



\$2T Romney defense spending increase bad for economy, say analysts

By Ray Downs - Oct 16, 2012

(RNN) - Republican presidential candidate Mitt Romney has promised to cut taxes and reduce the deficit while also increasing defense spending by \$2 trillion over 10 years. But some experts say that spending \$2 trillion is not only unnecessary but unrealistic - and it will create further problems for a still-hurting economy.

During the presidential campaign, Romney has sought to create a clear difference between him and President Barack Obama by painting himself as tough on defense and national security.

The GOP candidate has done this by saying repeatedly that, as president, he would boost defense spending by \$2 trillion despite the wars in Iraq and Afghanistan coming to an end and the military moving away from large-scale, troop-led war tactics and focus on stealthier - and cheaper - operations such as drones and special-ops.

Gordon Adams, who oversaw national security budgets at the Office of Management and Budget under the Clinton administration, said that adding \$2 trillion in defense spending to Romney's proposal of \$5 trillion in tax cuts over 10 years would grow the deficit.

"The [first presidential] debate identified that there's a potential \$5 trillion gap over the next 10 years," Adams said. "So if the goal here is to get the deficit to 60 percent of American GDP, adding \$2 trillion to defense while providing tax cuts that don't have a balance of \$5 trillion means it will only make the deficit problem worse."

Adams says that in addition to not making fiscal sense, Romney's \$2 trillion doesn't make practical sense because the U.S. military already has globally dominant capability with a current budget in place to grow at the rate of inflation over the next 10 years.

"If the Defense Department's current projected plan were to come true, our defense budget would in no way compromise our globally superior military," Adams said.

Adams adds that defense spending is too high because of out-of-control spending in military acquisitions systems, operations systems and benefits systems, and Romney's proposed \$2 trillion increase would just provide more money to waste.

"None of those three things directly contributes to military capability," Adams said. "So the problem that Gov. Romney's proposal would have is that by adding resources to an over-spending system that's already out of control, it would exacerbate the spending problems that we have now."

But even if Romney's proposed military spending increase doesn't make good fiscal sense, would it help save jobs?

On the campaign trail, Romney has told voters on several occasions that Obama's defense budget will result in thousands of jobs lost.

"President Obama's looming defense cuts are threatening to devastate our national security and destroy jobs across the nation," Romney's campaign website says.

In TV ads, the Romney campaign has cited a study paid for by the Aerospace Industries Association (AIA), an organization that represents defense contractors, that claims more than 1 million jobs will be lost in 2013 as a result of Obama's defense budget.

But Christopher Preble, vice president for defense and foreign policy studies at the Cato Institute, a libertarian-leaning think tank, says claims of massive job losses are misleading.

"They claim that Obama has cut military spending, but that's not true. And he doesn't plan to cut it. Spending will actually rise with inflation," Preble said.

Obama plans to decrease defense spending by \$487 billion, but those cuts are based on what is not being added to the defense budget rather than what is being taken away, according to the 2012 budget plan.

In addition, studies like the one paid for by the AIA use skewed economic principals to come to their final conclusions, Preble said.

High job loss numbers are a result of economic "multiplier effects," which means calculating jobs lost according to a domino effect of lost economic activity, Preble explained. For example, lunch vendors losing money from fewer employees buying lunch, which leads to food wholesalers losing money, as well.

"The problem is that the multipliers they used are completely out of whack relative to other estimates," Preble said, pointing out that other studies use different multipliers to come to different conclusions.

Whichever numbers or multipliers are used, however, defense cuts will result in job losses - the question is how many and whether billions of tax dollars saved is a better trade-off for the economy.

Preble acknowledges that any cuts would necessarily result in job losses, but he believes the economy as a whole would benefit as a result of skills and resources going into more productive endeavors in the free market.

Adams also believes that a decrease in defense spending will not cause massive job losses, but there definitely will be some losses as a result of build-down from the wars in Iraq and Afghanistan.

"Whether Obama or Romney is elected, we're still in a defense build-down," Adams said. "And the reason we're in a defense build-down is because the wars are over and because we have severe deficit and debt economic problems to be addressed."

Adams explained that economic build-down occurred after costly wars in Korea, Vietnam, and the Cold War required the U.S. government to buckle down on spending.

If increasing defense spending by \$2 trillion does not make fiscal sense nor make the country safer, why has Romney made such a massive proposal?

"The answer really is politics," Adams said. "If you want to distinguish yourself from the Obama administration, you say you want to throw more money at defense. And that makes you look more serious about national security."