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Spinning Sequestration Statistics

Ben Freeman – October 22nd, 2012

"You can find statistics to support almost anything," Stephen Fuller told the Washington City Paper last year.

"If I were asked to make a case for it, I could make a really strong case for it, and if I were asked to make a strong case against it, I could make a really strong case against it. You do what you are asked to do, and you don't answer other questions," Fuller elaborated further, speaking specifically about a study he had considered doing for Wal-Mart.

Fuller, a George Mason University economics professor and noted consultant for multiple industries, has recently taken this ethos and turned his attention to sequestration. Over the past year he's produced three studies for the leading Pentagon contracting advocacy organization, the Aerospace Industries Association (AIA). In his analysis of the overall economic impact of sequestration if it occurs, he finds that it will "cost the U.S. economy 2.14 million jobs," and the District of Columbia, Virginia, and Maryland 449,773 jobs in 2013. Fuller also found that reducing Pentagon spending would cause a decline in the U.S.'s Gross Domestic Product (GDP). According to Fuller's study, "The long-term consequences will permanently alter the course of the U.S. economy's performance."

In addition to producing studies for Pentagon contractors, Fuller's services are also routinely employed by realtors and housing developers. The conclusions from his work for those industries stand in stark contrast to his conclusions from the AIA studies. Just last month at the Multifamily Development Symposium, Fuller claimed that 35,000 new housing units are needed in the Washington region, as "1.8 million employment vacancies have to be filled in the next 20 years."

In response to POGO's question about the apparently contradictory findings, Fuller said, "the housing forecast was made in advance of the sequestration event ... So, it is how you want to consider sequestration. As a certainty? No one really does."

Fuller's findings have come under scrutiny from other economists. For instance, his conclusion that sequestration will cripple the economy was emphatically rejected last Friday by two economists who spoke on a panel with Fuller at an event held by the Libertarian think-tank Cato Institute on "The Economic Effects of Military Spending." "The simple correlation between ... real GDP and ... defense outlays ... is close to zero," according to Benjamin Zycher, an Economic Studies Senior Fellow at the Pacific Research Institute, whose ownwork (financed by the Cato Institute) thoroughly refutes Fuller's.

Another panelist, Stephen Moore, Senior Economics Writer for the Wall Street Journal, also questioned Fuller's conclusions about sequestration. "The '90s really are a powerful counter-example" to Fuller's argument, said Moore. He pointed to Virginia as evidence of the lack of a connection between Pentagon spending and the economy:

We cut about \$100 billion in real terms out of the Defense Department after the Berlin Wall came down ... about as big as they're talking about right now and perhaps even bigger. And I remember at the time, by the way, that there were all sorts of apocalyptic claims about what would happen if we did these cuts ... [But] we didn't see a recession in Virginia. Virginia actually found ways to grow in other areas; replaced those defense contractors with high-technology and so-on.

As the critiques began to accumulate, Fuller made clear at the event that his work for AIA had adhered to his "you do what you are asked to do, and you don't answer other questions" philosophy.

"If I were examining the impacts of sequestration in terms of job creation -- is this a good way to create jobs? I might produce a different outcome than what I reported," Fuller ultimately conceded. Had he done so he might have learned, as economists at the University of Massachusetts have found, that spending more on the Pentagon is one of the least efficient ways government spending can create jobs.

He also admitted, contrary to the assumptions in his AIA studies, that Pentagon contractors who lost jobs as a result of sequestration would not remain unemployed permanently. "They're probably pretty smart workers. They'll get employed at some point as the economy expands," said Fuller.

When asked by POGO whether his work for AIA was contingent upon producing a specific result, Fuller said, "The AIA did not tell me what to conclude in my report," and noted that all of his analyses are posted on his center's website "regardless of whether the sponsor approved or not."

However, he recognized the limitations of his study. Fuller told POGO:

The scope of my research was to identify and measure the costs on the economy of implementing sequestration the way it was designed to be implemented. I was not to determine whether reducing deficit spending would contribute to private sector growth in the future ... Still, had I been asked to analyze the impact of lower federal deficits (less federal spending) and long-term economic growth I would have concluded that the U.S. economy would be better off with less federal spending. [Emphasis added]

Fuller's conclusions are narrow in scope because the questions he was hired to answer were narrow in scope. Even in a town known for half-truths, the sequestration debate has been riddled with misleading statistics from paid industry advocates who can find "statistics to support almost anything," as Fuller said. When policymakers and pundits use this statistical spin, taxpayers beware.