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Macro Picture:
Trump's \$1 Trillion Defense Budget
By
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10 September 2025

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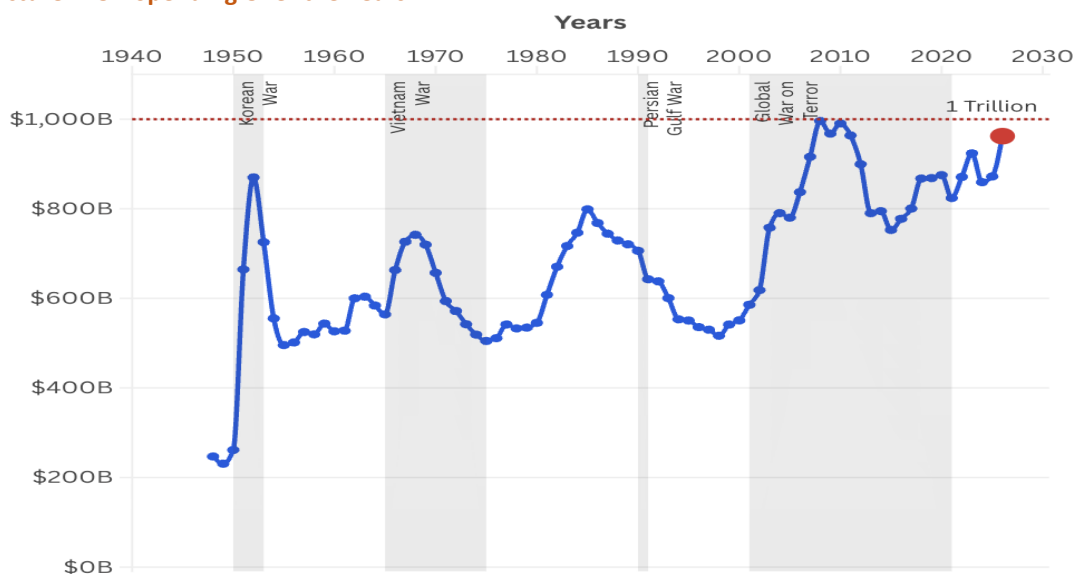
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Executive Summary

- ✦ President Trump unveiled a \$1 trillion defense budget request for FY2026, a 13.4% increase from FY2025, combining \$848.3 billion in discretionary funding with \$113.3 billion from reconciliation for shipbuilding, missile defense, munitions, and troop welfare.
- ✦ The \$1 trillion figure rivals peak U.S. military spending during the Iraq and Afghanistan wars, the Reagan buildup, Vietnam, and even the Cold War, though it reflects political maneuvering rather than a straightforward increase.
- ✦ Trump first floated the trillion-dollar figure in April 2025, later backed by the FY2025 reconciliation bill, which added \$150 billion in lump-sum defense funding through 2029, of which \$113.3 billion is earmarked for FY2026.
- ✦ Without reconciliation, total Pentagon spending would remain under \$900 billion; with it, the administration claims it passes the symbolic trillion mark.
- ✦ U.S. defense spending has stayed high even after the Afghanistan withdrawal in 2021, driven by the Pentagon's emphasis on China as its primary competitor and major arms sales tied to conflicts in Ukraine and Gaza.
- ✦ Between 2020 and 2024, contractors received \$2.4 trillion in Pentagon contracts, with five firms—Lockheed Martin, RTX, Boeing, General Dynamics, and Northrop Grumman—capturing \$771 billion, more than double what went to diplomacy and aid.
- ✦ The FY2026 request allocates \$197.4 billion for the Army, \$292.2 billion for the Navy, \$301.1 bn for the Air Force (including \$40 billion for the Space Force, up 30%), and \$170.9bn for defense-wide programs, with major investments in nuclear modernization, drones, AI systems, cybersecurity, and shipbuilding.
- ✦ Political controversy surrounds the use of reconciliation funds, with Republican leaders like Sen. Roger Wicker and Sen. Mitch McConnell warning that one-time injections mask stagnation in the base budget and are not a substitute for sustainable appropriations.
- ✦ Silicon Valley startups such as Palantir and Anduril, alongside figures like Elon Musk, are increasingly shaping defense priorities through AI, drones, and space systems, raising both hopes for innovation and concerns about overreliance on billionaire tech leaders.
- ✦ Despite already accounting for 40% of global defense spending, the U.S. is pressing NATO allies to raise military targets from 2% to as high as 5% of GDP, reinforcing a “peace through strength” approach that risks fueling a global arms race.

