ http://www.nytimes.com/2010/03/24/us/politics/24health-text.html?pagewanted=2
Between 1962 and 2009 U.S. GDP grew 2407% at the same time the
U.S. population grew almost 70%. Social spending was dramatically
more dynamic than either population growth or GDP. Overall social
spending grew more than 7000% and went from 26% of government
spending to 69%. Like Britain the United States has seemingly
emphasized social programs at a far greater rate of growth than the two
benchmarks of GDP and population would suggest. There has been
almost no downward movement of social spending as a percentage of
government spending, the 1980s saw a slight decrease and a stable
average around 50% but that was over by 1992. There was also a slight
decline between 2004 and 2007 that has also ended. The growth of
individual areas of social spending is even more startling when compared
to GDP or population growth. Federal healthcare spending increased
almost 64,000% between 1962 and 2009. However welfare spending
grew the most at a whopping 415,000% during that period. Social
Security was closer to the GDP benchmark at a growth of slightly less
than 4700%.

With the exception of the 1980s the increases in social spending have
remained constant in spite of other external factors. For example, the
increases in military spending for Vietnam, Desert Storm, and the War
on Terror (including Afghanistan and Iraq) have not resulted in a
diminishment of social spending. As Sprout and Sprout (1968) wrote

42 GDP numbers taken from Appendix C. U.S. population numbers from, U.S. Census
Bureau, “Population Estimates,” U.S. Census Bureau website, 2008 numbers retrieved from
numbers retrieved from
http://www.census.gov/popest/archives/1990s/popclockest.txt
43 Appendix C.
44 Appendix C.
45 Appendix B.
46 Appendix B. Like the British case the massive increases in some areas of social
spending represent actual minor amounts of dollars. What it indicates is the priority of
the government and the people. If Poland (are any other state) increased their military
spending by 415,000% it would at the very least cause a tremendous amount of
international scrutiny.
about Britain “in short compared with the social welfare, military commitments are “soft” demands in the context of electoral and parliamentary politics. Barring dire emergency, such as an all encompassing war, it is unrealistic, in our judgment to expect any reversal of these priorities in the foreseeable future.” While they were discussing Britain, their prediction appears to have held true for the United States. Even when faced with large military actions the U.S. government has been unable to do much more than delay the growth of social spending.

Since the United States is apparently unable to reduce the growth of social spending; how is this spending being paid for? Between 1962 and 2008 federal receipts (mostly tax receipts) have averaged around 17-18% of GDP. It has never been higher than 20.6% (2000) and never less than 16.1% (2004). What this shows is that there has been an unwillingness of the American taxpayer or congressman to greatly increase the overall tax burden. Both parties have been hoping that the growth in GDP (the economy) will lead to the tax revenues needed to pay for the continuing increases in government spending. As the adage goes, “hope is not a strategy” and the United States has been in chronic deficit spending since 1962. The OMB shows only five years in that period, 1969 and 1998-2001, with a surplus. In that same period US debt has increased from 53.4% of GDP in 1962 to 83.4% of GDP in 2009. Not surprisingly U.S. interest payments on the debt have gone from 1.6% of GDP to 3.2% of GDP.

Federal receipt data can be found at Office of Management and Budget, “OMB Historical table 2.3, Receipts by Source as a Percentage of GDP 1934-2015,”
http://www.whitehouse.gov/omb/budget/fy2011/assets/hist02z3.xls. I consider income, corporation, and Social Security (FICA) and Medicare to be “tax receipts”.
49 Appendix C.
The financing of this growing debt is perhaps the greatest threat to hegemonic power when viewed through the lens of the British experience. In fiscal year 2009, U.S. debt stood $11.9 trillion. Of that amount $5.1 trillion, 43%, was held by other U.S. government agencies and the Federal Reserve (primarily Social Security) and $6.7 trillion, 57%, was held by private interests. Of the privately held debt almost 3.5 trillion is held by foreigners. 51% of the privately held debt is in the hands of foreign individuals, corporations, and governments. Nine years earlier in 2000 the percentage of private debt held by foreigners was 35%. Clearly U.S. debt has been an increasingly attractive investment for foreigners. The actual amount of national debt is actually much higher because a significant amount is held by large insurance companies, mutual funds, and other “investors” that undoubtedly include a significant amount of foreign investment in each individual entity.

The United States has already seen some effects of foreign debt holders flexing their monetary muscles and some have argued that US responses to certain foreign nations has been modified due to debt sensitivities. The Congressional Research Service has written that “foreign governments have moved aggressively in international capital markets to...acquire Treasury certificates in order to strengthen the value of the dollar against particular currencies.” At first blush this sounds like a success story of the interdependence of international finance but having other countries able to take action that dramatically affect the value of the dollar, independent of the desires of the U.S. government, is a material loss of sovereignty and power. Mr. Jackson argues in his report that while the sell-off of U.S. securities by a foreign power would likely

have negative consequences for U.S. interest rates and the value of the dollar it would be mitigated by the losses that the foreign government would accrue from the sell-off.\(^5\) Left unstated is his assumption that monetary gain, profit and loss, is the motivating factor for a foreign government. Left unstated and unanalyzed is the possibility that a foreign power could very well use such a tactic as the opening salvo or a complementary economic action during a larger conflict.

