

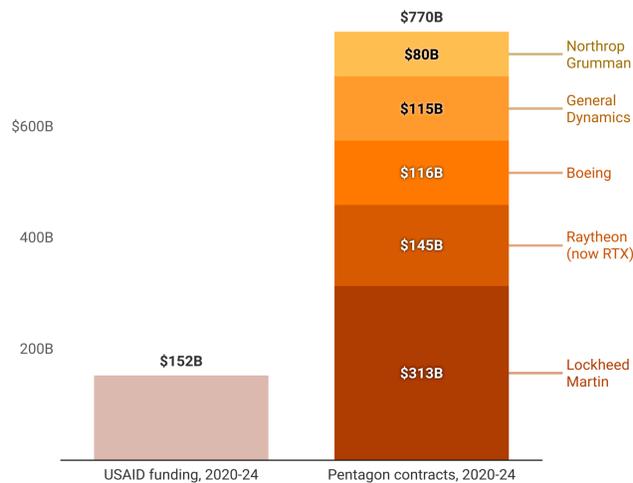
Military Spending Monitor – July 31, 2025: The Pentagon as an Engine for Privatizing Public Funds

A new Brown University study quantifies how the Pentagon’s vast and increasing reliance on a small number of corporate contractors redistributes and concentrates U.S. taxpayer dollars into the hands of an already wealthy elite.

Study findings

The [latest report from Brown University’s Costs of War Project](#) sheds new light on how the U.S. military budget increasingly privatizes public funds. The main findings:

US spent 5 times more on 5 companies than USAID from 2020–24



Figures in constant 2025 dollars. Data: State Dept., GSA.
Chart: Stephen Semler (@stephensemiler | stephensemiler.com) • Created with Datawrapper

- Over the past five years, 54% of Pentagon spending went to contractors. Between (fiscal years) 2020 and 2024, Congress approved \$4.4 trillion for the Pentagon, and the department awarded \$2.4 trillion in contracts.

- About one-third of those contract dollars — \$770 billion — went to just five companies. That’s more than twice the \$356 billion the United States spent on diplomacy, development, and humanitarian aid combined over the same period. Here are the Pentagon contracts awarded to those firms compared to USAID’s total funding (aid obligations plus operating expenses) during this five-year stretch:

- The Pentagon has devoted an increasing share of its budget to private sector contracts over the past 35 years. For fiscal years 1990–99, contract spending averaged 41% of the Pentagon’s budget, including just 36% from 1990–94. The share has grown with each passing decade:
 - 1990–1999: 41%
 - 2000–2009: 52%
 - 2010–2019: 53%
 - 2020–2024: 54%

Issues for Congress

The new Brown University report should prompt closer scrutiny of the Pentagon's growing privatization of public funds. It is unrealistic to assume that for-profit corporations will be motivated by the same concern for the public interest or proper stewardship over taxpayer dollars as civil servants. Still, the prevailing belief is that outsourcing government functions improves efficiency — that by leveraging the profit motivations of contractors, the Pentagon can spur competition and incentivize contractors to keep costs down.

Yet consolidation in the arms industry, which has proceeded apace regardless of whether military spending was falling (like in the 1990s) or rising (like in the 2000s), has resulted in a lack of competition. As a result, [nearly half](#) of Pentagon-awarded contracts are non-competitive. Even among competitive ones, costs routinely spiral out of control. The Pentagon's use of [cost-reimbursement](#) (rather than fixed-price) contracts can encourage contractors to inflate costs and drag out project timelines, since spending more often means earning more.

Investigations have [found](#) systematic profiteering by military contractors on nearly everything the Pentagon buys. On paper, contracts typically allow for private profits of 12–15%. In practice, contractors regularly secure profits of [40–50%](#), and sometimes far more. For example, the Pentagon paid TransDigm [\\$119 million](#) for spare parts that should have cost only a quarter of that amount.

Despite record profits and rising cash flow, military contractors are spending [more](#) of their revenue on cash dividends and stock buybacks, and less on R&D and capital expenditures, leaving taxpayers to cover those costs. For example, Lockheed Martin — the top recipient of Pentagon contracts — spent [\\$7 billion](#) on stock buybacks and dividends last year.

Large arms firms have cut their manufacturing workforce and pursued expensive, experimental weaponry like the F-35 and Sentinel ICBM instead of lower-cost, staple military hardware like small arms and ammunition. This was a major reason the U.S. was [unprepared](#) to rapidly scale up production of [Javelin missiles](#), [Stinger missiles](#), and [artillery shells](#) after Russia's invasion of Ukraine. Profit motivations might also help explain why the Javelin's unit cost increased 53% from [2021](#) to [2023](#) (\$236K to \$362K), despite orders more than tripling (768 to 2,415). So much for economies of scale.

Conclusion

Concerns over galloping spending, waste and lack of accountability in military contracting should not be treated as just niche interests of the anti-war movement, but core issues that rank high among the priorities of lawmakers championing the economic well-being of working Americans. Like legislative efforts to reduce the portion of the U.S. budget devoted to military versus other spending, increased oversight and guardrails on military contracting should be a specific focus of leaders looking to reduce the harmful effects of militarism on U.S. democracy and prosperity.

**For any methodological questions, see [Appendix B](#) of the Brown report or reach out directly to report co-author Stephen Semler at stephen@internationalpolicy.org.*