



Nation Building at Home

How Sensible Cuts to Defense Spending Can Offset the Cost of the American Jobs Act

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Introduction

President Barack Obama's American Jobs Act, delivered to Congress last week, includes historically bipartisan proposals to create nearly 2 million American jobs in the next year. With the national unemployment rate at 9.1 percent—and the unemployment rate for veterans of the wars in Iraq and Afghanistan even higher at 10 percent—President Obama's jobs proposal is a critical initiative to restart the economic engine that fuels American prosperity and underpins our global power.

The American Jobs Act includes a combination of tax cuts and infrastructure investments designed to spur hiring and prevent future layoffs. It also extends unemployment insurance to maintain a safety net for the Americans most hurt by the Great Recession of 2007-2009 alongside funding to prevent layoffs to teachers and first responders.

The price tag for these programs: \$447 billion.

Given national anxiety about the size of the federal budget deficit, the Obama administration proposes tax code reforms to offset the cost of the act, leaving it deficit neutral. Specifically, the Obama administration recommends limiting the benefits of itemized deductions and some other tax preferences for families making more than \$250,000 per year, ending tax subsidies for oil-and-gas companies, and ending tax breaks for corporate jet owners.

These are all sensible steps to repower our economy. But there are other places to find that \$447 billion. The defense budget presents an alternate means of offsetting the cost of this critical piece of job-creation legislation.

Defense spending can create jobs, but it's very inefficient at doing so. A 2009 study by the University of Massachusetts found that military spending "creates about 12,000

jobs per \$1 billion in spending, compared with 17,000 for the green economy, 20,000 for health care and 29,000 for education.”¹ As a result, targeted defense cuts present an opportunity to funnel resources into initiatives that will create American jobs while preparing the country to compete in the 21st century economy.

In August, the Center for American Progress released a memo comparing the defense cuts in four deficit reduction plans from left, right, and center. Our analysis of the four plans—by Sen. Tom Coburn (R-OK)² the bipartisan Bowles-Simpson fiscal commission³ the nonpartisan Project on Government Oversight/Taxpayers for Common Sense⁴, and the Center for American Progress⁵—reveals six overlapping recommendations:

- Redirect savings from the Department of Defense’s efficiencies initiative to reduce the department’s overall budget
- Reform the military health care system
- Reduce the size of U.S. ground forces
- Reduce the number of active-duty personnel stationed in Europe and Asia
- Reduce the procurement of unnecessary, over-budget, or ineffective weapons systems
- Reduce the size of the U.S. nuclear arsenal to more appropriate levels

Implementing these bipartisan recommendations would yield savings of at least \$449 billion through 2017, enough to offset the cost of the American Jobs Act. (See Table 1)

TABLE 1
Alternative funding for the American Jobs Act

Bipartisan recommendations for sensible Defense Department cuts

American Jobs Act	Bipartisan defense cuts
Tax cuts: \$245 billion	Efficiencies: \$178 billion through 2016
Infrastructure and local aid: \$140 billion	Health care: \$72 billion through 2017
Employment programs: \$162 billion	Return U.S. ground forces to pre-9/11 levels: \$60 billion through 2017
	Procurement: \$53 billion through 2016
	Reduce U.S. troop presence in Europe and Asia: \$43 billion through 2016
	Reduce U.S. nuclear arsenal: \$43 billion through 2016
Total: \$447 billion	Total: \$449 billion

Source: “Breaking Down Obama’s Jobs Plan,” The Washington Post, September 28, 2011, available at http://www.washingtonpost.com/business/economy/breaking-down-obamas-jobs-plan/2011/09/08/gIQAaZpEDK_graphic.html; Lawrence J. Korb, Sam Klug, and Alex Rothman, “Defense Cuts after the Debt Deal: Bipartisan Recommendations from Four Deficit Reduction Plans,” August 11, 2011, available at http://www.americanprogress.org/issues/2011/08/bipartisan_defense_cuts.html.

In this issue brief, we look at these six areas of agreement between the plans to underscore the bipartisan opportunity to rebuild our own nation through sensible and sustainable defense cuts. Each of the recommendations below is included in at least two of the deficit reduction plans examined in this article; all but one are approved by three or four of the plans (see Table 2 for more information). As a result, we believe there is enough agreement that a bipartisan consensus in Congress is possible.