The growing financial predicament of the United States has very real consequences for its ability to manage and promote the international trading order. A significant forcing mechanism of that order is the economic coercion that is present because of the unquestioned dominance of the United States. Access to U.S. markets and money are (were) essential to lesser states raising their own economic condition. This fact is reflected in the use of economic sanctions by the United States as the first arrow in the foreign policy quiver. When lesser states no longer feel obliged to ally economically or the United States is unable to maintain a certain level of economic power, US hegemonic power is lost. Rajan (2010) puts forth the argument that the lesser countries have become “dependent upon foreign demand to pull them out of economic troughs.”\(^5\) When the United States is unable to consume, because of internal economic instability, at expected rates, the consequences are global.

Another example of efforts to reduce U.S. hegemony is the recent push by several countries, think-tanks, and international institutions to end the monopoly of the dollar as the world’s reserve currency.\(^5\) A recent

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report, Dobbs, et. al. (2009) argues that the practical benefit to the United States of being the world’s reserve currency is very little, between $40 and $70 billion per year. They also argue that there are very real costs imposed on overall economic competitiveness because of the penalty of a “strong” dollar. While all of that may indeed be true, their listing of the factors that cause a currency to be a reserve currency is a list of qualities of a hegemon. They list the following; national economic scale, transactions (size and quantity), financial market breadth and depth, macroeconomic stability, network externalities (number of people using the currency), and nonfinancial reasons. The implication is that the economic causes of hegemony are closely related to the criteria for selection as a reserve currency. Therefore the use of the hegemon’s currency as the world reserve is by itself an indication of hegemony. This has largely been true throughout history and hegemony from the Roman Aes Signata to the Spanish peso to the British pound.

Additionally the state that is responsible for the world’s reserve currency has a tremendous amount of potential power. It has allowed the United States to have a “looser” monetary policy and to insulate itself from some market pressures because of the ease of access to global capital. The United States can also potentially inflate its own currency in an effort to reduce the value of foreign investments in U.S. assets. While this would also hurt American investors and people it is also possible that it could be used to spark a “recovery” by making U.S. exports more

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56 Dobbs et al., An Exorbitant Privilege, 9. They argue that the inflation of the dollar based on its status as the reserve currency costs between $30 to $60 billion in lost exports and between 400,000 and 900,000 jobs.

57 Dobbs et al., An Exorbitant Privilege, 15.
viable in the international community. Regardless it is a potential tactic to use as a bargaining chip with the rest of the world.

Summary

The two most recent hegemons, the British and the United States, have both proven unable to maintain the types of societies that built the massive reserves of economic power that allowed them to dominate the globe. In the case of the British, the increases in social spending didn’t cause their economic decline but it certainly contributed to the erosion of hegemonic power. Their crushing debt at the close of WWII combined with the expansion of social spending that severely diminished the positive effects of a reduction in military spending allowed the United States to dictate terms to its closest ally. The United States has been traveling this same path over the last half-century. The increases in social spending represent a tangible increase in the internal interests of the state. In real terms it has been translated into continual deficit spending that is unlikely to end even if U.S. military security spending was halved or ended outright. The repercussions of deficit spending as well as an increasing role of government in internal affairs can have major effects on U.S. hegemonic power.58

58 Carmen Reinhart and Kenneth Rogoff, “Growth in a Time of Debt,” American Economic Review 100, no. 2, (May 2010). Carmen Reinhart and Kenneth Rogoff make that case that Debt to GDP levels over 90% have negative effects on a nations GDP growth. For further reading the paper is located at http://www.aeaweb.org/aea/conference/program/retrieve.php?pdfid=460
Chapter 4

What about Institutions?

A third aspect of overstretch is institutional membership and development. This is particularly important to the United States, where international institutions have served to buttress U.S. hegemonic strength. I have focused on military and economic power but any analysis must include a discussion of institutions because they are used in both aspects of power. In this chapter I briefly address U.S. institutional power as a separate indicator of U.S. hegemonic decline. While space and time do not allow a more thorough discussion, the goal is to point out areas in which further research could address this aspect of hegemonic strength.

The rise of international institutions that have global impact has closely tracked the rise of U.S. power. The United States created and nurtured the major international institutions, the United Nations, the International Monetary Fund, the World Bank, the General Agreement on Tariffs and Trade (GATT) and its successor the World Trade Organization, after WWII in order to refresh and maintain the liberal world political economy. It did this with patently selfish motives because as the hegemon the United States benefits the most from the established global economy.

Other reasons surely played a role, and other institutions were setup to fulfill those, most notably the mutual security treaties that established the North Atlantic Treaty Organization (NATO) and the North American Aerospace Defense Command (NORAD). The United States has sought to use these institutions to compel “...all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to become bourgeois
themselves. In a word, it creates a world after its own image.”¹ The desire to create an economic world as a reflection of itself is precisely and unapologetically what the United States sought in the past and seeks today. President Bill Clinton put it succinctly when he said, “We are building prosperity at home by opening markets abroad.”²

The U.S. has continually sought to gain the economic benefits of “imperialism” or “empire” without the overhead of colonialism. In the past nations went about this in a different manner, Gilpin writes that “whether by means of imperialist subjugation of one people by another or annexation of contiguous territory, states in all ages have sought to enlarge their control over territory and, by implication, their control over the international system.”³ States have traditionally sought to expand their borders to increase power and wealth. As Western Europe gained exportable power and more secure borders it was able to colonize other areas of the world. Instead of paying a steep relative cost for this wealth and security by conquering its closest neighbors it was cheaper and easier to gain the economic benefits of expansion in more permissive environments. The United States has simply taken this idea further and tried to lock in the benefits of expansion by codifying and policing, through international institutions, the rules that everyone must play by.

