

# **Defense Breakdown: The Security and Economic Implications of Defense Spending Cuts**

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Rayburn House Office Building

## **FRANK GAFFNEY:**

While the first purpose of providing for the common defense is to actually safeguard the security of the American people, how we do that does have implications for our economy as well. This is not a jobs program. But it has jobs implications. It has other implications in the terms of both, as was mentioned, the direct and indirect economic impact. It's easy, perhaps, to look at this as if it's simply an abstraction, as a problem that's maybe somebody else's problem. What we wanted to try to do by pulling this data together, helped enormously by an analysis done for the Aerospace Industries Association, of the kinds of effects these cuts would have on the industrial base as well as what that would translate into in terms of jobs and in terms of wider economic impact. By applying some of the other data, census data, contract data, and the like, to develop in some detail, at least given the data that we have to work with in terms of kind of the topline cuts that have now been announced, what that will mean for every state and territory in the Union, for their counties, for their cities, for their various businesses, particularly some of those that are notably of concern to communities and their elected representatives. Small businesses, minority owned businesses, women owned businesses, veterans owned businesses, disadvantaged individuals' businesses, these are the sorts of things that we thought it would be useful to develop so at least those communities can have an appreciation of what's coming, particularly if this second tranche of cuts does in fact, eventually – the so-called sequestration or budget control act 2.0 cuts, the eighteen percent level minimum cuts. Because, after all, as you've just heard Congressman Lamborn say, if his congressional district is going to have to cope with a three billion dollar cut, that will have profound implications for that community. And they best be thinking about them, understanding them, and trying to prepare for them. So at this point, I would like to ask my colleague, Christine Brim, to say a few words to further explain both what this study at the present point does and also to anticipate what is coming in terms of further iterations of it that are now beginning to be prepared as more data, more detailed information becomes available to us about where exactly the cuts will fall.

## **CHRISTINE BRIM:**

The goal is to provide information using the best information that we have got that enables communities to engage in some kind of more informed way so that they can prepare for the potential impact of cuts.

This is the actual money spent.

Let's look at Nevada by county for 2010. So when we do this, some explanatory information at the top, let's just take a look here and this will give you a sense of what we're doing. We took – we have it by city, we have it by county, by industrial classification, by business types like small

business or women owned or ethnic business, by congressional district. We took this data and using two percentages which were metrics given to us by the House Armed Service Committee as their best bet at this point of the overall impact of these budget cuts on an annual basis over the ten years for the 487 – we said 489, but we went with 87 billion of the current Budget Control Act cuts that are in effect now. We're looking at a nine percent national average impact. But we took it against a baseline of 2010, which is actually pretty high. It's actually probably going to be starting from a lower baseline which means it will have a bigger impact. 2010 was 712 billion. So that was a peak in terms of the budget. It has since come down quite a bit in 2011 and of course even more in 2012.

This is a national average impact. Every community's mileage will vary. Some will be a lot more. Some may not be as much. Some may actually come out ahead. But to be prepared, you have to have some kind of metric you can compare it to. So we're trying to present this to get communities engaged in using this information to begin thinking about what the impact could be on them.

what we hope to be able to do is to encourage the use of this online tool here by various communities to be able to think about it at the chamber of commerce level, at the national, you know, manufacturing level, at local government, city governments, economic development offices and so on. What the potential preparations are that they need to do now for what may be a significant impact in 2013 of job losses and significant earnings losses.

**MIKE TURNER:**

these are not just cuts in, you know, esoteric future plans. This goes right to the heart of our ability to have innovation. These dollars go right to sustaining our ability to maintain capabilities in the future and capabilities that we currently have. Unfortunately, the administration and the Department of Defense have decided to limit access to information from the public that will demonstrate the severity of these cuts. Where these cuts would fall. That is why the work that is being done by this Coalition for the Common Defense is so important. By resourcing publicly available information, the coalition has made it possible not only for members of Congress, but the public, to see how these cuts will impact them in their communities. In doing so, Americans will be able to see for themselves the potential impacts of the administration's decisions for sequestration at the expense of our national security and the economy. I would recommend that everyone look very closely at this information. Fulfilling our obligation to defend this country and meeting our budgetary responses our not mutually exclusive. As a nation, we should be able to provide for our defense and balance our budget. One should not come at the expense of the other.