Bipartisan defense cuts

Areas of agreement between four deficit reduction plans

Program	Center for American Progress	Project on Government Oversight/TCS	Sen. Tom Coburn (R-OK)	Bowles-Simpson Deficit Commission
Total savings	\$400 billion through 2015	\$586.112 billion over 10 years	\$1.006 trillion over 10 years	\$100.1 billion by 2015
Health care	\$42 billion	\$60 billion	\$184 billion	\$6 billion
Reform TRICARE	✓	✓	✓	✓
Procurement	\$53.36 billion	\$86.072 billion	\$224.5 billion	\$20 billion
Reduce F-35 procurement	✓	✓	✓	✓
Reduce V-22 Osprey procurement	✓	✓	✓	✓
Reduce Carrier fleet	✓	✓	✓	
Personnel levels, staffing, efficiencies	\$228.41 billion	\$402.54 billion	\$418.6 billion	\$63.8 billion
Gates' efficiency recommendations	✓		✓	✓
Reduce Europe/Asia troop levels	✓	✓	✓	✓
Reduce ground forces	✓		✓	
Nuclear	\$40 billion	\$8.5 billion	\$79 billion	none
Reduce nuclear arsenal	✓	✓	✓	

Sources: Respective plans. Center for American Progress: http://www.americanprogress.org/issues/2011/07/defense_cuts.html, POGO/TCS: <http://www.pogo.org/resources/national-security/spending-less-spending-smarter-recommendations-for-national-security-savings.html>, Sen. Coburn: <http://coburn.senate.gov/public/?p=deficit-reduction>, Bowles-Simpson: http://www.fiscalcommission.gov/sites/fiscal-commission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

Efficiencies: \$178 billion through 2016

This past March the Pentagon's military leaders identified \$178 billion in savings and efficiencies that could be accomplished through fiscal year 2016, which begins in October 2015. But the Department of Defense currently plans to reinvest \$100 billion of these savings into new programs.

The plans released by Sen. Coburn's office, the Bowles-Simpson fiscal commission, and the Center for American Progress all suggest using a greater portion of these savings to reduce the size of the defense budget. These savings could potentially yield as much as \$178 billion through 2016.

Health Care: \$72 billion through 2017

The Pentagon estimates that in FY 2011 it spent about as much on military health care as it did on the war in Iraq. So it should be no surprise that all four plans identify military health care as a principal area for savings. The Defense Department's skyrocketing health care expenses over the past decade are caused not by active duty troops but by the rising cost of health care for military retirees, whose premiums have not increased since 1995 despite rising health care costs.

Our retired military personnel deserve access to top-quality, affordable health care for life. But the current system is simply not sustainable. Sen. Coburn, the Project on Government Oversight/Taxpayers for Common Sense, and the Bowles-Simpson commission identify health care savings of up to \$184 billion over the next decade. The Center for American Progress's [report](#) on the subject finds that phasing forming the health care system would save \$15 billion per year starting in FY 2015 or \$72 billion through FY 2017.

Ground forces: \$60 billion through 2017

The size of the Army and the Marine Corps grew significantly after September 11, 2001 to support our ground operations in Afghanistan and Iraq. As these wars wind down, we can reduce the end strength numbers in the Army and the Marine Corps to pre-9/11 levels, especially considering that the U.S. is highly unlikely to undertake large ground operations overseas in the near future.

Both Sen. Coburn's plan and CAP's plan call for such a step to be taken: Sen. Coburn claims the Pentagon can save \$92 billion over the next decade by reducing the Army size to 482,400. We recommend reducing both the Army and Marines to pre-9/11 levels and accompanying this shift with a reduction in the defense department's civilian personnel concomitant to the change in military end strength.

Implementing these changes in 2015, after the United States has completed its withdrawals from Iraq and Afghanistan, would save \$60 billion through 2017.

With the economic recovery further along in 2015, the economy will likely be better able to absorb these returning military personnel into the workforce. Congressional Budget Office projections put the unemployment rate at around 5 percent in 2015.

Moreover, in the near term, the American Jobs Act will do much to combat veteran unemployment, which remains unacceptable high at 10 percent for veterans of Iraq and Afghanistan. The act establishes major tax incentives for employers that hire unemployed veterans:

- \$9,600 for companies that hire veterans with a service-related disability who have been unemployed for at least 6 months
- \$5,600 for able-bodied veterans that have been unemployed for at least 6 months
- \$2,400 for veterans who have been unemployed for at least 4 months

This is the right thing to do for our veterans and for our economy.

