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The Military-Industrial Complex's Waning Political Influence

By CHRISTOPHER PREBLE - November 29, 2012

In a recent paper, economists Christopher Coyne and Thomas Duncan paint a dire picture of the harmful effects of the permanent war economy. Most studies focus on total military spending (measured in either real or nominal dollars) to show the enormous growth in such outlays over the past 15 years. A few studies focus on the size of the Pentagon's budget relative to total federal spending, or to the economy as a whole, and claim that such costs are, in fact, quite modest.

But Coyne and Duncan, who are both affiliated with George Mason University's outstanding economics department, take a different approach. The true costs of the military-industrial complex, they explain, "have so far been understated, as they do not take into account the full forgone opportunities of the resources drawn into the war economy." A dollar spent on planes and ships cannot also be spent on roads and bridges. What's more, the existence of a permanent war economy, the specific condition which President Dwight Eisenhower warned of in his famous farewell address, has shifted some entrepreneurial behavior away from private enterprise, and toward the necessarily less efficient public sector. "The result," Coyne and Duncan declaim, "is a bloated corporate state and a less dynamic private economy, the vibrancy of which is at the heart of increased standards of living."

The process perpetuates itself. As more and more resources are diverted into the war economy, that may stifle—or at least impede—a healthy political debate over the proper size and scope of the entire national security infrastructure, another fact that Eisenhower anticipated. Simply put, people don't like to bite the hand that feeds them.

And that hand feeds a lot of people. The Department of Defense is the single largest employer in the United States, with 1.4 million uniformed personnel on active duty, and more than 700,000 full-time civilians. The defense industry, meanwhile, is believed to employ another 3 million people, either directly or indirectly.

What's more, these are high paying jobs. In 2010, when the average worker in the United States earned $44,400 in wages and benefits, the average within the aerospace and defense industry was $80,100, according to a study by the consulting firm Deloitte. And 80 percent of that industry's revenue comes from the government. "This, in a nutshell," explains Veronique de Rugy in the January 2013 issue of *Reason* magazine, "is why it's so hard to cut government spending in general and military spending in particular." "Nearly everyone knows someone who gets paid by the Pentagon."

The defense contractors hire lobbyists and PR firms to pitch their case to those who don't; they spent $60 million on lobbying in 2011, according to data compiled by the Center for Responsive Politics. Readers of Beltway publications, riders of Metro trains and buses, and television viewers and radio listeners, are inundated with advertising celebrating the benefits of the newest defense industry products and services, and warning of the dangers that would ensue if Congress votes to close the spigot of federal dollars.

And yet, the public seems curiously unfazed. There is nowbroad, bipartisan agreement that military spending should come down. A poll taken earlier this year (.pdf, Q56) found that 52 percent of Republicans, and 57 percent of independents, are opposed to *any* increase in taxes in order to maintain U.S. military superiority "over rising powers like China." A just completed Rasmussen survey found strong support for across-the-board spending cuts, and reported that voters "are notably less enthusiastic if the defense budget is exempted."

This isn't as odd as it might seem. The number of people who derive their primary source of income from the military has been declining for decades, and the military as a whole accounts for a shrinking share of the nation's total output. When Eisenhower left office in 1961, military spending constituted more than 9 percent of the nation's GDP; today it is 4.6 percent, and projected to fall below 3 percent by the end of the decade. And while manufacturing jobs in the United States have been declining for decades, they have fallen even faster in the national security sector. In the United States in 1950, one out of every three jobs were in manufacturing; now the share is one in 10; of that, just 15 percent are in the national security sector. "In other words," explain W. Thomas Davis and Nathaniel Fick, "only about 1 out of every 70 workers in the United States is now involved in aerospace and defense." All this should add up to diminished political influence for the military-industrial complex.

Unlike the rest of the federal budget, which has risen in nearly every year since 1961, the budget for the Department of Defense has both risen and fallen, most recently after the end of the Cold War. It seems likely that it will shrink again, as the country has soured on quixotic nation-building missions abroad, and has grown resentful of wealthy, stable allies who free-ride on U.S. security guarantees. In short, the attention, and the resources, will be focused on problems here at home.

So while Coyne and Duncan offer a necessary and far-sighted assessment of the true costs of the nation's permanent war economy, they might have erred in predicting that this condition will last indefinitely. As the military-industrial complex commands a smaller share of the nation's economy, it might also be losing its hold over Washington.