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## **Trump Budget Cuts Encouraging, Pentagon Increases Questionable**

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President Trump is proposing many worthwhile budget cuts, but also Pentagon spending increases that may be unnecessary. Trump's proposed federal budget is thankfully not as large as Obama's desired budget would have been, but it still leaves the country with budget deficits as far as the eye can see.

The \$603 billion the Trump administration is proposing spending on the defense budget is an increase of \$18.5 billion above the level proposed by President Obama for fiscal year 2018, and \$54 billion over what the level would be if Congress allowed automatic budget cuts to go into effect from sequestration. Pro-Pentagon lawmakers want to increase defense spending to a completely unaffordable \$640 billion.

Thankfully, it also includes tens of billions of dollars less in spending on welfare and social programs than Obama wanted (although it does not touch Medicare or Social Security). Most importantly, it cuts funding for harmful regulatory agencies whose activities wipe out many jobs or make it more costly to hire employees.

It is a very good thing that the Trump administration is complying with the overall budget limits contained in the 2011 Budget Control Act. Only once since it passed that law has Congress allowed the automatic budget cuts mandated by that law to go into effect, in 2013. In other years, it has waived those budget limits to spend more on both domestic spending and the Pentagon. Obama also consistently proposed spending far more than the budget caps.

To comply with the caps, the White House takes \$54 billion from domestic agencies and gives it to the Pentagon. But Congress may not be willing to swallow the \$54 billion in domestic cuts. And the Pentagon may be able to make do with less: the Cato Institute identified \$17-20 billion in readily-achievable savings to the 2013 military budget. Reducing the budget deficit is essential: in fiscal year 2017, the federal budget deficit was \$441 billion, but the figure is expected to rise over the next decade due to increasing entitlement spending, and slow economic growth.

Under Obama, the economy grew by only 1.46% per year, the worst rate for any president since the Great Depression, and even lower than the 2.1% growth rate under George W. Bush.

Moreover, budget cuts increase long-run economic growth. One reason is that they reduce the cost of servicing a skyrocketing national debt, which siphons off money that could otherwise be used for productive investment. This conclusion was reinforced by the Congressional Budget Office's 2012 "Choices for Deficit Reduction" report.

In 2013, I quoted Wells Fargo chief economist John Silva and his colleague Michael Brown writing on the effects of federal spending on the economic outlook:

Should the Congress and the administration decide to cancel the sequestration completely without replacing the cuts, the result would be a lower long-run rate of economic growth stemming from higher budget deficits today and higher federal interest outlays in the future. In addition, there is a significant likelihood that the United States would face another debt downgrade, and, in turn, raise the possibility of higher interest rates. Should the sequestration be reversed or canceled the result would [come] at the cost of reducing the long-run rate of growth of the U.S. economy.

It is possible that even Pentagon spending could be reduced. As Fareed Zakaria noted in a 2011 *Washington Post* op-ed, the United States spends more on defense than every other country in the world combined:

Given the enormous run-up in spending under George W. Bush, even if President Obama made comparable cuts to that of those presidents today, defense spending would remain substantially above the levels under all those presidents. The Bowles-Simpson commission's plan proposed \$750 billion in defense cuts over 10 years. Lawrence Korb, who worked at the Pentagon for Ronald Reagan, believes that a \$1 trillion cut over 10 to 12 years is feasible without compromising national security.

Serious conservatives should examine the defense budget ... [which includes] a cradle-to-grave system of housing, subsidies, cost-plus procurement, early retirement and lifetime pension and health-care guarantees. There is so much overlap among the military services, so much duplication and so much waste that no one bothers to defend it anymore. Today, the U.S. defense establishment is the world's largest socialist economy.

Zakaria even cites former defense secretary Robert Gates, observing that "there are more members of military marching bands than make up the entire U.S. foreign service."