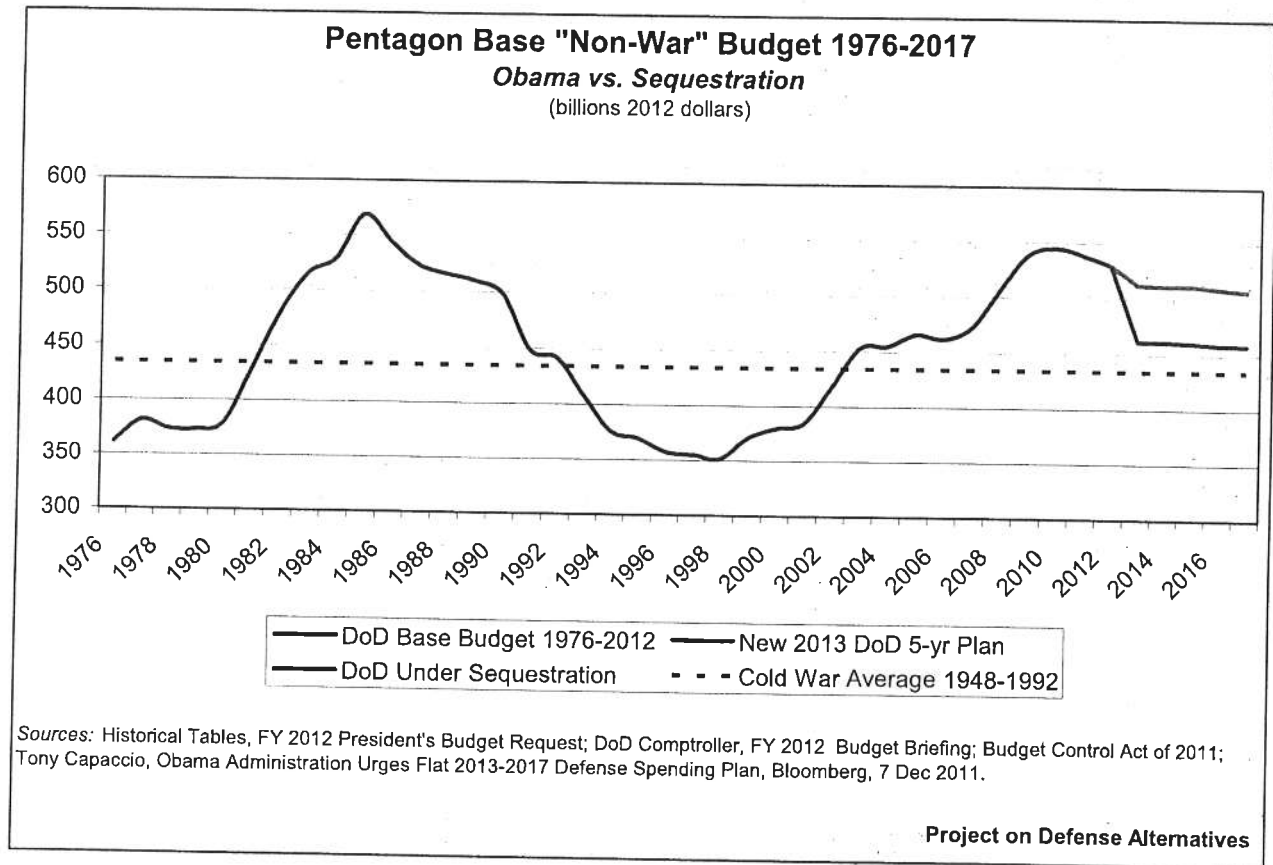


Four Decades of US Defense Spending

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Evident in the graph are both the Reagan Cold War peak in spending (1985) and the post-911 peak (2010). The two are roughly comparable in real dollar terms, although what distinguishes the two periods is the end of the global US-Soviet contest in 1992.

The graph also suggests that the Obama administration's forthcoming reduction plan (green trend line) is relatively modest, bearing no real comparison to post-Cold War retrenchment. Not even sequestration (red trend line) is comparable. Either of these options would hold US defense spending above the Cold War average.



The chart shows the real, inflation-corrected change in DoD "base budget" discretionary spending authority over a 41-year period, beginning in 1976 during the post-Vietnam war nadir in spending and ending in 2017. The first 36 years of spending authority are actual. These are represented by the blue line, 1976-2011. Spending for the last five years of the period are estimated based on two scenarios: (i) the five-year budget likely to be released by Secretary Panetta on Thursday, 26 January 2011, which is represented by the green line, and (ii) the DoD base budget that would result under the sequestration process as set out in the Budget Control Act of 2011. This is represented by the red line.

The dashed horizontal line represents the average annual budget authority during the Cold War period (1948-1992): \$434 billion in 2012 USD.

Spending rises at the beginning of the period as post-Vietnam retrenchment ends and the Reagan buildup commences, peaking in 1985. The post-Soviet retrenchment substantially begins in 1992 and ends in 1998. It then rises steadily through 2010, growing by more than 50% in real terms by 2010 before declining 3% between 2010 and 2012.