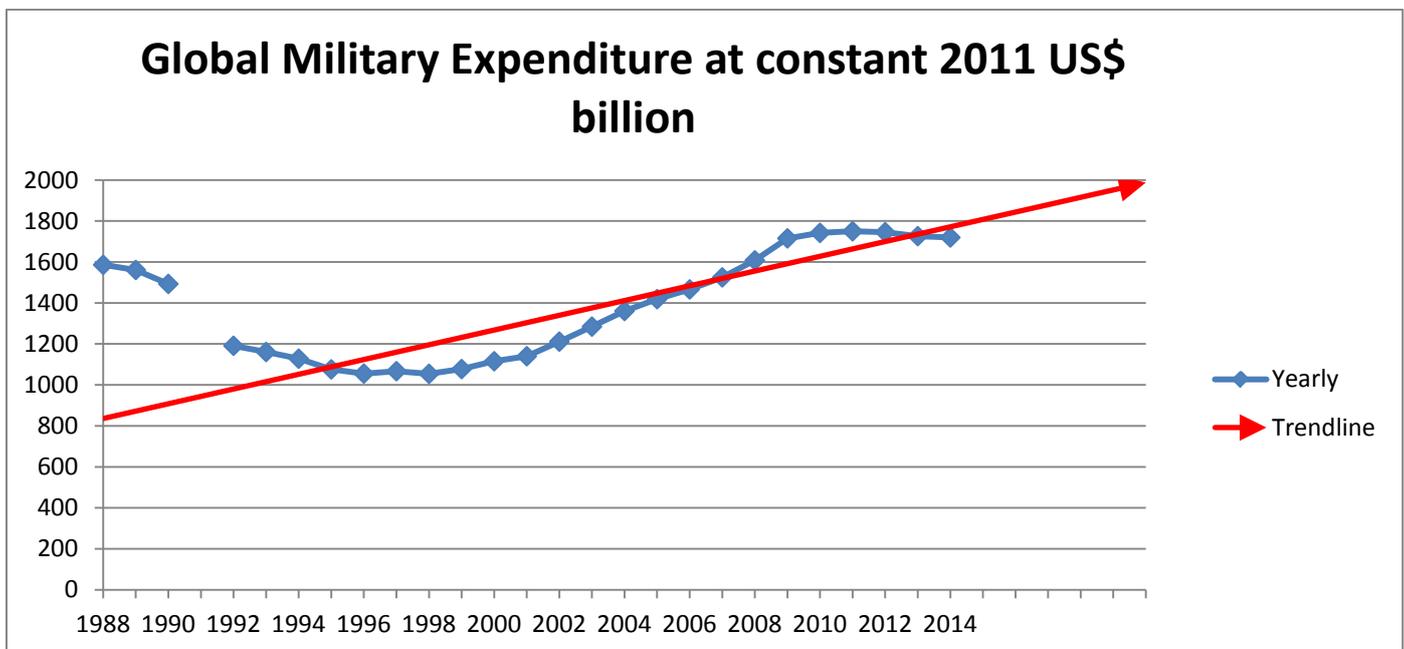


TIPPING POINT NORTH SOUTH

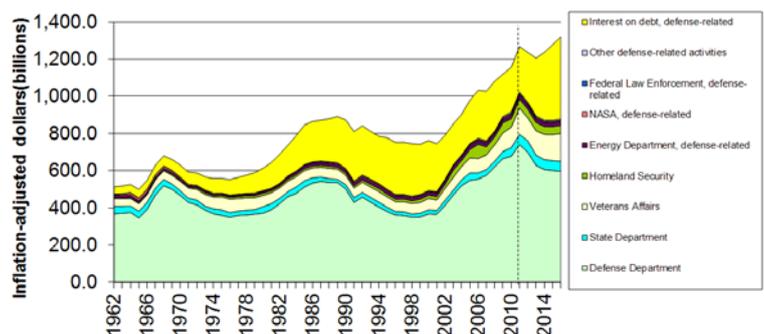
The Clinton Level - The \$1 Trillion Yellow Line That We Need To Return To

