

THE NATIONAL INTEREST

The Pentagon and Jobs

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Desperate to fend off cuts in military spending, the defenders of the status quo are claiming that potential reductions included in the debt-ceiling deal's sequestration provision would result in huge job losses. In September, Leon Panetta suggested that cuts of up to \$1 trillion would increase the nation's unemployment rate by a full percentage point and put up to 1.5 million people out of work.

Early last week, [the Aerospace Industry of America \(AIA\) jumped in](#), claiming that "more than one million American jobs could be lost as a result of defense budget cuts if the deficit reduction select committee fails to reach agreement on alternative balanced budget solutions."

The media picked up on the AIA's press release, but their documentation was flimsy, at best: AIA offered up [a five-page summary](#) of the research conducted by George Mason University professor Stephen S. Fuller, and [a video of the press conference](#) in which Fuller, AIA CEO Marion Blakey and Tom Buffenbarger, president of the International Association of Machinists and Aerospace Workers, railed against the "devastating impact" (Blakey) of military spending cuts and the "economic turmoil" (Buffenbarger) that would result.

Yesterday, nearly seven weeks after the secretary issued his dire warning, [Panetta's office released the findings](#) of a report from Interindustry Forecasting at the University of Maryland (INFORUM) to buttress their claims.

By then, the counteroffensive was already in full swing. Bill Hartung has [one of the better assessments that I've seen](#) because it includes Bill's insight into the inner workings of the military-industrial complex, blended with his characteristic wit. The bottom line, he explains, is that the contractors are doing just fine, and they will be in the future. The claims of massive job losses are just the latest in a string of scaremongering tactics aimed at allowing them to hold onto their loot.

Other opinion writers and columnists have fixed on aspects of the jobs argument that suit their broader purpose. Paul Krugman pushed [a predictably Keynesian line](#) (all government spending is good, but non-military spending is better). Others pointed to the hypocrisy of the situational Keynesians, people who generally oppose government spending when it buys road and bridges, but who embrace military spending for its supposedly magical stimulative effects. These are the

"believers in the military spending fairy," [explains Dean Baker at the Center for Economic Policy Research](#).

None of this debate is new. In the late 1940s, Keynesians assailed Harry Truman for questioning whether excessive military spending might drag down the economy. Nonsense, they said. We can afford much more spending, and it will have wonderful stimulative effects, to boot. Many of these same Keynesians claimed that Dwight Eisenhower's fiscal restraint was forcing the country to fight the Soviets with one arm tied behind its back. (Truman eventually relented, which has earned him the undying respect and admiration of liberal and conservative hawks alike; Ike's fiscal conservatism, by contrast, has generated only scorn from the same group).

Ronald Reagan was no Keynesian, but he seemed to agree with them when it came to military spending. "Defense is not a budget issue," he said, "You spend what you need." And yet, not even the Gipper spent as much as we do today on our military. We are spending more, in inflation-adjusted terms, than at any time since World War II. More than during Korea, more than during Vietnam and more, even, than in the early 1980s. It is likely that total military spending will be lower in 2012 than 2011, but most of these savings will come from the troop reductions in Iraq and Afghanistan. The Pentagon's base budget may yet emerge unscathed.

Military-spending advocates routinely skirt around such inconvenient facts. Looking at absolute spending, even if adjusted for inflation, they say, obscures the reality that spending as a share of GDP is relatively modest, in historical terms. But the hawks can't have it both ways: they can't claim on the one hand that military spending constitutes a very small share of the total economy (and therefore we can spend as much, or more, with ease), and at the same time wail about the massive job losses that would result from cuts in military spending.

In the end, it all comes back to opportunity costs. Unless one believes that every dollar saved from the Pentagon's budget will be thrown into [a huge government money hole in the New Mexico desert](#), the reality is that at least some—and likely most—of the taxpayers' dollars that are currently dedicated to the military could be better employed elsewhere. My preference would be for each of us to keep a bit more of the money that we earn, money that we will then choose to spend as we see fit. This new private spending would more than offset the cuts in government spending, given the government's inherent inefficiencies, dead-weight losses, etc. Yes, some workers might lose jobs in the near term, but, [as Gordon Adams notes](#), the economy has recovered from a number of previous military build downs, which were deeper and faster than those envisioned today.

Finally, we should [embrace the discipline](#) that even modest fiscal constraints can have on our grand strategy. The most "draconian" cuts envisioned under sequestration [would take the military's budget back to 2007 levels](#)—hardly a "lean" year for the defense industry—but policymakers are likely to pay more attention to how they allocate resources if they perceive that they have less of them.

During his last few months as the Chairman of the Joint Chiefs of Staff, [Adm. Mike Mullen explained that the Pentagon had forgotten how to prioritize](#) during more than a decade of ever-rising budgets. The White House and others in the national security community have as well. I'm confident that shrinking budgets will infuse a measure of prudence and [restraint](#) that is long overdue.