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Automatic defense trigger cuts would cost California hundreds of thousands of jobs

By Kitty Felde | Jul 17, 2012

Unless Congress agrees to raise taxes or cut the federal deficit some other way, about \$1.2 trillion will be sliced automatically from the defense and domestic budget over the next decade.

Wednesday, the House Armed Services Committee will look at what mandatory defense cuts will mean for the economy. This much is clear: those cuts will mean hundreds of thousands of jobs lost in California.

The Pentagon has been trimming its budget already. University of Maryland economist Jeffrey Werling says California was on track to lose about 40,000 defense-related jobs in 2014.

"Once you put sequestration on top of that," he says, "then California loses 150,000 jobs."

Sequestration is the penalty Congress imposed on itself for not reaching a bipartisan agreement to reduce the federal deficit. On Jan. 1, automatic cuts of half-a-trillion dollars will be imposed on defense and domestic spending.

California gets the largest share of federal defense dollars — about 1 in 8 — so it would take the biggest hit. Over the next decade, more than half-a-million defense jobs could disappear.

Public Policy professor Stephen Fuller of George Mason University predicts \$7 billion in lost earnings in California in one year. And laid off workers have less disposable income to spend on TVs, clothing and entertainment, "so it has an effect on retailing, an effect on the housing market." He says that means less state and local taxes being paid, "so maybe there's some cutbacks there, too."

Fuller says if you look at how many jobs were added in California over the last two years, "this erases them all!"

But the Cato Institute's Christopher Preble says it's important to look at the big picture. U.S. military spending has increased by 78 percent over the last decade and a half, not

including the cost of the wars. He says a one-year reduction means \$55 billion. He says that sounds like a big cut, "but it would actually put military spending about where we were in 2006 or 2007, somewhere in that range. You have to remember, that wasn't exactly a lean year for the Pentagon."

The end of the Cold War ushered in a wave of defense job losses in California. Fred Downey with the Aerospace Industries Association says these new cuts could hit the state's remaining defense jobs hard, but for the California economy "writ large, it may not be as impactful as the '90s was because the component of aerospace in the overall economy is lower than it was in those days."

Downey says the Pentagon will still spend \$100 billion on new weapons and planes, and another \$50 billion on research and development of new, high-tech products like electronics, cyber security, reconnaissance surveillance assets and unmanned aerial vehicles.

But California's shrinking investment in higher education could make it more difficult for the state to turn out the engineers skilled enough to do that high-tech work.

Professor Stephen Fuller of George Mason University says there's time for Congress to reconsider what he calls "irrational decisions" about federal deficit reduction. He suggests postponing the cuts until the economy is stronger.

He insists there are "more and more people recognizing that this is medicine we don't need to take in order to achieve what needs to be done." The question is whether any of those people are the decision makers on Capitol Hill.

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