Stimulate the Economy: Cut the Defense Budget  
Winslow T. Wheeler

As the economic news darkens, the ideas to stimulate new jobs get worse. A sure-fire way to entrench deeper into recession is now being spread around: spend even more on the Defense Department. Doing that will not generate new jobs effectively, and it will perpetuate serious problems in the Pentagon. President Obama would be well advised to go in precisely the opposite direction.

No less a worthy than Harvard economist Martin Feldstein has advocated in the Wall Street Journal (“Defense Spending Would Be Great Stimulus,” December 24, 2008) adding $30 billion or so to the Pentagon budget for the stated purpose of generating 300,000 new jobs. In pushing the Defense Department as a jobs engine, Professor Feldstein demonstrated that he knows the Defense Department about as well as I know economics – which is not at all.

With its huge overhead costs, glacial pay out rates, and ultra-high materials costs, Pentagon spending can generate jobs, but not so many and not so soon. A classic foible is Professor Feldstein’s assertion to surge the economy with “Additional funding [that] would allow the Air Force to increase the production of fighter planes...."

Today, the Air Force has two fighters in production, the F-22 “Raptor” and the F-35 “Joint Strike Fighter.” The F-22 is now at the end of approved production, but the Air Force would love to have at least 60 more. However, even if Congress appropriated today the $11 billion needed for them, the work would not start until 2010 - too late for the stimulus everyone agrees is needed now.

Professor Feldstein thinks it can be otherwise. He is probably thinking of the World War II model where production lines cranked out thousands of aircraft a month - as fast as the government could stuff money, materials, and workers into the assembly line. The problem is that there is no such assembly line for the F-22. Although they are fabricated in a large facility where aircraft production hummed in bygone eras, F-22s are today built by hand – pre-Henry Ford style. Go to the plant; you will find no detectable movement of aircraft out the door. Instead, you will see virtually stationary aircraft and workers applying parts in a manner far more evocative of hand-crafting. This “production rate” generates one F-22 every 18 days, or so.

The current rate for the F-35, now just at the start of its production, is even slower, although the Air Force would like to get its “rate” up to a whopping 10 to 15 per month.

Why don’t we just speed things up? We can’t. The specialized materials the F-22 requires must be purchased a year or two ahead of time, and with the advance contracting and all the other palaver required by today’s regulations, the Pentagon bureaucracy is functionally incapable of speeding production up anytime soon, if ever. In point of fact, adding more F-22 production money does not mean adding to the production rate or the total number of jobs. It does mean simply extending the current F-22 production rate of 20 per year into the future. The existing jobs will be saved, but no new jobs will be created.
Note also that the $11 billion that the F-22 would gobble up is more than a third of the $30 billion Professor Feldstein wants to give to DOD. How he would get to 300,000 new jobs with the rest of his money is pure mystery. More F-22 spending is a money surge for Lockheed, but not a jobs engine for the nation.

Even if we could speed up production for the other fighter, the F-35, it would be stupid to do so. The F-35 is just beginning the testing phase, and it has been having some real problems, requiring design changes. That discovery process is far from over. We should put the aircraft into full production after, not before, all the needed modifications are identified. Overanxious to push things along much too fast to permit a “fly before you buy” strategy, the Air Force already has scheduled the production of about 500 F-35s before testing is complete. Going faster would make a bad acquisition plan even worse.

And, by the way, if you want fighters that make a real difference in war, both the F-22 and the F-35 are terrible ideas. Even if they were to perform as advertised – and the F-22 doesn't, and the F-35 never will – they are both huge disappointments. Aerodynamically, the F-22 is barely an improvement over early models of the F-15 it is replacing, and the F-35 is a clear step backward from early F-16s. Both also rely on a hypothetical vision of ultra-long range, radar-based air-to-air combat that has fallen on its face many times in real air war. For air-to-ground warfare, the F-22 is an irrelevancy that has failed to fly a single mission over Iraq or Afghanistan, and the F-35 brings only slicker command and control for the use of existing munitions.

Even some economists are skeptical about Professor Feldstein’s numbers. A paper from the University of Massachusetts-Amherst (“The US Employment Effects of Military and Domestic Spending Priorities”) found that each $1 billion spent on defense would generate 8,555 jobs, not the 10,000 Professor Feldstein calculates. Given the problems just discussed with the F-22 and the new jobs it will not generate, even the lower University of Massachusetts estimate sounds extremely optimistic.

More importantly, the same amount of money spent elsewhere would generate more jobs, often better ones, and it would do it faster. For example, according to the study, $1 billion in spending for mass transit would generate 19,795 jobs (131 percent more than DOD), and education would generate 17,687 (107 percent more). The hiring can start in early 2009.

In fact, if employment is the aim, it makes more sense to cut defense spending and use the money in programs that do a better job at that.

As for the defense budget, less money is just what the doctor ordered. At extraordinarily high amounts of spending we have historically low levels of forces that are older and less ready to fight. The F-22 and F-35 typify the broken system that fostered this decline. Real reform would do much more for national security than giving the Pentagon more to spend poorly.