

Exaggerating China's Military Spending

St. Louis Fed breaks all statistical rules with misleading graph

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The Federal Reserve Bank of St. Louis published a jaw-droppingly misleading graph that portrays China as spending more on its military than the US. In reality, the Pentagon's budget is roughly three times larger.

In an attempt to grossly exaggerate China's defense spending, and simultaneously downplay the US military budget, the Federal Reserve Bank of St. Louis published a jaw-droppingly deceptive graph.

If a student presented this in a statistics 101 class, the teacher would likely give them an F. But because it involves Washington's public enemy number one, Beijing, the US regional reserve bank was awarded a Golden Star for exemplary service in the New Cold War.

The St. Louis Fed listed the world's top six countries by military expenditures, but used two separate axes: the spending of China, Russia, Britain, India, and Saudi Arabia was depicted on the left axis, which went from \$0 to \$300 billion; but a separate right axis was created just for the United States, which went from \$400 billion to \$1 trillion.

This extremely misleading graph made it look as though China spends more on its military than the United States.

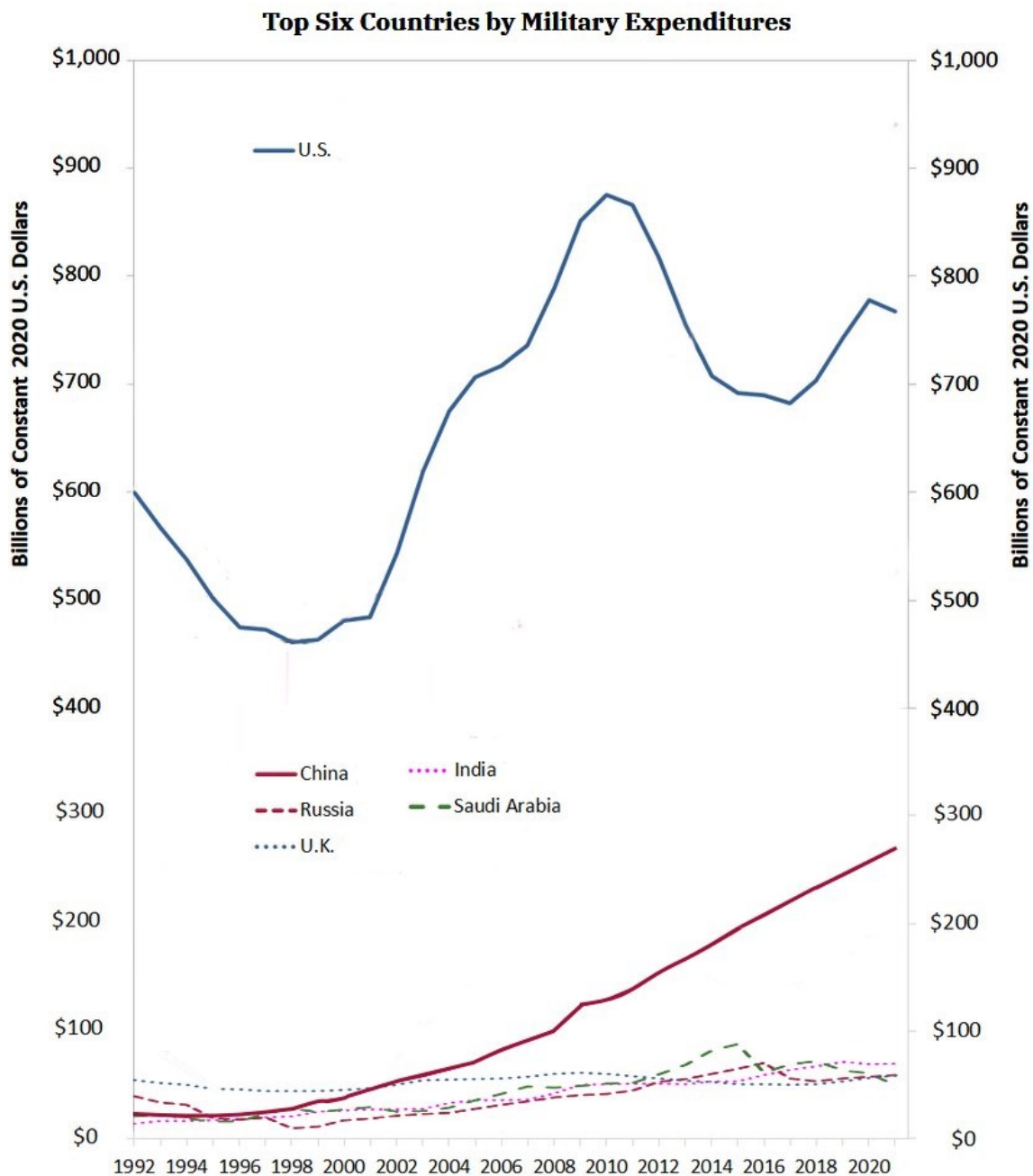
An analysis looks at how defense spending among the nations with the highest expenditures has changed since 1992 and what may have driven the changes
<https://t.co/3ln08vOKAo> pic.twitter.com/yqK6MqwQUm

— St. Louis Fed (@stlouisfed) [January 22, 2023](#)

But in reality, China's defense budget in 2021 was \$270 billion, whereas that of the US was \$767.8 billion – nearly three times larger (in constant 2020 US dollars).