If, in fact, these institutions have been promoted and maintained largely at the behest of the United States, then their respective powers are a reflection of U.S. power. Additionally they should also reflect the positions and policies, in the aggregate, of the United States. At a minimum there should be a connection between the funding provided by the United States and institutional decisions. In other words, does the

United States get value, defined as maintenance of the status quo, for its investment in these entities? Keohane (1984) writes that “hegemony helps to explain the creation of contemporary international regimes, the decline of hegemony does not necessarily lead symmetrically to their decay.” He is undoubtedly correct; there are current instances of international institutions (mostly regional) that have no U.S. involvement. Likewise, a decline in U.S. hegemony will not necessarily mean the end of institutions that it currently backs. More importantly for this analysis, is quantifying the decline of U.S. hegemony through a loss of power in these international institutions. It is easy to quantify the nominal level of U.S. power in international institutions, whether in money or votes. It is much more difficult to quantify the actual level of U.S. power relative to its investment in the institution.

The largest and most celebrated institution in the post WWII era is the United Nations (UN). The United States is assessed 22% of the regular UN budget and about 27% of the UN peace-keeping budget. UN assessments are based on the state’s share of the gross world product (GWP) but the United States negotiated a limit to its share of funding at 22%. Japan is the next highest regular contributor at 16.624% and in 2008 the United States, Japan, and Germany were assessed almost 50% of the total. The United States has a long history of using its payments as leverage to force internal UN reform. The Kassebaum-Solomon amendment in 1985 was used to try and force the UN to give influence on budgetary decisions in proportion to assessments. In 1993 the United States withheld 10% of its payment until the UN established an independent “Inspector General” office. The Helms-Biden agreement in

6 Brown and Nakamura, United Nations System Funding, 19.
2000 agreed to settle U.S. arrears when the UN met certain benchmarks of reform. Lastly in 2005 Congress passed the Henry J. Hyde United Nations Reform Act, which sought a host of changes in how the UN runs daily operations and committee membership.\(^7\)

Clearly the United States has used its role as the largest UN contributor to influence and change internal UN operations. Further research into the efficacy of U.S. actions should help to illuminate any gains or declines in U.S. power over the UN. If the United States has been less effective in imposing its will upon the UN then perhaps it is institutional overstretch to continue to be the largest single donor. Additionally internal UN operations could be somewhat immaterial to the utility of the UN as a reflection of US hegemony. For example the veneer of legitimacy for U.S. action that the UN offers is a large benefit to the United States. An excellent example of this is Colin Powell’s speech to the UN General Assembly when he was the United States Secretary of State in 2003. His measured articulation of the United States case for military action against Iraq on 5 February 2003 was the last significant diplomatic effort of the Bush administration to garner international and domestic support for the invasion of Iraq. His effort was largely ineffectual internationally but the fact that it had been delivered to the UN clearly assuaged some internal U.S. doubt about military action.\(^8\) Does the benefit of UN membership outweigh U.S. misgivings about its internal operations and justify its cost?

\(^8\) Karen DeYoung, *Soldier: The Life of Colin Powell*, (New York, N.Y.: Alfred A. Knopf, 2006) 450-451. “U.S. public opinion shifted literally overnight to support for dealing forcefully with Iraq. A *Newsweek* poll taken just after the speech found that half of all Americans surveyed were now ready to go to war, compared to only a third the previous month. Three out of four Americans who told the Los Angeles Times pollsters that they had watched, listened, or heard about Powell’s presentation said that the United States had proven its case against Iraq. A *Washington Post* editorial called the evidence “irrefutable” and said that Powell’s case made it “hard to imagine how anyone could doubt that Iraq possesses weapons of mass destruction.”
The World Trade Organization (WTO) is another international institution that could be very useful in determining if U.S. institutional costs outweigh benefits. WTO contributions are the state’s percentage of international trade relative to the sum of all international trade. In 2009 the United States contributed almost 13.5% of the WTO’s total budget.\footnote{World Trade Organization, “2009 Member Contributions,” WTO website, \url{http://www.wto.org/english/thewto_e/secret_e/contrib09_e.htm}. The formula for WTO contributions is detailed on the same webpage but in a word document titled \textit{Method of calculation of contributions assessed on Members of the WTO}.} While the United States is the largest single contributor to the WTO it has been the respondent in 128 cases and the complainant in 88. Of the 128 cases that have been brought against the United States, 72 have been concluded. Of that number 19 have been settled, 16 have been won, and 37 lost. Of the cases that went to adjudication the United States has lost almost 70% of the time.\footnote{Office of the U.S. Trade Representative, “Snapshot of WTO cases involving the United States,” USTR website, \url{http://www.ustr.gov/sites/default/files/Snapshot%20of%20WTO%20Cases%20Involving%20the%20United%20States.pdf}, 17 February 2009.} Clearly the United States doesn’t have an overwhelming level of control over the WTO. The most common argument against, is that by allowing the WTO dispute panel to direct U.S. behavior, the United States is giving up sovereignty. In light of the rulings against it, there would seem some merit to this line of reasoning. The most common argument, however, is that the system even when it rules against a narrow U.S. trade interest promotes the liberal free trading system that is the source of U.S. economic strength. If the latter is true then U.S. support of the WTO is clearly a case where the United States is receiving benefits that outweigh the costs.

