

# Children of Liberty on Defense Spending

## Why is the COL Defense Spending Plan Best?

- The Children of Liberty (COL) reduce defense spending based on the military's own recommendations, saving \$200 billion over two years.<sup>1</sup>
- We provide general recommendations to the armed services, convinced that they will reduce spending and maintain the highest level of readiness the country can afford.
- The COL do not reduce intelligence agency funding necessary for the war on terror.
- We increase through a small tariff the amount or allies and dependents pay for the war on terror, recouping \$90 billion over two years.
- The COL end the tax subsidy provided to the oil industry for Persian Gulf petroleum, saving taxpayers \$50 billion over two years.
- We reduce the annual federal deficit by a \$170 billion in year one, a nearly 30% reduction in the deficit, and a \$200 billion savings in year two.

## Why is Immediate Change Required?

The COL fail to see a path to a balanced budget that does not include cuts to defense spending. Defense and war spending constitute over 50% of discretionary spending and 16% of total spending. It is one of the "four horsemen" of our deficit (along with health care, entitlement, and servicing the debt).<sup>2</sup> To save money, one must go where the money is.

The United States spends far more on military than any other countries. We account for 37% of all world military spending.<sup>3</sup> Our budget is as large as the next seven militaries combined. Four of the seven are our allies!

Is this spending necessary? President Eisenhower warned the nation that we must carefully balance military spending "with our peaceful methods and goals, so that security and liberty may prosper together."<sup>4</sup>

Economically speaking, all public spending is an economic drag on the private sector, especially military spending. Therefore, military spending needs to be viewed as a minimum requirement. Economic efficiency and equity is best promoted by private, market spending, not the public sector. Further, military and war spending in the Middle East essentially is a subsidy to the oil industry. We should change our tax structure to reflect the cost of petroleum which should promote more efficient energy markets.

Immediate change is required.

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<sup>1</sup> See *Table 1. Summary of COL Defense and Defense Related Budget* for a general overview.

<sup>2</sup> See the COL plans *Saving Social Security, Retirement, Welfare Spending, and Paying-Down the Debt* for defeating two of the other horsemen. The COL plan for health care reform is still under development at the time of this publication.

<sup>3</sup> <https://www.nationalpriorities.org/campaigns/us-military-spending-vs-world/>

<sup>4</sup> Dwight D. Eisenhower, Military-Industrial Complex Speech, 1961, *Public Papers of the Presidents, Dwight D. Eisenhower*, 1960, p. 1035- 1040.

## How does the COL Plan Reduce Defense Spending?

### Close Unneeded Military Bases

The largest portion of the “base” defense budget (non-war and veterans spending) is operations. Currently, the defense department itself says that the operations budget is at 21% excess capacity. Why? Congress will not close unneeded military bases. Therefore, the COL call for a significant reduction in operational costs, saving \$40 billion annually. The military should not be used as a community welfare program.

### Reduce Personnel

As defense downsizes operations to the necessary level, personnel costs should be reduced. Simply through the process of attrition, personnel can be reduced by roughly 7% annually, saving approximately \$10 billion annually. We further suggest the reduction of uniformed services over civilian services which are cheaper.<sup>5</sup>

### Reduce Purchasing

Procurement (buying stuff) and research constitute approximately 30% of the budget. Instead of making specific line-item changes, the COL would ask the defense department to reduce spending by 6%, saving around \$8 billion annually.

### Eliminate the “Opportunity, Growth, and Security” Program

Fourth, defense-related spending must be reduced. The COL leave spending on the nuclear arsenal and intelligence programs unchanged. We are, however, dismayed by the “Opportunity, Growth, and Security” program designed to increase spending without violating the Budget Control Act of 2011. We advocate the total elimination of a this new line-item program which will surely only grow over time, saving nearly \$28 billion annually. Further, the COL would reduce foreign military assistance by approximately \$8 billion annually.