The Pentagon budget subsequently ballooned to \$782 billion in 2022 (in 2022 dollars), and \$858 billion in 2023 (in 2023 dollars).

If the graph were edited to put all of the countries on the same axis, one can see how massive US military expenditure is compared to other top spenders:



When the St. Louis Fed published the deceptive graph on Twitter, it went viral, garnering hundreds of negative responses.

[Michael P. McDonald](#), a professor of political science at the University of Florida, quipped, "If they're willing to put this out, just imagine the internal analyses the Fed conducts to manage the economy".

In an [accompanying report](#), the St. Louis Fed admitted that China's 2021 defense spending was just 1.7% of GDP, "which was the lowest share among the six nations in the figure".

Moreover, Beijing's military expenditure as a percentage of GDP has stayed very consistent since the early 1990s, with no increases.

"China's defense-to-GDP ratio has been almost a flat line since 1992 at around 2%, suggesting that its defense outlays have grown almost proportionally to its GDP", the Fed conceded. "In turn, this means that the rapid rise of China's defense spending seen in the first figure reflects the rapid rise in its GDP".

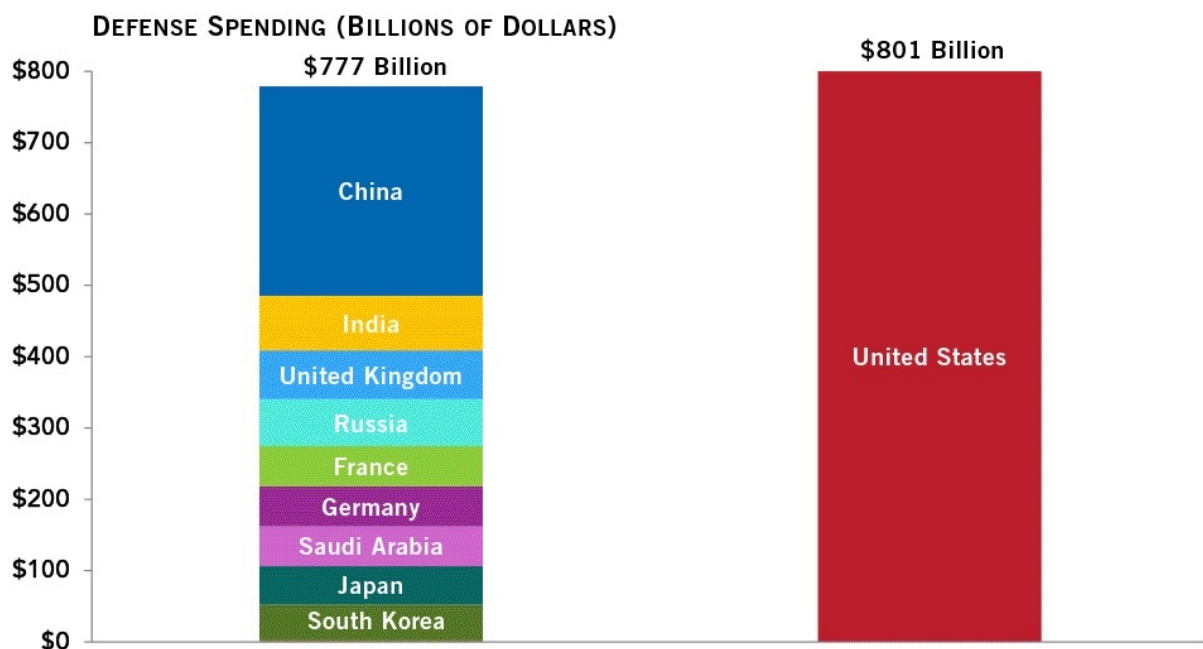
But the US Department of Defense has [dubbed China its top "threat"](#), and major media outlets like Foreign Policy have acknowledged that the [Pentagon is preparing for war with Beijing](#).

This [new cold war hysteria](#) is reflected in shockingly unprofessional displays from supposed economic and political experts.

A much more accurate graphic created by the Peter G. Peterson Foundation shows how, as of 2022, the [United States spent more on its military than the next nine largest spenders combined](#) - including China, India, the UK, Russia, France, Germany, Saudi Arabia, Japan, and South Korea (and several of these countries are close US allies).



The United States spends more on defense than the next 9 countries combined



SOURCE: Stockholm International Peace Research Institute, *SIPRI Military Expenditure Database*, April 2022.