Clinton Era Levels of the 1990s

During the 1980s, the Cold War and the global nuclear arms race propelled total military spending in the world higher than ever before. After the fall of the Soviet Union, the idea of the "peace dividend" got hold and for a short while, it did indeed look like that was where the world was going and that global military spending would gradually normalise to a much lower level, appropriate for a reduced-conflict, non-confrontational, uni-polar world. The two biggest spenders saw the biggest drop in their spending. Russia simply could not afford the Soviet level of spending after the collapse of the Soviet Union, and its economy went from crisis to crisis, further diminishing their ability to spend. In the United States, without any notable enemy and significant military threats to their national security, military spending gradually came down while the economy boomed. It came down to the lowest point in recent history in the middle of the Clinton years. Since USA is the largest military spending by far (accounting more than one thirds), it coincided with the lowest point in global military spending too, which is roughly \$1 trillion. Henceforth, we call this figure *the Clinton Level*.



It is worth bearing in mind that the Clinton Level is only a relatively low level, because if we go further back in time, we achieved even lower spending after the end of the Vietnam War and even lower again before the escalation of the same war.¹ **In this sense, it is only an intermediate goal to our ultimate aim** – sustainable and justifiable global military spending that provides security and peace without cannibalising spending on essential needs for the survival and flourishing of



**Military spending of the United States 1962–2015
(inflation-adjusted 2011 dollars)**

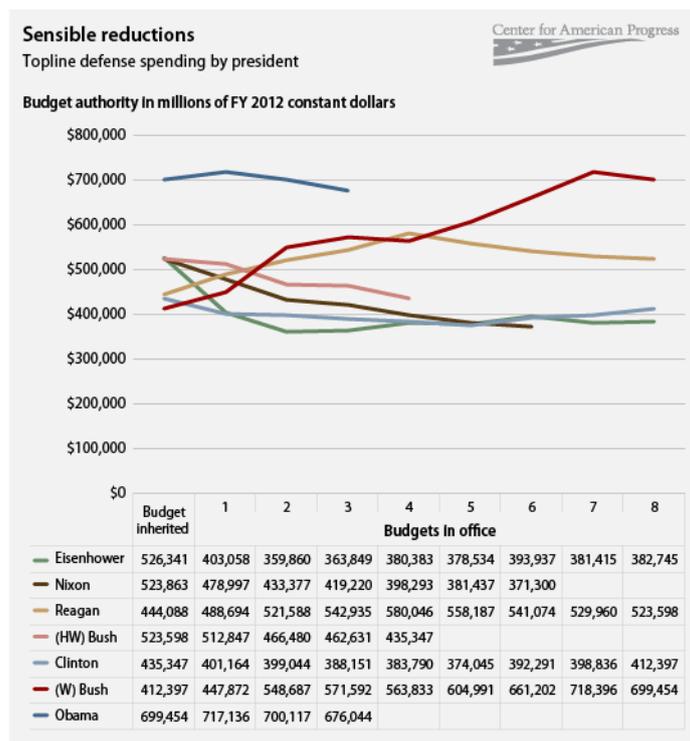
¹ Source: Wikipedia, <http://en.wikipedia.org/wiki/File:InflationAdjustedDefenseSpending.PNG>

humanity. Therefore, compared to *the dangerous \$2 trillion redline*, *the Clinton Level is the \$1 trillion Yellow Line* that marks a reversal from the current trend. Only at that point, with the much reduced power of the military-industrial complex, we can rationally and carefully consider and debate where the Green Line should be. (Since societal security and economic prosperity for all are deeply intertwined; since too much emphasis on military will cannibalise investments on other productive economics areas; since even a small amount of instability can drag down or even destroy the economic development - we believe our **5% Formula and the 5% Threshold Rule** can directly throw sand in the wheels of the increasing military spending to encourage economic development. It can therefore play an important part in formulating the Green Line. Nevertheless, we should not get ahead ourselves. For now, let's concentrate on the urgent need to get us back to the Clinton Level.)