Key Picture: DOD Spending Over the Years



Source: [Military.com](https://www.military.com)

Introduction

[Donald Trump unveiled a trillion national defense budget request for FY2026](#) during a Pentagon briefing, even as other federal agencies face deep cuts. The request, a 13.4% increase from FY2025, includes \$848.3 billion in discretionary funding and \$113.3 billion through reconciliation for priorities like shipbuilding, missile defense, munitions, and troop quality-of-life programs.

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The symbolic \$1 trillion mark positions Pentagon spending at levels rivaling the height of the Iraq and Afghanistan wars, the Reagan military buildup, the Vietnam War, or even the Cold War. Yet the path to this figure is anything but straightforward and it exposes the complex politics, industrial interests, and strategic choices that define U.S. defense budgeting today.

How the \$1 Trillion Figure Emerged

President Trump first floated the trillion-dollar number [in April 2025](#) during a joint press conference with Israeli Prime Minister Benjamin Netanyahu. At the time, he declared this would be the largest military budget in U.S. history, necessary to counter “bad forces” and rebuild American strength.

A month later, the FY2025 reconciliation bill provided the mechanism. The legislation inserted a \$150 billion lump sum for defense, available through 2029, without any hearings or extended debate. Of that amount, \$113.3 billion is earmarked for Pentagon use in FY2026. [Officials have not outlined](#) a fallback plan if the bill fails, saying only that they are encouraged by congressional progress and will work through the normal budget process.

Without reconciliation, the Pentagon’s base request of \$848.3 billion would leave total defense spending under \$900 billion. With reconciliation, the administration claims it reaches the symbolic trillion.

Historical Context: Spending on the Rise

Although the United States ended its military presence in Afghanistan in 2021 and scaled back the “War on Terror,” Pentagon spending and contractor revenues have remained at exceptionally high levels. This is largely fueled by the military’s shift to framing China as the primary national security challenge, as well as the arms industry’s substantial profits from the surge in foreign weapons sales connected to the wars in Ukraine and Gaza.

Between 2020 and 2024, private firms received \$2.4 trillion in Pentagon contracts—54% of the department’s \$4.4 trillion discretionary budget. [Just five companies](#), Lockheed Martin, RTX, Boeing, General Dynamics, and Northrop Grumman, captured \$771 billion, more than twice the entire \$356 billion allocated to diplomacy, development, and humanitarian aid.