NOTES: Figures are in U.S. dollars converted from local currencies using market exchange rates. Data for the United States are for fiscal year 2021, which ran from October 1, 2020 through September 30, 2021. Data for the other countries are for calendar year 2021. The source for this chart uses a definition of defense spending that is more broad than budget function 050 and defense discretionary spending.

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Beijing's military spending is even smaller when it is measured per capita.

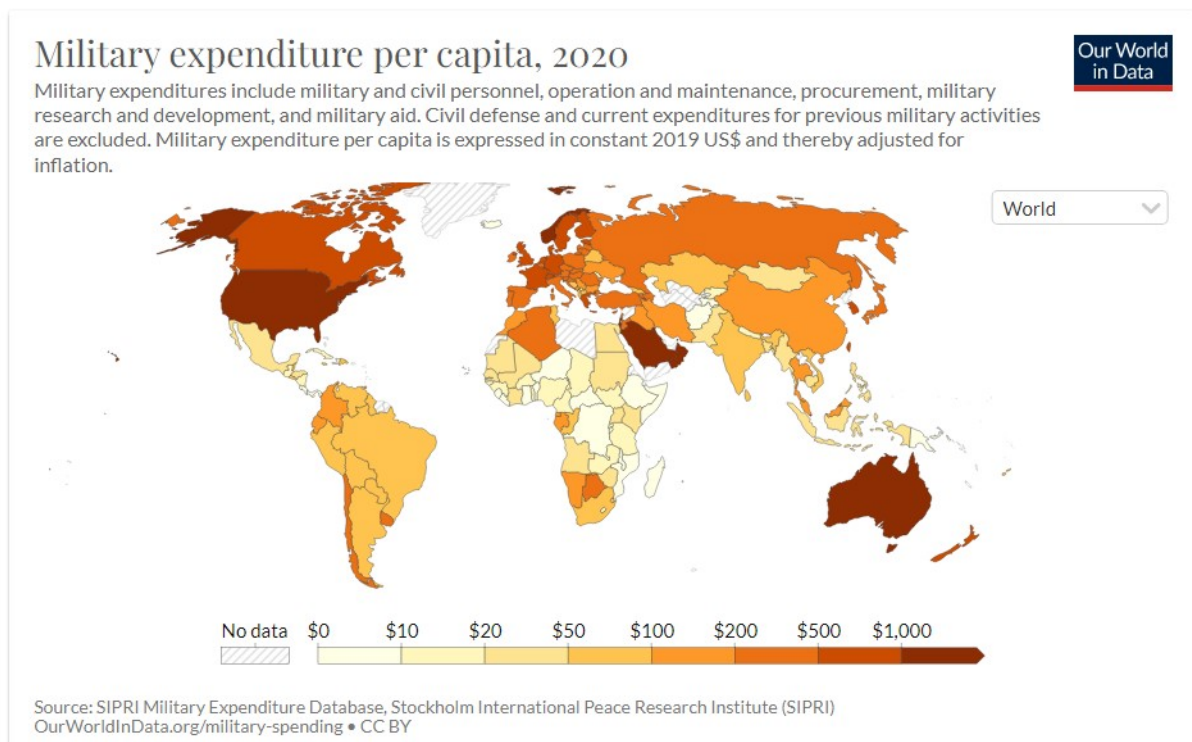
China is the most populous country on Earth, with more than 1.4 billion people - four times larger than the US population of just over 330 million.

Country	Military expenditure per capita constant 2019 US Dollars			
	1988	2020	Absolute Change	Relative Change
Israel	\$1,650	\$2,508	+\$857	+52%
United Arab Emirates	1997 ⓘ \$1,249	2014 ⓘ \$2,470	+\$1,221	+98%
United States	\$1,252	\$2,351	+\$1,099	+88%
Singapore	\$420	\$1,856	+\$1,436	+342%
Saudi Arabia	\$886	\$1,652	+\$766	+86%
Kuwait	\$837	\$1,625	+\$788	+94%
Oman	\$685	\$1,318	+\$633	+92%
Norway	\$688	\$1,312	+\$624	+91%
Australia	\$355	\$1,080	+\$725	+204%
Qatar	\$2,215	2010 ⓘ \$1,011	-\$1,204	-54%
Brunei	\$730	\$998	+\$268	+37%
South Korea	\$184	\$892	+\$708	+386%
United Kingdom	\$675	\$873	+\$197	+29%
Denmark	\$453	\$855	+\$402	+89%

When [measured per capita](#), US military spending is close to the world's highest, just under Israel and the United Arab Emirates, at \$2351 per person as of 2020 (in constant 2019 dollars).

China's per capita military spending that same year was a mere \$175, representing only 7% of per capita US military spending. (Russia's was \$423 – lower than that of Lithuania, Portugal, and Belgium.)

And all of these US spending figures could be conservative, as they are based on the official Pentagon budget. Actual US military expenditure is often estimated to be even higher, and the [Defense Department has failed every audit](#) it has attempted, with tens of [trillions of dollars worth of spending](#) that is unaccounted for.



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