

## Hinkle: Defense cuts: not the end of the world

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Say you run a business in a bad neighborhood. You've been paying a security company to keep your employees and property safe. You're deeply in debt. Now the neighborhood has gotten better. You don't need as much security anymore — so you plan to cut back. The security service says if you do that, some guards could lose their jobs. It needs you to keep spending what you have so they can stay employed.

Is this a good argument for you to keep paying what you always have? Of course not. Yet that's the case being made by politicians in Virginia and across the nation about defense spending and sequestration.

Sequestration refers to automatic cuts that will kick in Jan. 2 as a result of last year's Budget Control Act. In a piece published last week in The Virginian-Pilot, Republican House Majority Whip Eric Cantor warned that if sequestration occurs, "America's ability to defend freedom around the world will be severely diminished." The cuts would do "incredible damage," "devastate the economy," "threaten nearly a million jobs," "cause catastrophic damage," and so on.

Gov. Bob McDonnell has joined in the chorus, appearing at a "Stop Sequestration" rally in Northern Virginia. Tim Kaine, Democratic candidate for Senate, warns that an "all-cuts strategy" would slash "critical spending on defense." Kaine's opponent, George Allen, warns that "our military readiness is at risk and so are more than 200,000 jobs in Virginia."

Let's stipulate that Virginia, the No. 2 recipient of federal defense dollars, has a lot at stake in the federal budget fight. Let's also stipulate that cuts from sequestration could be different in kind from changes in force structure caused by shifting strategic priorities.

Still. It's a little rich to hear conservative Republicans treat national security as if it were a federal jobs program. For decades, conservatives have denounced government as inherently bloated, bureaucratic, inefficient and wasteful — a parasite that sucks the lifeblood out of the private sector. What's changed?

When he was sworn in as governor, Allen insisted the "cost of big government . . . is measured not in material terms alone, but in the toll it takes on the human spirit." He quickly empaneled a Blue Ribbon Strike Force to right-size state operations, and warned its members that "entrenched special interests" would try to block its progress. Don't let them, he said.

Now conservative Republicans insist trimming government spending will devastate the private sector, rather than free it to allocate resources to more productive uses.

This seems a stretch. For starters, ask yourself if either Virginia or the nation was economically or militarily prostrate in 2007. No? Of course they weren't. Yet if sequestration occurs, military spending will be cut less than 12 percent — reverting to 2007 levels.

True, some studies paint a grim picture. One that was released last month, written by a professor at George Mason along with Richmond-based Chmura Economics, was prepared for the Aerospace Industries Association (AIA) — or what the old George Allen might have called an "entrenched special interest." It finds that a one-year sequestration cut of \$56.7 billion would lower GDP by \$94.5 billion and "destroy 325,693 jobs.

Sounds awfully high. Benjamin Zycher, a senior fellow at the Pacific Research Institute, offers a different perspective (along with the private-security analogy at the start of this column) in a new policy analysis for the Cato Institute. He says the AIA paper wildly overstates the multiplier effect of defense spending.

"Changes in the growth rate of real defense outlays," he argues, "have little or no effect on changes in GDP growth." He points out that "real defense expenditures grew every year from 1981 through 1989 and then fell in eight of the subsequent 11 years." If defense spending is so crucial to the economy, then you would expect GDP to rise and fall accordingly. It didn't. The economy grew steadily every year in that period except for 1982 and 1991.

True, defense spending now makes up a smaller share of the overall federal budget than at any time since WWII. That is largely owing to spending increases elsewhere. But as Cato's David Boaz writes, to suggest that defense's share of the pie should remain

unchanged means that any time Congress enacts an expensive new social program, it should give an equivalent sum to the Pentagon just to keep the ratios steady. This is not an argument made gracefully by those claiming to be fiscal conservatives.

Cantor also complains that sequestration would give us "the smallest ground force since 1940." And? Five bucks says a few of today's volunteer soldiers in Interceptor body armor, carrying M16s, night-vision monoculars, an M-249 SAW and a few other modern toys would have a field day against a platoon of WWII-era G.I.s toting M1 Garands.

The U.S. already spends 46 cents of every military dollar worldwide. Asking how defense spending will affect jobs or the economy is not the right question. The right question is: How much do we need to spend to keep America safe?