



Cato scholar: Defense cuts aren't end of world

Jeanette Steele

A Cato Institute analyst is using San Diego's recovery from 1990s defense cuts to counter doomsday reports that an upcoming \$600 billion reduction in military spending – known as sequestration, in lawmaker lingo – will hobble the national economy.

Defense scholar Christopher Preble [writes in a Sunday piece](#) that the demise of Convair didn't sap San Diego's economic strength.

Convair, the plane and missile manufacturer that employed more than 50,000 San Diegans in the 1960s, was parted out and dwindled to nothing in the mid 1990s as the Cold War ended.

Preble points out that San Diego's unemployment rate was 5.4 percent in 1996, the same as the national average and lower than the rest of California, at 7.3 percent at the time.

"Of course, regions disproportionately dependent upon military spending are more likely to feel squeezed. Even in these defense-heavy localities, however, the effects of military-spending cuts are likely to be temporary, and the eventual transition of workers out of the defense industry into other fields should have beneficial effects," Preble writes.

He adds that if defense cuts mean lower taxes, people will have more money to spend, thereby generating economic activity elsewhere.

This analysis runs counter to reports unveiled in San Diego and nationally that predict heavy economic damage unless Congress finds a way to counter the Budget Control Act of 2011, which calls for \$1.2 trillion in cuts over a decade. These spending reductions, split evenly between defense and non-defense sectors, are aimed at smashing the national deficit.

A coalition of San Diego business groups recently hired Washington, D.C., lobbyist Bill Cassidy to represent the region's interests in the sequestration debate. [The group, which is calling the effort "Operation San Diego," points out that one in four jobs here](#) are tied in some way to military spending.

Last month, the National Association of Manufacturers [released a report](#) predicting that the sequestration cuts -- in addition to nearly \$500 billion in defense spending decreases over a decade agreed to in the budget act -- will mean 1,010,000 private sector jobs lost in 2014.

California is expected to be the hardest hit, with 148,000 jobs in jeopardy.

Preble, vice president for defense and foreign policy studies at the Washington, D.C.-based think tank, is a former Navy officer who served on the cruiser Ticonderoga from 1990 to 1993. He holds a Ph.D. in history from Temple University.