Several other large economic international institutions potentially illuminate the issue. The International Monetary Fund (IMF) was established in 1945 as a pool of assets that could be made available to member nations during times of crisis. The IMF is funded by a “quota” that is charged to nations as they join and that is updated every five
years. The United States pays the largest “quota” and therefore gets the largest number of votes. The United States currently has over 17% of the voting shares in the IMF and therefore has nominal veto power over its lending decisions because they require an 85% majority. In its entire history the United States has never taken a disbursement from the IMF. Research, that clearly weighs the benefits of U.S. IMF veto power versus the costs of leaving a significant amount of capital unused could help to indicate any institutional overstretch.

The North Atlantic Treaty Organization (NATO) is another institution that the United States uses to purportedly transfer the cost of security obligations from itself to a larger group. NATO was established in 1949 and has several significant reorganizations in its history. Between 1999 and 2009, ten former eastern bloc countries joined NATO as full members. Throughout its history the United States has been the largest monetary contributor to the alliance. There are three main budgets within NATO, the Civil, the Military, and the NATO Security Investment Program, in 2008/2009 the United States averaged about 21% of the total contributions to all three budgets. The relevant question, especially since the demise of the Soviet Union, is what exactly is the United States getting for its investment. The idea of collective defense underpins NATO and the first and last time the collective defense provision was exercised was immediately following 9/11. Yet the United States has overwhelmingly paid the bulk of blood and treasure costs incurred by NATO military action in Afghanistan. If NATO isn’t meant to

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be a true military force that distributes the costs of war is it perhaps enough to veneer unilateral U.S. action with a NATO coalition?

Solomon (2004) has made an effort to quantify the “equality of benefits and burdens” in NATO. He used basic statistical analysis to compare the defense burden imposed upon a NATO country and the “average benefit share” that country received. In 2002 his analysis concludes that the United States received $.64 worth of security benefit for every $1.00 dollar spent on NATO.14 While his analysis uses an extremely simple metric for the security benefit, he at least is trying to quantify costs and benefits.15 Does the United States get benefit from NATO that outweighs the initial analysis that finds that other NATO allies have been “free-riding” on the U.S. security guarantee for the last half-century? Also is there a temporal component to the argument; while the United States may be paying more than current benefits was that the case during the Cold War and should the United States keep supporting the institution because it could be useful in the future.

Further research could be useful in trying to quantify the benefits that the United States receives from its majority support of international institutions. It is entirely probable that these institutions help to maintain the status quo in a manner that is more cost effective than unilateral action by the United States. It is equally as probable that institutions created at the beginning of U.S. hegemony are no longer as reflective of continuing that hegemony as in the past. If that is the case, then does it reflect a diminishment of U.S. power and is the United States paying real power for false return. These are issues that can help to elaborate on the idea of institutional overstretch and its effects on U.S. hegemony.

15 Solomon computes benefits as a “simple average of each ally’s share of NATO’s GDP and population.”
Conclusion

I have attempted in this paper to examine issues that can illuminate the effects of strategic overstretch on hegemonic power. My list is admittedly short but it clearly informs the reader about the experiences of former hegemons and the current status of the United States. I started this project uncertain with what the evidence would show but have become convinced that the United States is indeed in hegemonic decline due to strategic overstretch. There is a rich history in America of a “declinest” school of thought. The United States like most hegemons has had its fair share of intellectual “chicken littles” and not surprisingly they seem to have some correlation with bad economic cycles. Gilpin, Keohane, Strange, and others wrote seminal works on hegemony in the late 70’s and early 80’s at the height of economic stagflation and Soviet power. The declinests came out in force again in the late 80’s and early 90’s when it seemed as if the Japanese were purchasing all of America.¹ Two decades later the United States is once again mired in economic uncertainty and there is a visible foreign economic opponent, China.

Ultimately determining if the United States is declining is completely a matter of context. The declinests from those two earlier periods were obviously (in hindsight) wrong. The economic expansion of the early to middle 80’s and the 90’s pointedly demonstrated that the United States was rising. The forecasters lamenting the flight of manufacturing from the United States; instead should have focused on the benefits of the information age. It is possible that an American surge in some area of

¹ Eduardo Porter, “O.K. Japan isn’t taking over the World. But China...,” New York Times, 3 July 2005, http://www.nytimes.com/2005/07/03/weekinreview/03port.html “Americans’ fear of Japan’s ascendency in the 1980’s was inspired by economics and pride. The growing bilateral trade deficit, as Japanese companies acquired leadership in industries that were once dominated by American businesses, cast a pall on America’s self-confidence. The Japanese purchase of high-profile American assets, whether Columbia Pictures or the Pebble Beach golf course, just rubbed it in.”
the economy could lead to a renewed economic dominance. Perhaps nano-technology will be the next great area of national economy. Context truly matters because the United States didn’t fix the debts and deficits that were plaguing it in the early 80’s, it outgrew them. If that next rise fails to happen and America is unable to continue to push its obligations to a future generation, the story will not be quite as happy as the 80’s or the 90’s.

My assumption is that America will not be so fortunate this time. It has major structural failings that must be dealt with in order to preserve U.S. hegemony. Many even question the need for U.S. hegemony including President Obama. In his speech at the United Nations in September of 2009 he said “No one nation can or should try to dominate another nation. No world order that elevates one nation or group of people over another will succeed. No balance of power among nations will hold.”\(^2\) U.S. hegemony has operated as a beneficial force for the entire world, and it should be protected. Waltz (1979) asserted that the imbalance of power caused by a hegemon could “tempt them to dangerously adventurous activity.”\(^3\) He places the blame on the existence of hegemony and not on the actions of the hegemon. U.S. hegemony is beneficial to its citizens and it allows the state to fulfill Adam Smith’s primary state function of security. Even if U.S. hegemony wasn’t beneficial to the world writ large, which it most certainly is, its national benefits should ensure that every American seeks its maintenance and extension.