Clinton is the most well-known political name in the world. By terming our \$1 trillion yellow line, the *Clinton Level*, we hope to provoke a recollection of the relatively peaceful time of the 90s after the end of the Cold War. We want people to ask the question: 'Wait a minute, why are we doubling global military spending and spending even more than the peak of the Cold War when there was a real possibility of a nuclear all-out war between two competing superpowers? What kind of legacy are we leaving our younger and future generations?'

Can the USA - and Therefore Everyone Else - Get Back to the Clinton Level?

Global military expenditure reached its lowest point since the peak of the Cold War in the mid-period of Clinton presidency (around \$ 1 trillion in 2011 prices). Global military expenditure in 2014 was \$1.7 trillion and to get to the Clinton level from this point, expenditure needs to be reduced by 40%. Our campaign goal is to reach the Clinton Level in just 10 years.



Historical reductions of the defence budgets of the United States²

The USA's military expenditure is now at its historical peak, due to the astronomical increase during the Bush years. Historically, there has always been a significant and steady decrease of military expenditure after a period of over-spending, this has not yet happened during the Obama years. Despite claims to the contrary, previous spending reductions have not compromised U.S. national security or created a hollow military.³

² *A Historical Perspective on Defense Budgets*, Center for American Progress, 06/06/2011

³ *ibid*

Why does it matter that the USA gets back to Clinton levels?

Because the rest of the world is hugely influenced – directly and indirectly – by USA military spending.

To reach the Clinton level from the peak of the Bush level, 40% cut in USA's military expenditure is needed. This 40% cut can be achieved by adopting our demand – cut 5% in military expenditure every year for the next 10 years. Afterwards, USA adopts *the 5% threshold rule*. This will ensure the Clinton level is sustainable in the long term such that the global military spending will be around the Green Line (yet to be determined) and will hardly ever breach the \$1 trillion Yellow Line again.

Many inside (and outside) the USA now argue that the USA itself has to take a lead in tackling their own out-of-control spending. If this is possible, and if it can buy into the value of returning to the Clinton-era levels, the

overall global aim of this campaign is achievable.

The same process - annual 5% absolute cut followed by the adoption of the 5% threshold rule - will apply to other countries, especially the top 20 spenders such as the United Kingdom, Russia and China. In the time of austerity, decreasing social security and accelerated climate change, there is no justification for excessive military spending anywhere that pulling in the precious public fund available while leaving little for anything else.

Reaching the Clinton Level

The 5% Formula is a mechanism to achieve major, year-on-year cuts to global military spending over 10 years *and beyond*.

- To cut annual global military expenditure by 40% after ten years, back to the Clinton Level ie \$1 trillion dollars, the lowest in recent history (and even then, 'low' is not low enough for many peace campaigners – indeed far from it).
- To deliver savings of estimated \$700 billion over 10 years redirected to core urgent human and environmental needs.
- Application of *the 5% annual and absolute cuts* – to achieve this global 40% cut (\$700bn) over the first 10 years.
- After the first 10 years, we call upon all nations to adopt *the 5% threshold rule* to sustainably restrain the global military spending – no country allows any increase in military spending to outstrip economic growth.

The 5% Formula would be applied for the first decade as follows: We call for all nations to cut their annual military spending by 5% every year. Our primary targets are the 'Top 20' military spending nations who account for 87% of total spending (\$1.7 trillion dollars) in 2012.

Top 20 spenders: 5% annual and absolute cuts to national military budgets. This is equivalent to a compound 40% cut for each nation's respective annual military spending after 10 years (see the Table on the right for illustration).⁴ These cuts are expected to deliver an estimated \$600 billion in total to be redirected.