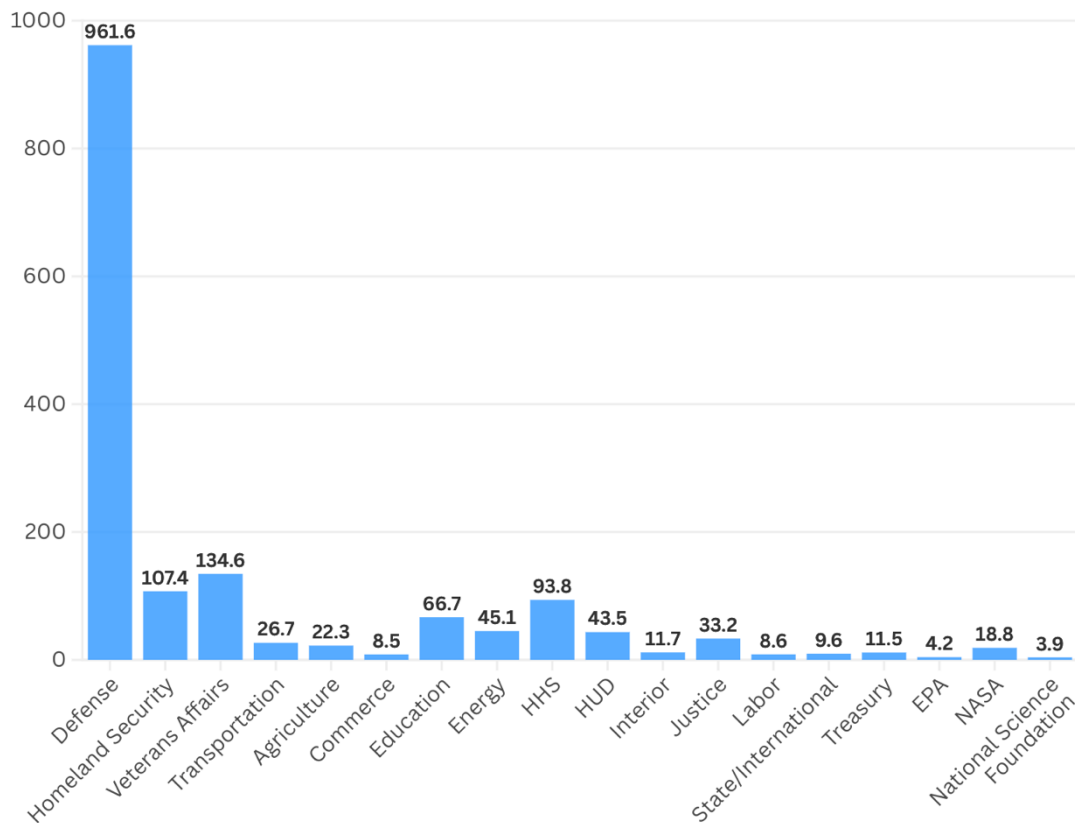
Weapons firms have also profited from U.S. military aid, over \$18 billion to Israel in the year after October 2023 and \$65 billion to Ukraine since 2022, as well as \$170 billion in arms sales to European allies in 2023–24.

These trends are part of a long-term surge in U.S. military spending. The Pentagon’s discretionary budget has risen from \$507 billion in 2000 to \$843 billion in 2025 (a 66% increase), while total military spending outside the Pentagon grew from \$531 billion to \$899 billion (69%). As mentioned, with \$156 billion in supplemental funding passed in July 2025, this year’s budget hits \$1.06 trillion, nearly double the level in 2000.

Inside the FY2026 Budget

The Pentagon’s FY2026 request seeks \$961.6 billion, a 13.4% increase over FY2025, with \$848.3 billion in discretionary funding and \$113.3 billion in mandatory reconciliation. Officials say the budget focuses on homeland security, deterring China in the Indo-Pacific, revitalizing the defense industrial base, and supporting service members.

Figure 2: FY26 Budget



Source: [White House, Military.com](https://www.whitehouse.gov/military)

The plan allocates \$197.4 billion to the Army, \$292.2 billion to the Navy, \$301.1 billion to the Air Force (including \$40 billion for the Space Force, up 30% from FY2025), and \$170.9 billion for defensewide programs. Key investments include:

- \$25 billion for the “Golden Dome” missile defense initiative
- \$60 billion for nuclear modernization
- \$3.1 billion for F-15EX jets and \$3.5 billion for the F-47 Next Gen fighter
- \$6.5 billion for conventional munitions and \$3.9 billion for hypersonics
- \$15.1 billion for cybersecurity
- \$19 new Navy ships and shipyard upgrades
- \$1.2 billion for the Strategic Capital loan program

The Pentagon’s FY2026 budget ramps up funding across nuclear, readiness, and emerging technologies to sustain U.S. dominance. \$60 billion, a 22% increase, goes to nuclear modernization, including Columbia-class subs, B-21 bombers, Sentinel ICBMs, and sea-launched cruise missiles, with the aim of fielding a next-generation triad by 2040.

Readiness spending rises 22% to \$160 billion, supporting large-scale exercises and expanding munitions production to prepare the force for major power conflict. For the first time, a \$13.4 billion smart warfare line is created for AI-enabled systems: \$9.4 billion for drones, \$1.7 billion for unmanned vessels, and \$1.2 billion for intelligent command-and-control. Overall, the Pentagon will dedicate over \$170 billion to R&D, up 20% since FY2024, to speed military innovation and move cutting-edge technologies from testing to deployment.