Hegemons exert more influence than they have influence exerted upon them. The majority of international relations theorists are concerned with actions and effects between state actors. For the hegemon, especially one as powerful as the United States, the internal actions are

much more important than external events. In other words, for the
hegemon, their (other states) actions don’t have near the consequences of
internal (the hegemon’s) actions. The United States to an overwhelming
degree determines its fate and it is the only power strong enough to end
its hegemony. The examples in this paper, from British military
spending to the U.S. invasion of Iraq and the deficit spending in both
countries were decisions that were self imposed. The hegemon has the
vote and its choices have much more effect on its power than the actions
of lesser states or non-state actors. In the current era of US hegemony
we are not our own worst enemy, we are our only enemy.

As mentioned earlier, the United States has several significant
structural issues that have enabled strategic overstretch. The first and
most important is the unfettered ability of Congress to obligate funds
that do not. The continual rise of deficit spending has clearly proven
that Congressmen, of all political persuasions, are unable to restrain
themselves fiscally. There simply is not any incentive for them or the
president to deny funding, because the ease of capital and the absurdly
low interest rates paid by the U.S. government preclude any immediate
negative impact. In addition, the Keynesian economic principles that
have dominated the last 30 years of U.S. government economic thought
have failed to address the reality of Congress.

Lawrence Summers, the current Chief of the National Economic
Council explained the Obama administration’s view of recent government
spending. He said “appropriate short-run expansionary budget policy
can make an important contribution to establishing the confidence
necessary for sound growth.”4 In other words like most Keynesians he is
arguing that short term government spending can stimulate the broader
economy and prevent recessions. The national economy may very well be

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4 Derek Thompson, “The White House Finally Explains Keynesian Economics,” The
white-house-finally-explains-keynesian-economics/57218/
able to be managed by those types of actions but the key part of his statement and Keynes’ belief was the phrase “short-run.” This is where possibly sound economic thought has met actual political motivation and the result has been the ever expanding national debt. Just as the British failed to cut spending after WWII because they replaced military spending with social spending, the U.S. Congress has been unable to cut supposedly “short-run” spending and thus have invalidated Keynes’ approach.

There have been several serious attempts to structurally constrain Congress’s ability to spend. The most successful recent attempt was the short-lived Line Item Veto Act of 1996. The act gave the president the ability to strike individual appropriations from larger budgetary bills. It was affirmed as unconstitutional by the Supreme Court on June 25, 1998. The line item veto however is helpful for minor disagreements in spending. The line item veto debate illustrated that any structural solutions to limit Congressional spending must be enshrined in the Constitution. What is needed is a Balanced Budget Amendment. Congressman Tom Perriello very clearly laid out the need when he said “the only way to get Congress to balance the budget is to give them no choice. The only way to keep them out of the cookie jar is to give them no choice. Which is why, whether its balanced budget acts or pay as you go legislation or any of that -- it’s the only thing. If you don’t tie our hands we will keep stealing.” There is a long and distinguished history of Balanced Budget Amendment proposals in Congress and it is imperative to the continuation of U.S. hegemony to pass an amendment and then have it ratified by the states. The fiscal security that underpins U.S.

6 Tom Periello, Comments at the Jefferson Area Tea Party, March 16 2010, http://www.youtube.com/watch?v=j0GmQwXMfW4
7 James V. Saturno, A Balanced Budget Constitutional Amendment: Background and Congressional Options, Congressional Research Service, (Washington, D.C.:
hegemony requires a structural change to the current system of appropriation.

The British experience in the Boer War and the U.S. experience in the Iraq War clearly indicate the negative effects of tangential military efforts. The just as clearly indicate that large scale military efforts can have cascading effects on the hegemon’s fiscal soundness. Therefore finding a structural limit to the relatively unfettered ability of the president to wage war is a necessity to preserving American hegemony. That structural change is a drastic realignment of the U.S. armed forces from active duty to reserve (National Guard and Reserve) forces. In 2010 the total authorization for Army troops of all types was 1,125,600 and of that 50% was reserve forces. In the Navy and Marine Corp the percentage of reserve forces was slightly less than 17%. In the Air Force the percentage of reserve forces was 34%. These proportions must be dramatically skewed to increase the percentage of reserve forces.

The U.S. military should be structured with a goal of keeping 80% of the force in the reserve and 20% in active duty. This would help to limit tangential military efforts in several ways while still preserving the military capability of the nation. The most important benefit of this reorganization would be to deepen the ties between the general populace and the military. It would make the decision to go to war infinitely

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Congressional Research Service, 20 March 1997). An excellent overview of the Congressional history of the Balanced Budget Amendment prior to 1996 can be found in: There are numerous objections to a Balanced Budget Amendment several of the most significant are that it would restrict government spending during a crisis, that the fiscal year is an unfair benchmark and that the budget(s) should be balanced over a business cycle, and lastly that government revenue is too unpredictable to allow for a balanced budget. The first objection can be solved by allowing a super-majority to override the amendment (i.e. 4/5ths). The second can be solved by requiring a balanced budget across a three or five year period. The last can be solved by allowing Congress to appropriate to the estimates of revenue even if those estimates ultimately prove incorrect.

harder because of the repercussions on the populace of large deployments of community members. The Title 10 restrictions that are placed on Congress and the President would also presumably act as a restriction on the use of the military for non-vital interests. The reorganization of the military along these lines should ensure a closer contact between the people and the military and therefore raise the likelihood that the military is only used for actions that the people decide are truly in the national interest.