This is a critical moment for both our nation and our armed forces. We have service members deployed overseas in support of a number of military and humanitarian operations, including Iraq, Afghanistan, Libya, and Uganda. These operations over the past ten years have taken a toll on our forces. Currently, the Army needs twenty-five billion dollars to reset its force now while the Marines need twelve billion. Our men and women in uniform are not only being asked to make further sacrifices with additional deployments, but in some cases they're relying on equipment which is often much older than they are. For example, navy ships and light attack vehicles on average were built about twenty years ago. The Air Force is relying on bombers

averaging thirty-four years in age and is refueling aircrafts with tankers that are nearly fifty years old, excuse me. Sequestration can not be allowed to occur on the backs of our men and women in uniform. When the new START treaty was ratified, it was part of a clear bargain. The administration promised that a specific detailed nuclear weapons modernization plan would be implemented. The senators consented to what amounts to a unilateral reduction in US nuclear forces because the remaining US nuclear forces upon treaty implementation would modernize. I want to say that again. The United States is taking a unilateral reduction in its nuclear weapons forces. It was based upon an agreement between the Senate and the administration that additional investment would occur so that we would be able to sustain our capability in the nuclear weapons infrastructure. The secretary's announcement is an indication that the president is backing off of this deal when it comes to modernizing our nuclear deterrent. Ultimately the changes in the circumstances for participation in the treaty under both condition 9 of the new START treaty resolution of ratification language and language that we offered in the national defense authorization act gives grave concern as to whether or not the administration is going to go forward.

I tend to look carefully at the president's budget requests for NSA weapons activity, specifically the CMRR and UPF projects which the president pledged to accelerate. These two facilities are absolutely critical to the ability of the US to maintain a credible and reliable deterrent and they were an essential piece of the new START treaty bargain. I'm also concerned that the administration's missile defense plans are weakened. For three years, this administration has underfunded and diverted funds from the national missile defense programs. With rising threats from Iran, North Korea, China, and others, we cannot afford to risk the reductions in spending that the administration has pursued and this is irrational opposition to the missile defense systems of the United States. I hope the FY-13 budget undoes more than three years of neglect of our national missile defense. With these realities in mind, the Armed Services Committee is moving to head off the devastating effects of these looming cuts. I have joined in co-sponsoring a HR 3662, the down payment to protect national security act, the down payment to protect national security act would prevent a further round of cuts beyond the 488 billion already announced by the president from hitting our military as a result of sequestration. And it fully offsets it. The bill achieves the first year of savings required in sequestration through attrition in the federal workforce by ten percent over ten years. The common sense approach to preserve our national security has over thirty-five co-sponsors in the House. With the support of our colleagues in the House Armed Services Committee, we intend to offer this bill to alleviate the catastrophic effects of sequestration and ask our entire government to carry the load of budget strains, not just the men and women who are in uniform who've been fighting the longest war in our nation's history. I want to thank you for your efforts to get the information out so that people can adequately evaluate the threats to our national security as a result to these looming budget cuts and so that Congress, as we take up this budget, can have a vigorous debate to support our men and women in uniform and restore funding for our national security. Thank you. [APPLAUSE]

**DOUG LAMBORN:**

We have to have a strong national defense. And I'm so distressed about these cuts that the president is wanting to make nationally. And what would it do for one state in particular? Let me just give you an example. And one city in particular. The Colorado fifth district is basically the main – the biggest county is Colorado Springs and several other smaller counties. In Colorado

Springs, there are five major military installations. The Air Force Academy, NORAD, Schriever Peterson, and a huge Army installation, Fort Carson. Fort Carson is the state's second largest employer other than the state itself. And is estimated to have a beneficial 2.1 billion dollar economic impact to help Colorado's economy every year. Last year, that's what it was. 2.1 billion dollars. The direct and indirect impact of this military spending gets you up to 5.3 billion dollars. Fifty-two thousand jobs are directly linked to just Fort Carson. That's active duty and support within this private sector. Civilian sector. And these jobs have a lot of spinoff jobs in the private sector. And these are good paying jobs. So seventy percent of the military live off base. So think of what that does to the local real estate market, the retail industry and other things like that. Now the kind of cuts we're talking about, besides just hurting our nation's defense – and Mike Turner did a good job on that – it hurts the economy. Now I know that we don't have defense jobs to help the economy, but, hey, it helps the economy so let's concentrate on how that accomplishes it. Besides building our national defense.