### Change and Reduce the Cost of War Calculation

The COL believe that the cost of war in the Middle East can be reduced and shared with our allies. Therefore, we offer the following two proposals.

- The cost of veteran’s benefits should be considered as an annual cost of war. Therefore, the COL recommends the reduction in war-related expenditures in the Middle East and redirecting most the savings to the Veterans Administration. Over two years, the COL would reduce war spending by \$30 billion and increase VA benefits and spending by \$25 billion.
- The United States pays almost all of the cost of maintaining the flow of Persian Gulf oil to the world. We need to recoup as much of the cost as possible without adversely affecting our economy and world security and trade. The COL would equalize the disparity by imposing a roughly 4% tariff on those nations, recouping over \$70 billion annually.<sup>6</sup>

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<sup>5</sup> The COL advocate for the creation and unification of a “Civilian Corp” within the Defense Department. A unified Civilian Corp should reduce overhead and improve efficiency. See the COL *Smaller Government Overview and Organization Charts* for details.

<sup>6</sup> [http://unctad.org/en/PublicationsLibrary/wto2012\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wto2012_en.pdf)

Table 1. Summary of COL Defense and Defense-Related Budget

COL Defense Budget (numbers in billions)	2015			COL 2016			COL 2017						
	Amount	Subtotal	Total	Percent Change	Amount Change	Amount	Subtotal	Total	Percent Change	Amount Change	Amount	Subtotal	Total
<b>Total</b>			<b>770.5</b>	<b>-20%</b>	<b>-151.7</b>			<b>618.8</b>	<b>-7%</b>	<b>-40.3</b>			<b>578.5</b>
<b>Revenue</b>		<b>0.0</b>					<b>70.5</b>		<b>-2%</b>	<b>1.4</b>		<b>71.9</b>	
Petroleum Tariff						44.0			2%	0.9	44.9		
Persian Gulf Tariff						26.5			2%	0.5	27.1		
<b>Spending</b>		<b>770.5</b>		<b>-11%</b>	<b>-81.2</b>		<b>689.3</b>		<b>-6%</b>	<b>-38.9</b>	<b>38.9</b>	<b>650.4</b>	
Defense Outlays	622.7			-13%	-83.5	539.2			-5%	-28.5	510.6		
War Outlays	147.8			2%	2.3	150.1			-7%	-10.4	139.8		

Table 2. COL Defense and Defense-Related Spending Plan Detail

From the Defense Comptroller (all outlay numbers in billions)	2015			COL 2016			COL 2017				
	Amount	Subtotal	Total	Percent Change	Amount	Subtotal	Total	Percent Change	Amount	Subtotal	Total
<b>Total National Defense Outlays</b>			<b>622.7</b>	<b>-13%</b>			<b>539.2</b>	<b>-5%</b>			<b>511.2</b>
Defense Department (Military)		490.1		-12%		431.7		-4%		412.9	
Operations / Maintenance	199.4			-20%	159.5			-1%	157.9		
Personnel	135.6			-7%	126.1			-7%	117.3		
Procurement	90.4			-5%	85.9			-5%	81.6		
Research / Development	63.5			-7%	59.1			-7%	54.9		
Revolving and management funds	1.2			-2%	1.2			0%	1.2		
Defense Department (Support)		11.7		3%		12.1		-4%		11.6	
Retiree Health Care	6.2			15%	7.1			0%	7.1		
Military Construction	5.4			-10%	4.9			-10%	4.4		
Family Housing	1.2			0%	1.2			0%	1.2		
Offsetting receipts	-1.1			0%	-1.1			0%	-1.1		
Defense Related Activities		55.4		-38%		34.6		-20%		27.8	
Nuclear Arsenal (Energy Department)	19.3			0%	19.3			0%	19.3		
Federal Bureau of Investigation	4.9			0%	4.9			0%	4.9		
Other	3.5			0%	3.5			2%	3.6		
Opportunity, Growth, and Security Initiative	27.7			-75%	6.9			-100%	0.0		
Non-Defense Department Related Activities		65.5		-7%		60.7		-3%		58.9	
National Intelligence Programs	53.5			0%	53.5			0%	53.5		
International Security Assistance	12.0			-40%	7.2			-25%	5.4		