These structural changes will go a long way to limiting the internal decisions that have enabled strategic overstretch and have imperiled U.S. hegemony. Ultimately the internal decisions made by the United States will determine if it can retain hegemony. The President, Congress, and the citizenry must realize that hegemony doesn’t allow one to take action without thought of consequences. The greatest defense of U.S. hegemony is a well developed sense of humility. U.S. power should be husbanded for the times when it is truly required to support U.S. interests. Actions taken economically and militarily that don’t support U.S. power; weaken it, even if they are successful.
## Appendix A

### US Security Spending 1990-2009 (millions)

DOD Budget, VA Expenditure, Department of Homeland Security, and Other Defense Civil Program data has been taken from the office of Management and Budget’s historical spending, Table 4.1 Outlays by Agency 1962-2015. Total US government spending has been taken from OMB historical Table 15.2 Total Government Expenditures: 1948-2009. Supplemental Expenditure data is from Travis Sharp, Growth in US Defense Spending Over the Last Decade, Center for Arms Control and Non-Proliferation, February 26, 2009.

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<th>Supplemental Expenditures</th>
<th>DHS</th>
<th>Other Defense Civil Programs</th>
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<th>Total Govt Spending</th>
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### Appendix B

#### American Social Spending 1962-2015

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## American Social Spending 1962-2015

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### American Social Spending 1962-2015

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Notes for Appendix B:

All data for Appendix B comes from the OMB’s historical Table 3.2 Outlays by Function and Subfunction 1962-2015. The Table can be viewed at http://www.whitehouse.gov/omb/budget/Historicals/
## Appendix C

### American Social Spending, Total Government Spending, Amount of Debt, and Debt Interest Payments as a percentage of Gross Domestic Product 1962-2015

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American Social Spending, Total Government Spending, Amount of Debt, and Debt Interest Payments as a percentage of Gross Domestic Product

1962-2015

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</table>

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### American Social Spending, Total Government Spending, Amount of Debt, and Debt Interest Payments as a percentage of Gross Domestic Product 1962-2015

|----------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| **Total Social**
| Spending      | 384,632  | 433,743  | 444,424  | 456,339  | 477,354  | 509,275  | 551,787  | 620,492  | 697,736  | 751,069  | 781,169  |
| **Total Govt**
| Spending      | 851,805  | 946,344  | 990,382  | 1,004,017| 1,064,416| 1,143,744| 1,253,007| 1,324,234| 1,381,543| 1,409,392| 1,461,766|
| **GDP**        | 3,844,400| 4,146,300| 4,403,900| 4,651,400| 5,008,500| 5,399,500| 5,734,500| 6,242,000| 6,587,300| 6,976,600|
| **Social Spending as a % of GDP** | 10.0 | 10.5 | 10.1 | 9.8 | 9.5 | 9.4 | 9.6 | 10.5 | 11.2 | 11.4 | 11.2 |
| **Total Govt Spending as a % of GDP** | 21.0 | 20.5 | 21.5 | 21.3 | 20.0 | 19.7 | 19.9 | 21.1 | 21.2 | 21.0 | 20.2 |
| **Social Spending as a % of Govt Spending** | 47.6 | 50.9 | 47.0 | 46.1 | 47.5 | 47.8 | 48.2 | 49.5 | 52.7 | 54.4 | 55.4 |
| **US Debt as a % of GDP** | 40.7 | 43.8 | 48.2 | 50.4 | 51.9 | 53.1 | 55.9 | 60.7 | 64.1 | 66.1 | 66.6 |
| **US Debt Interest Payments as a % of GDP** | 3.3 | 3.7 | 4.1 | 4.1 | 3.9 | 4.0 | 4.2 | 4.5 | 4.6 | 4.4 | 4.2 |
| **US Debt Payments as a % of Govt Spending** | 18.1 | 18.9 | 19.2 | 19.4 | 20.1 | 21.1 | 21.1 | 21.6 | 21.2 | 20.8 | 20.3 |
American Social Spending, Total Government Spending, Amount of Debt, and Debt Interest Payments as a percentage of Gross Domestic Product

1962-2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Social Spending</td>
<td>826,044</td>
<td>854,703</td>
<td>893,824</td>
<td>924,619</td>
<td>959,876</td>
<td>1,021,487</td>
<td>1,090,055</td>
<td>1,194,613</td>
<td>1,289,432</td>
<td>1,351,179</td>
<td>1,443,728</td>
</tr>
<tr>
<td>Total Govt Spending</td>
<td>1,515,753</td>
<td>1,560,486</td>
<td>1,601,124</td>
<td>1,652,463</td>
<td>1,701,849</td>
<td>1,788,957</td>
<td>1,862,906</td>
<td>2,010,907</td>
<td>2,159,906</td>
<td>2,292,853</td>
<td>2,471,971</td>
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<tr>
<td>GDP</td>
<td>7,341,100</td>
<td>7,718,300</td>
<td>8,211,700</td>
<td>8,663,000</td>
<td>9,208,400</td>
<td>9,821,000</td>
<td>10,225,300</td>
<td>10,543,900</td>
<td>10,979,800</td>
<td>11,685,600</td>
<td>12,445,700</td>
</tr>
</tbody>
</table>