The proposal also funds a 3.8% pay raise, \$5 billion for housing, and \$5 billion for border security. At the same time, it cuts the E-7 Wedgetail program and reduces F-35 procurement from 74 to 47 aircraft, while reinvesting in modernization and spare parts. The Air Force remains the biggest beneficiary, with funding for the B-21 Raider and the planned F-47 sixth-generation fighters.

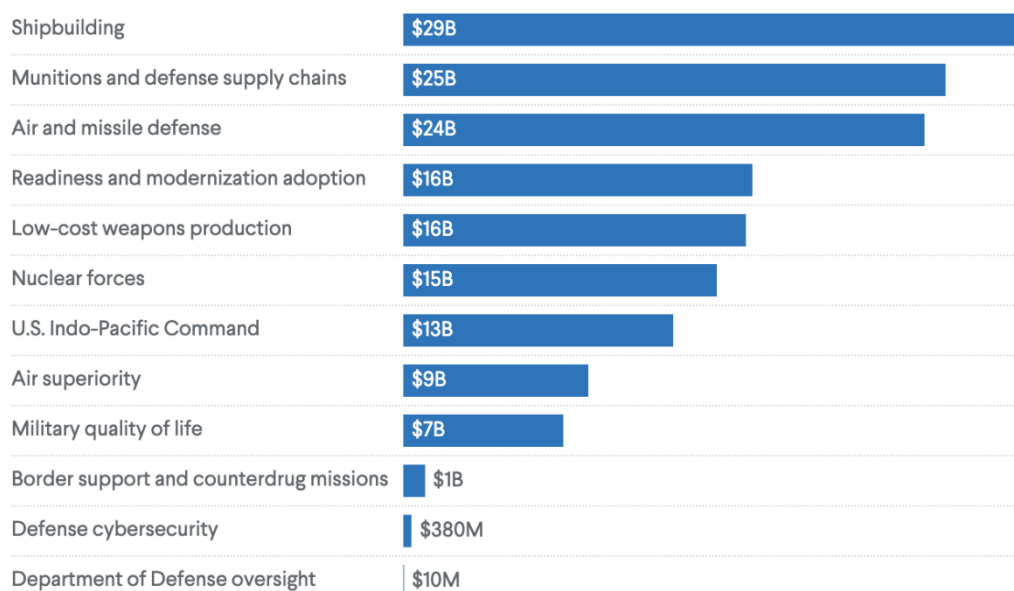
The Politics of Reconciliation

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Not everyone is convinced by the trillion-dollar headline. Many Republicans argue the White House is inflating the numbers by counting reconciliation funds that are not guaranteed. They argue the White House is inflating the numbers by counting \$119 billion from a separate reconciliation bill, still in progress, as part of the Pentagon's budget. [Sen. Roger Wicker](#) (R-Miss.), chair of Armed Services, has criticized the approach, warning that it leaves the base budget flat and obscures real declines. [Sen. Mitch McConnell](#) (R-Ky.), ranking member on the Appropriations Defense Subcommittee, similarly cautioned that "a one-time influx of reconciliation spending is not a substitute for full-year appropriations."

Figure 3: Defence Funding in Trump's Spending and Tax Bill

Funding by area



Source: [CFR](#)

[The House passed the reconciliation bill](#) in May 2025 by a razor-thin 215–214 vote, sending it to the Senate. There, reconciliation rules allow passage with a simple majority, bypassing the usual 60-vote threshold needed to avoid a filibuster.

[Budget Director Russell Vought](#) defends the approach, saying reconciliation ensures money isn't tied up in partisan fights over non-defense spending. But Armed Services Republicans had planned to use those funds for big-ticket projects, including \$24.7 billion to launch Trump's "Golden Dome" missile shield and \$33.7 billion in additional shipbuilding, beyond current modernization efforts.

Trump's trillion-dollar defense plan hinges on the Senate passing reconciliation. Without it, the Pentagon budget remains under \$900 billion. Even with it, lawmakers worry about the sustainability of funding levels beyond FY2026, leaving questions about whether this represents a true long-term buildup or a temporary political win.