Procurement: \$53 billion through 2016

Adm. Mike Mullen, chairman of the Joint Chiefs of Staff, says that the unprecedented rise in defense spending since 9/11 means that the Pentagon did not have to make any “hard choices.” But the United States can no longer afford to continue funding underperforming or unnecessary weapons systems. There is widespread agreement in all four plans on three specific programs where savings can and should be found:

- The F-35 Joint Strike Fighter
- The V-22 Tilt Rotor Osprey
- The Navy’s aircraft carriers and air wings

Cancelling or reducing these programs would save \$53 billion through 2016.

Moreover, in the case of the F-35 and V-22, we recommend purchasing less expensive alternative systems such as the F/A-18 E/F and legacy helicopters. Buying these systems would allow for savings while mitigating the impact of these procurement cuts on jobs in the defense industry.

Troops in Europe and Asia: \$43 billion through 2016

There are currently about 150,000 active-duty U.S. troops stationed in Europe or Asia. All four plans agree that this overseas presence presents an opportunity for savings.

The Center for American Progress and Sen. Coburn both recommend cutting the United States's troop presence in Europe and Asia by one-third, or 50,000 troops, for savings of just over \$40 billion through 2016 and \$70 billion through 2021. The Bowles-Simpson commission would cut our bases in Europe and Asia by one-third in order to save \$8.5 billion by 2015, while the POGO/TCS plan proposes removing 20,000 troops for savings of \$30 billion through 2021.

Nuclear weapons: \$43 billion through 2016

The New START treaty between Russia and the United States governing strategic arms reductions in this decade sets the United States on a path toward responsible reductions in our nuclear stockpile. The Center for American Progress, the Project on Government Oversight/Taxpayers for Common Sense, and Sen. Coburn all identify further areas of our nuclear program that can be cut responsibly.

The plan released by Project on Government Oversight/Taxpayers for Common Sense emphasizes canceling several nuclear weapon construction programs and calls for “downblending” highly enriched uranium and selling it as low-enriched uranium in order to bring in revenue. Sen. Coburn's plan proposes a reduction to 300 deployed ICBMs, at a savings of \$79 billion through 2021.

We recommend following the advice of strategists at the Air War College and School of Advanced Air and Space Studies: Reducing the size of the U.S. nuclear arsenal to 311 deployed strategic nuclear weapons would deliver savings of \$43 billion through 2016.

Conclusion

Wasteful defense spending does not make our nation safer. Each dollar spent on defense diverts resources away from other critical investments in America's future, especially in these times of fiscal austerity. President Dwight Eisenhower, a former five-star general who cut the defense budget by 27 percent during his time in office, argued that the “world in arms is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children.”

President Obama is right to push for programs that will put Americans back to work. The stronger our economy is the stronger we are around the globe. Sensible defense cuts present an opportunity make these programs deficit neutral.

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Endnotes

- 1 Robert Pollin and Heidi Garrett-Peltier, "The U.S. Employment Effects of Military and Domestic Spending Priorities: An Updated Analysis" (Amherst: Political Economy Research Institute University, 2009), available at http://www.peri.umass.edu/fileadmin/pdf/published_study/spending_priorities_PERI.pdf.
- 2 Sen. Tom Coburn "Back in Black: A Deficit Reduction Plan" (2011), available at <http://coburn.senate.gov/public/?p=deficit-reduction>.
- 3 The Bowles-Simpson fiscal commission, "Draft Document: \$200 Billion in Illustrative Savings" (2010), available at http://www.fiscal-commission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
- 4 The Project on Government Oversight and Taxpayers for Common Sense, "Spending Less, Spending Smarter: Recommendations for National Security Savings FY2012 to FY2021" (2011), available at <http://www.pogo.org/resources/national-security/spending-less-spending-smarter-recommendations-for-national-security-savings.html>.
- 5 Lawrence J. Korb, Laura Conley, and Alex Rothman, "A Return to Responsibility: What President Obama and Congress Can Learn About Defense Budgets from Past Presidents" (Washington: 2011), available at http://www.americanprogress.org/issues/2011/07/pdf/defense_budgets.pdf.