SUM CAPTURED: \$600 billion

Year	Annual military budget	Yearly cut	Percentage change versus Year 0
0	\$100 billion		
1	\$95 billion	5%	5%
2	\$90 billion	5%	10%
3	\$86 billion	5%	14%
4	\$81 billion	5%	19%
9	\$63 billion	5%	37%
10	\$60 billion	5%	40%

⁴ $1-(1-0.05)^{10}=100\%-60\%=40\%$

Beyond the First Decade - The 5% Threshold Rule

The *5% threshold rule* is designed to be mainstreamed into **budgeting beyond the first 10 years**, acting as both a military expenditure 'dampener' and a economic growth 'accelerator'⁵ for all nations, while facilitating and enabling the public to more deeply interrogate the many inter-linked issues of the military spending debate. **All nations** adhere to a '**5% threshold rule**'.

The **5% threshold rule** is applied as follows: military spending growth (% change) in a given year is limited by previous year's economic growth (measured as % increase in gross domestic product, or GDP), less 5 percentage points (5%).⁶ In mathematical form,

$$\text{Annual percentage change in military spending} \leq (\text{Percentage change in yearly GDP} - 5\%)$$

The *5% threshold rule* in practice means no country allows any increase in military spending to outstrip economic growth. Most economies grow less than 3% annually; this effectively translates as 2% annual reduction to their military spending. These savings are then divided equally to fund both domestic and international needs. The world military expenditure will gradually decrease, until an equilibrium is reached that emphasises economic/social rather than military advancement.

The fast-growing economies (eg BRICS), according to *this 5% threshold rule*, might be able to increase their spending in some years if their GDP growth merits it (albeit at a much lower rate than they might otherwise do without the threshold). In that case, there will be no 'cuts' per se to their military spending to be diverted, we propose that they are therefore required to 'gift' a contribution of an amount equal to 2.5%⁷ of their previous year's military spending to fund international development programmes.

EXPECTED SUM CAPTURED: tens of billions of dollars per year

What Is the 5% Threshold Figure?

Countries with 5% Growth or Less (the Majority)

Examples:

0 % economic growth = 5% cut to annual military spend
2% growth = 3% cut to annual military spend
5% growth = No increase

In the 2000s, the world economy's annual growth was less than 3% on average. The 5% figure is 2% higher than the average economic growth rate of 3% and is therefore a challenge for big military spenders and emerging economies to either cut or pay up.

An average yearly cut of 2% is a reasonable long-term, sustainable demand for ALL economies: not a great burden upon existing defence budgets, fair and proportionate for all nations, and yet nevertheless able

to deliver a significant sum to divert to more relevant, urgent and sustainable human need.

⁵ In many ways, military expenditure hinders rather than advances economic prosperity, compared to investments by the government in other productive areas of the economy. The 5% threshold rule ensures a government allocates more of its revenue to grow the economy while still preserving its ability for *sensible defence*.

⁶ Annual GDP Growth is the % difference between any two consecutive years' GDP: we assume most economies will not grow more than 5% on average for the foreseeable future.

⁷ This 2.5% 'contribution' is a fixed percentage, no matter how negligible the annual military spending is increased. This is consistent with the requirement for Top 20 spenders who are required to cut 5% of their annual military spending every year in the first decade and to divert these savings to fund both domestic and international needs equally – in effect, Top 20 spenders are diverting 2.5% of their annual military spending to fund international development programmes every year.

After the first ten years, all nations would collectively maintain this formula into the next decade.

Countries with More than 5% Economic Growth (eg BRICS)

This category reflects fast growing economies (eg BRICS), and who, according to *the 5% threshold rule* – might be able to increase their spending in some years if their GDP growth merits it (albeit at a much lower rate than they might otherwise do without the threshold). In that case, there will be no 'cuts' per se to their military spending to be diverted, we propose that they are therefore required to 'gift' a contribution of an amount equal to 2.5%⁷ of their previous year's military spending to fund international development programmes.

Example:

7% growth = only 2% increase on annual military spend

HC

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