Context of the Reconciliation Bill

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The One Big Beautiful Bill Act of 2025 (OBBBA) added \$156 billion in national security funding through reconciliation, above normal defense appropriations. Over half of the funding goes to just three areas—shipbuilding, munitions and supply chain resilience, and air and missile defense—reflecting Congress's focus on great-power competition and deterrence against China. Smaller but notable allocations target nuclear forces, Indo-Pacific operations, and autonomous weapons, while \$7.5 billion is dedicated to troop quality of life.

Supporters frame this as a “down payment on a generational upgrade” of U.S. defense capabilities. Critics counter that because these funds expire in 2029, they may amount to short-term acquisitions without sustainment, unless integrated into the Pentagon's base budget.

Silicon Valley and the New Militarists

Trump's proposed \$1 trillion defense budget positions AI firms to become major beneficiaries. The Pentagon is seeking to rapidly expand AI's role in warfare, contrasting with the administration's domestic use of AI to justify austerity cuts elsewhere. Defense spending has long flowed through private contractors, but now tech giants and startups are competing for contracts.

As said, beyond traditional contractors, Silicon Valley is increasingly shaping defense priorities. Figures like Elon Musk, Peter Thiel, and Palantir's Alex Karp advocate for high-tech militarization, from artificial intelligence to space dominance. SpaceX has already secured a \$6 billion Pentagon contract. Palantir technologies have been deployed in conflicts such as Gaza.

Palantir broke precedent by winning a \$178 million contract as prime contractor on the Titan system, the first time in decades a software firm has led a battlefield platform. Its CEO, Alex Karp, argues that U.S. tech companies have a moral obligation to arm Western democracies, pushing AI-driven systems that shorten decision times on the battlefield.

Other figures, like Palmer Luckey of Anduril, aim to rival Lockheed Martin with autonomous drones and AI-powered platforms, while Elon Musk's SpaceX and Department of Government Efficiency (DOGE) are reshaping procurement priorities. Venture capital is pouring into defense startups, over \$7.1 billion since 2023, more than the prior nine years combined, with investors like Peter Thiel, Marc Andreessen, and JD Vance tying Silicon Valley's fortunes to Trump's White House.

The shift promises innovation but raises risks. Startups still face questions over scalability, reliability, and dependence on charismatic founders like Musk, whose sway over technologies such as Starlink has unsettled allies. Critics, including Sen. Elizabeth Warren, warn this could swap one form of defense-industry dependence for another, concentrating power in billionaire tech moguls rather than established contractors.

What About China?

Much of the justification for Trump's budget rests on deterring China. Beijing has steadily modernized its military over three decades, boosting spending by 7% in 2024 and its defence budget is estimated at over \$300 billion, according to [SIPRI](#). Still, the U.S. outspends China roughly three to one.

In FY2025, Washington planned \$310.7 billion for procurement and R&D alone — nearly equal to China’s entire 2024 defense budget. Some analysts, however, argue the gap is overstated. Adjusted for purchasing power, China’s spending could be closer to \$541 billion, or about 60% of U.S. levels.

Meanwhile, Russia spent \$148.9 billion in 2024, a 36% jump due to the Ukraine war. Ukraine itself devoted \$64.7 billion (54% of its entire budget) to defense. Israel’s military spending surged 69% in 2024 to \$46.5 billion after the Hamas attack.

Fuelling Global Arms Race

America’s defense posture is increasingly defined by its “cover the globe” strategy: sustaining 750 overseas bases, global naval reach, massive troop deployments, and continuous arms transfers to allies. Yet this approach has yielded few tangible successes. The post-9/11 wars in Iraq and Afghanistan cost nearly \$8 trillion and hundreds of thousands of lives, only to culminate in Taliban rule in Kabul and a sectarian Iraq that once enabled the rise of ISIS. Superior U.S. technology and funding proved no match for adversaries with local knowledge, improvised tactics, and deeper resolve.

Washington is doubling down. The U.S., which already accounts for about 40% of global defense spending, is sharply increasing its military budget under the banner of “peace through strength.” At the NATO summit in The Hague, the Trump administration went further, urging allies to raise their own defense targets from the longstanding 2% of GDP to as high as 5%.