Social Spending as a % of GDP

|          | 11.3    | 11.1    | 10.9    | 10.7    | 10.4    | 10.4    | 10.7    | 11.3    | 11.7    | 11.6    | 11.6    |

Total Govt Spending as a % of GDP

|          | 19.9    | 19.6    | 19.0    | 18.5    | 17.9    | 17.3    | 17.5    | 17.7    | 18.3    | 18.5    | 18.4    |

Social Spending as a % of Govt Spending

|          | 56.5    | 56.4    | 57.3    | 57.7    | 58.1    | 60.0    | 60.9    | 64.1    | 64.1    | 62.6    | 63.0    |

US Debt as a % of GDP

|          | 67.0    | 67.1    | 65.4    | 63.2    | 60.9    | 57.3    | 56.4    | 58.8    | 61.6    | 62.9    | 63.5    |

US Debt Interest Payments in Millions

|          | 332,379 | 343,918 | 355,764 | 363,759 | 353,463 | 361,925 | 359,476 | 332,537 | 318,141 | 321,679 | 352,345 |

US Debt Interest Payments as a % of GDP

|          | 4.0     | 4.3     | 4.2     | 4.1     | 4.0     | 3.6     | 3.5     | 3.4     | 3.0     | 2.7     | 2.6     |

US Debt Payments as a % of Govt Spending

|          | 21.9    | 22.0    | 22.2    | 22.0    | 20.8    | 20.2    | 19.3    | 16.5    | 14.7    | 14.0    | 14.3    |
American Social Spending, Total Government Spending, Amount of Debt, and Debt Interest Payments
as a percentage of Gross Domestic Product

1962-2015

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Social Spending</strong></td>
<td>1,524,611</td>
<td>1,589,765</td>
<td>1,715,765</td>
<td>2,059,629</td>
<td>2,335,765</td>
<td>2,251,855</td>
<td>2,199,856</td>
<td>2,291,665</td>
<td>2,422,013</td>
<td>2,517,078</td>
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<tr>
<td><strong>Total Govt Spending</strong></td>
<td>2,655,057</td>
<td>2,728,702</td>
<td>2,982,554</td>
<td>3,517,681</td>
<td>3,720,701</td>
<td>3,833,861</td>
<td>3,754,852</td>
<td>3,915,443</td>
<td>4,161,230</td>
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<tr>
<td><strong>GDP</strong></td>
<td>13,224,900</td>
<td>13,896,000</td>
<td>14,439,000</td>
<td>14,237,200</td>
<td>14,623,900</td>
<td>15,299,000</td>
<td>16,203,300</td>
<td>17,182,200</td>
<td>18,192,600</td>
<td>19,190,400</td>
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<tr>
<td><strong>Social Spending as a % of GDP</strong></td>
<td>11.5</td>
<td>11.4</td>
<td>11.9</td>
<td>14.5</td>
<td>16.0</td>
<td>14.7</td>
<td>13.6</td>
<td>13.3</td>
<td>13.3</td>
<td>13.1</td>
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<tr>
<td><strong>Total Govt Spending as a % of GDP</strong></td>
<td>18.7</td>
<td>19.1</td>
<td>18.9</td>
<td>20.9</td>
<td>24.1</td>
<td>24.3</td>
<td>23.7</td>
<td>21.9</td>
<td>21.5</td>
<td>21.7</td>
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<tr>
<td><strong>Social Spending as a % of Govt Spending</strong></td>
<td>61.7</td>
<td>59.9</td>
<td>62.9</td>
<td>69.1</td>
<td>66.4</td>
<td>60.5</td>
<td>57.4</td>
<td>61.0</td>
<td>61.9</td>
<td>60.5</td>
</tr>
<tr>
<td><strong>US Debt as a % of GDP</strong></td>
<td>63.9</td>
<td>64.4</td>
<td>69.2</td>
<td>83.4</td>
<td>94.3</td>
<td>99.0</td>
<td>100.8</td>
<td>101.6</td>
<td>101.9</td>
<td>102.6</td>
</tr>
<tr>
<td><strong>US Debt Interest Payments in Millions</strong></td>
<td>405,866</td>
<td>429,966</td>
<td>451,143</td>
<td>383,073</td>
<td>425,127</td>
<td>499,125</td>
<td>607,187</td>
<td>718,150</td>
<td>809,857</td>
<td>888,286</td>
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<td><strong>US Debt Interest Payments as a % of GDP</strong></td>
<td>2.7</td>
<td>2.9</td>
<td>3.0</td>
<td>3.2</td>
<td>2.6</td>
<td>2.8</td>
<td>3.1</td>
<td>3.5</td>
<td>3.9</td>
<td>4.2</td>
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<tr>
<td><strong>US Debt Payments as a % of Govt Spending</strong></td>
<td>15.3</td>
<td>15.8</td>
<td>15.1</td>
<td>10.9</td>
<td>11.4</td>
<td>13.0</td>
<td>16.2</td>
<td>18.3</td>
<td>19.5</td>
<td>20.3</td>
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</tbody>
</table>
Notes for Appendix C:

Total Social Spending comes from my calculations on Appendix B. Total Government Spending and US Debt Interest Payments both come from OMB historical Table 3.2 Outlays by Function and Subfunction 1962-2015. Gross Domestic Product data comes from OMB historical Table 1.3 Summary of Receipts, Outlays, and Surpluses or Deficits (-) as Percentages of GDP 1930-2015. US Debt as a percentage of GDP comes from OMB historical Table 7.1 Federal Debt at the End of the Year 1940-2015. All OMB historical tables can be found at http://www.whitehouse.gov/omb/budget/Historicals/.

