

Increasing the U.S. defense budget won't stimulate the economy

By Gordon Adams | 10 February 2009

The next war--the battle for even more defense spending--is now under way. Major weapons program manufacturers are worried that Defense Secretary Robert Gates may be serious about looking for "hard choices" that need to be made in the Pentagon's procurement program. For their part, the armed services, which have seen the defense budget more than double in the last eight years, are worried that the Obama administration may slow this rapid rate of growth--a fear made more real by a White House proposal to grow the defense budget by only \$15 billion in fiscal year 2010, instead of the \$72 billion the service chiefs want.

To win support for their argument, those who advocate for continually increasing the defense budget are adding their voices to the fracas about the economic stimulus package now before the Senate--just add a bunch of defense dollars to the stimulus package and it will make a significant contribution to making our economic troubles go away, they maintain.

More specifically, [Martin Feldstein](#), former chair of the Council of Economic Advisers and a member of the *Wall Street Journal's* editorial board, [argues](#) that if Washington adds 10 percent to its overall investment in defense, 5 percent to the Pentagon's operations spending, and recruits another 30,000 soldiers (a total increase of \$30 billion), it will help make the economy well again. Even Defense critics such as Bulletin Science and Security Board Member [Lawrence Korb](#) have [called for](#) more defense dollars in the stimulus package--namely, replace the military equipment that has been depleted in Iraq and Afghanistan, speed up military construction, and add more people.

The stimulus package does contain some spending for defense--new construction, building repairs and maintenance, greening the military infrastructure, etc. But it doesn't contain a lot of new or extended spending for military hardware or billions of dollars to increase U.S. forces--and rightly so.

First, there isn't a policy reason to increase the defense budget. The bulk of the spending for Iraq and Afghanistan has already happened. And currently Defense's resources are at historically unprecedented levels, as U.S. defense spending dwarfs any previous level in constant dollars since World War II. Overall, we spend more on defense than every other country in the world combined, providing us with a new generation of aircrafts, ships, missiles, and military vehicles. All of this, of course, has led to an almost unprecedented fiscal boon to the manufacturers of military equipment and an out-of-control defense budget.

In policy terms, it's time to halt the defense spending binge and take a closer look at what the country really needs to defend itself. For example, why can't the services provide adequate national security for \$700 billion a year? And what is the expanded mission we intend to give the military that would justify pushing the defense budget toward \$1 trillion a year? Therefore, it's time for the White House to coordinate a serious, bottom-up review of U.S. national security strategy, including the roles and missions of the military and the country's civilian foreign policy institutions.

Plus, in economic terms, there's little evidence demonstrating that a large defense spending binge boosts the national economy. Data reviewed by the Congressional Research Service in a [little-noticed 2008 study](#) indicated that only major wars such as World War II have significant macroeconomic impacts. More largely, over time, the share of the U.S. economy dedicated to defense spending has continually fallen since the 1950s, giving the defense dollar less and less significance to the overall economy.

Even the defense increase from 3.4 percent of gross domestic product in 2002 to an estimated 4.2 percent in 2008 did little to stimulate economic growth and clearly did nothing to contain the current economic crisis--making Feldstein's proposal to add \$30 billion in defense spending to the stimulus package to boost the economy a joke. At most, \$30 billion is 5 percent of the defense budget and only about two-tenths of a percent of U.S. gross domestic product, hardly something that would make an economic dent.

Moreover, below the macroeconomic level, there's little reason to add more defense dollars to the stimulus package than the \$10 billion or so already included. That money is in fast-spending dollars--the construction projects are already designed, the repairs can happen quickly, and the green infrastructure can move just as fast.

As for those who argue that the wars in Iraq and Afghanistan have depleted "the supply of battle-ready essential equipment" (Feldstein, Korb, Lockheed Martin, and Boeing among others), they don't supply any data to support this argument. Nor have they answered why we need any more equipment than we're already investing in.

To the degree that equipment has been degraded by operations in Iraq and Afghanistan, the funds that are needed to repair and replace it have already been heavily front-loaded in the last three "emergency" supplemental budgets, each of which contained \$20 billion to \$30 billion to repair, upgrade, and buy new military equipment.

In other words, this kind of "stimulus" has been under way for a while, yet the economy has sharply tanked. In fact, contrary to Feldstein's argument that there is lots of spare capacity in the defense industry, military vehicle makers are already operating two and three shifts to meet current demand and probably couldn't add new capacity in time to have any new, near-term stimulative effect on the economy.

Defense advocates counter by stumping for more major equipment--ships and planes in particular. But they forget that it takes a good year to get a new major equipment order on contract and several years before the production actually increases. Even if one could order

materials in advance, as Feldstein argues, it would still take several years to beef up production, meaning the final equipment wouldn't come until well after that. So not only would going the direction that Feldstein, Korb, and the defense industry advocate do little for the economy, it would expand the defense budget to even more uncontrolled levels while putting the investment cart ahead of the policy-review horse.

Copyright © 2009 Bulletin of the Atomic Scientists. All Rights Reserved.

This piece originally appeared in The Bulletin of the Atomic Scientists at www.thebulletin.org.