Table 3. COL War Spending and Tax Plan Detail

From the Defense Comptroller (all outlay numbers in billions)	2015			COL 2016			COL 2017				
	Amount	Subtotal	Total	Percent Change	Amount	Subtotal	Total	Percent Change	Amount	Subtotal	Total
<b>Total National War Outlays</b>			<b>147.8</b>	<b>2%</b>			<b>150.1</b>	<b>-7%</b>			<b>139.8</b>
War		79.4		-10%		71.5		-20%		57.2	
Defense Overseas Contingency Operations	64.0			-10%	57.6			-20%	46.1		
State Overseas Contingency Operations	15.4			-10%	13.9			-20%	11.1		
Veterans Administration		68.4		15%		78.7		5%		82.6	
Mandatory	68.4			15%	78.7			5%	82.6		

Table 4. Petroleum Tariff Computations

Export Destination	Imports (in millions of tons)	Gulf Oil Percent	War Cost (in millions)	Fair Share Persian Oil Tariff Percent	Import Value (in millions Census Bureau 2015)	Total Tariff (in millions)	Percent Increase	Average Applied MFN Tariff	Current Tariff Imbalance	Fair Share Trade Balance
<b>Persian Gulf</b>	<b>754.7</b>	<b>100%</b>	<b>147,800.00</b>		<b>1,232,021.85</b>	<b>43,973.09</b>				
Pacific Nations	84.9	11%	16,626.77	68.50%	207,607.5	11,389.33	5%	9.00%	-5.49%	0.00%
ASEAN*	na				113,726.7					
S. Korea	na				54,887.1					
Phillipines	na				7,877.7					
Taiwan	na				31,116.0					
China	171.7	23%	33,625.63	64.50%	359,021.7	21,688.53	6%	9.55%	-6.04%	0.00%
Japan	157.0	21%	30,746.79	2.25%	98,563.6	691.80	1%	4.21%	-0.70%	0.00%
NATO	248.1	33%	48,587.76	21.00%	566,829.1	10,203.43	2%	5.31%	-1.80%	0.00%
NATO	101.6				506,824.2					
Africa	25.4				25,379.5					
India	121.1				34,625.4					
United States°	93.0	12%	18,213.06					3.51%		

\*ASEAN (Association of Southeast Asian Nations) - Brunei, Myanmar, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam.

°Tariff assessed on Persian Gulf Imports, the "Persian Gulf Tariff"

MFN Tariff Numbers from WTO

BP Statistical Review of World Energy (2015)

Table 5. Persian Gulf Oil Tariff Computations

Description	Values
War Expenditure in 2016 (in millions)	150,120
Petroleum Tariff	43,973
US Net War Expense in 2016	106,147
Persian Gulf Net Imports (bbl/year)	543.85
Tariff Required to Recoup Full Cost of Net War Expense	\$195.18
War Tariff Assessment	25%
Tariff Amount Per Barrel	\$48.79
<b>Tariff Revenue (in millions)</b>	<b>26,537</b>

Numbers from the US Energy Information Administration

Table 6. Domestic Gasoline Gas Price Analysis

Description	As of 16/11/04
Price of Barrel of Oil	\$49.89
Percentage Increase on Persian Gulf Oil	98%
Persian Gulf Petroleum Percentage of Domestic Consumption	8%
Percentage Increase in Domestic Price	7.51%
National Average Price of Gas	\$2.211
Gallon of Gas Price Increase	\$0.166
New Gas Price	\$2.377

Numbers from the US Energy Information Administration