

Authors Find Little Agreement on Sequestration Debate

By JOHN T. BENNETT - Oct. 12, 2012

Two academics debated for about 90 minutes about sequestration and job losses, but the “debate” took the form of most sequestration-focused conversation: There was little agreement on anything other than that automatic, across-the-board cuts are a bad idea.

For months, the defense sector, federal government and academia have conducted studies of how many jobs would be lost in 2013 if \$53 billion in planned national defense spending is cut. For months, one study author or organization has critiqued the other studies.

And this week, the Congressional Research Services (CRS) weighed in, saying, in short: They’re all incomplete by definition.

But that CRS report’s critical assessment of other studies didn’t stop two of the authors, Benjamin Zycher, a senior fellow at the Pacific Research Institute, and Stephen Fuller of George Mason University, from going head-to-head during a luncheon session in Washington.

Zycher argued defense cuts do not equal an automatic loss for the broader U.S. economy. Unless monies are simply plowed into other government programs, those dollars can spur private-sector growth, thus boosting “aggregate productivity.”

“Reduced employment because of cuts to defense spending ... is irrelevant analytically,” Zycher said. For every \$100 billion cut from the U.S. defense budget, he added, \$135 billion in private-sector growth is possible.

Fuller offered a different picture. The George Mason economist is the author of a controversial study commissioned by the Aerospace Industries Association that concluded defense cuts would spawn over 1 million job losses in 2013 alone. Fuller stood by those projections, saying unemployment is “not costless.”

“Unemployment does have a cost,” Fuller said. “I think we’ve learned that over the last several years. So when you take money out of the economy, there’s a cost.”

Fuller noted most of the lost jobs would come from defense contractors, especially smaller companies that supply materials and services to larger defense firms.

“Small businesses will be hit hard,” Fuller said. “They tend to fire people really, really quickly.”

Fuller cautioned lawmakers against raising taxes “to buy us out of this.”

He called for changes to domestic entitlement programs and the more efficient management of federal programs and government-offered services.

The GMU economist said he has yet to “hear anyone say” a failure to avoid the \$500 billion cut to planned national defense spending and a twin cut to domestic spending over the next decade “wouldn’t drive the economy into a recession next year.”

The campaign of GOP presidential nominee Mitt Romney has been running ads in swing states like Virginia and Ohio, pinning the blame for the possible military cuts solely on President Barack Obama. (A book released recently by noted journalist Bob Woodward says Obama’s former budget chief first raised the idea of sequestration as a means to force both parties to agree to the terms of a \$1.2 trillion debt-cutting deal.)

Both Zycher and Fuller agreed, as the former put it, that the size of the Pentagon’s annual budget should be based on “the threats and what are our vital interests, not how many jobs will be lost in Ohio and Virginia.”