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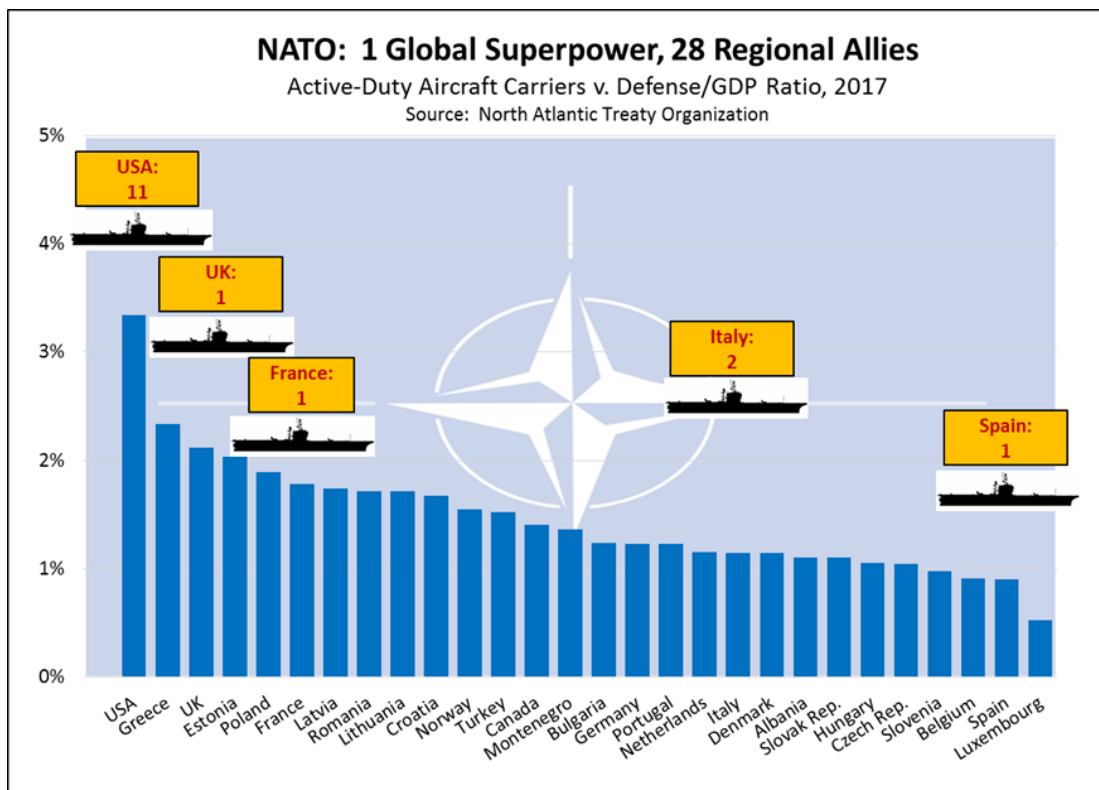
Proactive Investment Management & Financial Planning

## Economic Chart of the Week April 17, 2019

In early April, the North Atlantic Treaty Organization (NATO) marked its 70<sup>th</sup> anniversary as guarantor of peace in Europe, but the mood within the alliance was unpeaceful. The member states have long argued over their respective contributions to the alliance, but President Trump is now pushing especially hard for each member to spend at least 2.0% of its gross domestic product (GDP) on defense. This week's chart aims to show why the allies aren't being asked to meet the full U.S. defense burden of 3.3% of GDP.

Using fixed-wing aircraft carriers as a proxy for whether a country has interests or commitments beyond its region, the chart shows the United States is the only global superpower in the alliance, with 11 modern, technologically advanced, and very expensive carriers. A few NATO allies have one or two carriers, but mostly to protect their residual interests in empires long dead. The allies are mostly regional powers with mostly regional interests and commitments, so they would find it hard to justify U.S.-style defense spending to their people. Besides, our allies make a lot of nonmonetary contributions to the alliance. For example, they've accepted the principle that NATO's top military commander will always be an American, meaning U.S. troops will never have to fight under the ultimate direction of a French or Turkish general, for example. In addition, European basing rights give the United States the luxury of practicing "forward defense." In a war with Russia, the Europeans would contribute the most important resource of all: the battlefield. They are the ones who would probably contribute the cities to be destroyed, the civilians to lose their lives, and most of the investments to be lost.

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