

# FORBES

## Job-Killing Politicians, Modern Military Hawks, And Hapless Central Banks

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Edward H. Crane

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President Barack Obama gave yet another speech last week on how he is going to stimulate the economy and reduce unemployment in the U.S. Of course, he is not up to the task. In his defense, neither is anyone else.

Someone did a review of the employment growth during the tenures of the various GOP presidential candidates who have been governors. That would include Tim Pawlenty, Mitt Romney, Jon Huntsman, Rick Perry, and Gary Johnson. You remember Johnson, don't you, the former two-term Republican governor of New Mexico, a dark blue state? Well, it turns out that the highest percentage increase in employment was in New Mexico!

When asked to take credit for this, the libertarian Johnson demurred. I didn't do anything, he said, other than get out of the way and let the entrepreneurs create jobs.

Honesty and humility in a politician – who knew? No wonder they keep him out of the debates.

Having said that, it does seem to me that the 800-pound gorilla in the room is entitlements, and that if we are genuinely concerned about runaway government spending and massive increases in federal debt, somebody has to have the cojones to address this issue. I don't see anybody in the GOP race at this juncture who does (other than Ron Paul and Johnson – no prejudice against Bachmann).

For all his flaws on issues ranging from energy to education, the one person out there who best understands these issues and has the ability to address them in ways people can understand is New Jersey Gov. Chris Christie. He says, according to columnist George Will, that he's not going to run for president because he wants, as a good father, to spend time with his children. I would say he's got that a bit backward, as his children's future may well depend on a president who is willing to take on our absurdly out of whack entitlement programs.

And speaking of presidential candidates, I note that Gov. Romney, as part of his ongoing efforts to define himself, has decided to be a defense hawk. He is criticizing President Obama for threatening to cut spending on the military. (At Cato we make an effort to distinguish between military spending and defense spending – they ain't necessarily the same thing.)

In any event, I'd be willing to bet real money that Obama will not cut the military budget. But even if he does, his greatest threat is to do it by less than 1%. Now, keep in mind that what we are spending on the military amounts to nearly 50% of what every other nation in the world spends. And that's just talking about the cost, not the fact that our weapons are infinitely better than everyone else's.

Yes, we want the strongest defense in the world, but no, we don't need to spend this kind of money to achieve it. Anyway, here's Brother Romney ranting about a subject on which I doubt he's spent a lot of time thinking: "This is the first time in my memory that massive defense cuts were proposed without any reference to the missions that would be foreclosed and the risks to which our country and its men and women in uniform would be exposed.... It flows from the conviction that if we are weak, tyrants will choose to be weak as well."

Hmmm. Where to begin? No one is proposing even visible military spending cuts, much less "massive" ones. And what about those "missions"? Libya? Iraq? Afghanistan? In 1961 President Dwight D. Eisenhower warned of the threats of the military industrial complex driving American foreign policy. Eisenhower clearly believed in a strong defense and recognized the threat of the Soviet Union when he spoke. But he also was smart enough to see the broader implications of a public choice dynamic in which all weapons systems are built in 435 congressional districts.

As Cato's vice president for defense and foreign policy studies Chris Preble has pointed out, historically Americans have rapidly reduced military spending at the conclusion of international conflicts. Not so anymore.

One of the encouraging things about the Tea Party movement is that there isn't a lot of support for this conservative whatever-the-military-wants mindset. As for "tyrants," that word conjures up the images of Hitler, Stalin and Mao. These fashion-challenged tin-pot dictators in the Middle East don't fit the bill. The worst comment in this lamentable primary campaign on military spending came from Pawlenty, who was asked when he spoke at Cato why the U.S. should have troops in more than 150 countries. His response was, essentially, whatever the military wants.

Federal Reserve Chairman Ben Bernanke, who thinks his main job is to create full employment in America, believes that a zero interest rate regime will stimulate investment. He is wrong. Investment will come when people can earn money on savings and when the dollar is strong. All of this would come about if there were a free market in money rather than a top-down central planning regime through the Federal Reserve system.

Meanwhile, the administration keeps trying to refinance and prop up the two institutions most responsible for our Great Recession, [Fannie Mae](#) and [Freddie Mac](#). Hard as it may be to understand, the market for housing needs to reset itself and we shouldn't be cheering an increase in housing starts. We need a long period of essential stagnation in that industry before things can right themselves.

In other depressing news, the European Central Bank is way underwater, even if they won't admit it. Don't be surprised if we soon hear those printing presses in Europe that so dismayed Ludwig von Mises in the '30s. You'll get your Euros, they just won't be worth anything. I know that Spain has approved a constitutional amendment that will install spending limits. Good for them. The problem is that it's got so many "unlessees" that it will be no constraint whatsoever.

I generally like to end my columns on a positive note, however, I can't think of any this time.

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