The percentages that are listed in Appendix C and Appendix A will not add up to 100% of the total federal spending. For example the 2005 percentage for U.S security spending is 30%, US social spending is 63%, and US debt service is 14.3% for a grand total of 107.3%. In order to make consistent comparisons across different budget categories, I did not include any “off-setting” receipts that are included on OMB Table 3.2 Outlays by Function and Subfunction 1962-2015. Since any off-sets are applied to the budget as a whole it was impracticable to include them in the discussion of specific parts of the budget.
## Appendix D

### British Social Spending

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP-In Billions of £</th>
<th>Total Spending-% of GDP</th>
<th>Health Care-% of GDP</th>
<th>Welfare-% of GDP</th>
<th>Education-% of GDP</th>
<th>Defense-% of GDP</th>
<th>Total spending minus Defense spending as a % of GDP</th>
<th>% non defense govt spending that is social spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>1860</td>
<td>0.812</td>
<td>8.62</td>
<td>0</td>
<td>0</td>
<td>0.12</td>
<td>3.08</td>
<td>5.54</td>
<td>2.2</td>
</tr>
<tr>
<td>1870</td>
<td>1.064</td>
<td>8.83</td>
<td>0.1</td>
<td>0.66</td>
<td>0.19</td>
<td>2.07</td>
<td>6.76</td>
<td>14.1</td>
</tr>
<tr>
<td>1880</td>
<td>1.218</td>
<td>10.84</td>
<td>0.11</td>
<td>0.57</td>
<td>0.57</td>
<td>2.13</td>
<td>8.71</td>
<td>14.4</td>
</tr>
<tr>
<td>1890</td>
<td>1.442</td>
<td>9.64</td>
<td>0.13</td>
<td>0.49</td>
<td>0.69</td>
<td>2.29</td>
<td>7.35</td>
<td>17.8</td>
</tr>
<tr>
<td>1900</td>
<td>1.885</td>
<td>14.91</td>
<td>0.3</td>
<td>2.71</td>
<td>0</td>
<td>7.21</td>
<td>7.7</td>
<td>39.1</td>
</tr>
<tr>
<td>1910</td>
<td>2.14</td>
<td>12.71</td>
<td>0.58</td>
<td>4.16</td>
<td>0</td>
<td>3.5</td>
<td>9.21</td>
<td>51.5</td>
</tr>
<tr>
<td>1920</td>
<td>5.975</td>
<td>26.64</td>
<td>0.63</td>
<td>3.56</td>
<td>1.62</td>
<td>8.75</td>
<td>17.89</td>
<td>32.5</td>
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<tr>
<td>1930</td>
<td>4.615</td>
<td>24.81</td>
<td>1.56</td>
<td>5.37</td>
<td>2.45</td>
<td>2.6</td>
<td>22.21</td>
<td>42.2</td>
</tr>
<tr>
<td>1940</td>
<td>7.183</td>
<td>55.39</td>
<td>1.8</td>
<td>4.5</td>
<td>2.34</td>
<td>37.78</td>
<td>17.61</td>
<td>49.1</td>
</tr>
<tr>
<td>1950</td>
<td>13.308</td>
<td>34.11</td>
<td>3.59</td>
<td>6.28</td>
<td>3.31</td>
<td>7.64</td>
<td>26.47</td>
<td>49.8</td>
</tr>
<tr>
<td>1960</td>
<td>25.977</td>
<td>35.2</td>
<td>3.36</td>
<td>5.87</td>
<td>4.06</td>
<td>6.76</td>
<td>28.44</td>
<td>46.7</td>
</tr>
</tbody>
</table>

% growth between 1880 and 1960

<table>
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<tr>
<th>Year</th>
<th>GDP-In Billions of £</th>
<th>Total Spending-% of GDP</th>
<th>Health Care-% of GDP</th>
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<td>0.11</td>
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<td>8.71</td>
<td>14.4</td>
</tr>
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<td>0.13</td>
<td>0.49</td>
<td>0.69</td>
<td>2.29</td>
<td>7.35</td>
<td>17.8</td>
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<td>1910</td>
<td>2.14</td>
<td>12.71</td>
<td>0.58</td>
<td>4.16</td>
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<td>3.5</td>
<td>9.21</td>
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<td>5.975</td>
<td>26.64</td>
<td>0.63</td>
<td>3.56</td>
<td>1.62</td>
<td>8.75</td>
<td>17.89</td>
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<td>28.44</td>
<td>46.7</td>
</tr>
</tbody>
</table>

% growth between 1880 and 1960
Notes for Appendix D:

All British Spending data has been taken from the website ukpublicspending.co.uk. The British Treasury doesn’t keep breakouts by function of historical spending data from any dates earlier than 1987. This lack of centrally managed “official spending data” puts the researcher in a difficult situation. Mr. Chantrill the administrator of ukpublicspending.co.uk has detailed his sources for the compilation of historical spending data at http://www.ukpublicspending.co.uk/opeds_ukgs.php. The “down to the pound” veracity of the numbers is immaterial to the arguments being made in the paper. The purpose of the data is to show large trends in British government spending.
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