According to Secretary Panetta, if sequestration takes place and we get up to the eighteen percent scenario that we're talking about, not just the nine percent, that would be a million jobs lost. A million jobs in this country. And what would that do economically? My particular district would lose three billion dollars. So out of a local economy, you take away three billion dollars and you've taken a pretty big hit. So and – and I shudder to think that what would happen if you double that for the sequestration. Because I was just talking the three billion is just nine percent. So we're looking at some – and right now, we have the voluntary 178 billion dollars in cuts that are being implemented as we speak. That's already resulted in a lot of Air Force civilian jobs, Air Force related civilian jobs, and others in my district, in my state. So there are cuts being made, people being laid off as we speak now before these other cuts even take place. And of course the nine percent, the president is pushing for that. And sequestration, as you already may know, he has promised to veto having – undoing the sequestration. So he would like to see the full eighteen percent in cuts take place. This is just totally unacceptable. From an economic and civilian and job perspective. As well as from a defense perspective. So I hope that you're getting both sides of the story. And Frank, I want to thank you for the good work that you're putting this information out, you're creating the website, so people can find out what happens in their states, in their communities, in their cities, in their counties. And see how devastating this would be from an economic as well as a defense standpoint.

**TRENT FRANKS:**

I know that all of you are sort of our hidden frontline of freedom in this country and I'm so grateful to be here with you. The Coalition for Common Defense and the effort that you have in pooling resources and helping people understand the dynamics facing this country is so admirable. And I feel in some ways, you know, that this is one of those situations, Frank, where we have had so much focus on the economy, so much focus on jobs, which all of those things we all believe in completely. But I'm always amazed at how people disconnect the national security component because if we only care, if all we cared about was the economy, we didn't care about national security, we didn't care about freedom, we didn't care about any of those things, it was just all about economic productivity, one of the first things we would do is to make sure that the environment in which we try to be productive was protected.

This capability we have not only keeps shipping lanes open all over the world, it maintains a

confidence on the part of people that are only interested, perhaps, in economic development, to know that this is the safest place on the planet to come and try to be productive and to invest your dollars and I think sometimes it's just too bad that some of the highest echelons of our administration and even in the Congress forget that if we fail to keep this country secure the economic success we've had will vaporize in a moment. And I'm always amazed, too, as Frank said, you know, this notion that when you've got an Iran in the world that is trying not only, you know, we got two measurements for everyone that we have here in terms of our national security threat and that is intent and capacity. You all know that. I wish we talked about that more. When we were dealing with the Soviets, we knew what their capacity was. It was enormous. But we placed our security in their sanity because we knew they wanted to live. And they had certain intent elements that we could key off of and with Iran, nations like that, that's not true. Their intent is frightening. For the country of Iran to be suggesting that they're going to come in, almost openly come in, and attack within the United States, there's only one reason that they're doing this. They're either trying to do something strategically or they just have so much contempt for this administration that they don't think there's going to be any response. And I'm afraid, perhaps, it's a little of both. So I would just say to you, you know, president Obama has made much of a future – of this future force that is quote, agile, flexible, and ready for the full range of contingencies. Now it sounds to me like he's perpetrating monotonic, polysyllabic [UNCLEAR] semantic gymnastics and verbal [UNCLEAR] elocution [LAUGHTER] and hoping that we don't notice that what he really means, you know, and we have an example in the drawdown under the Clinton Administration, that what he really means is a fighting force that is slow, cumbersome, and ill prepared for emerging threats. Historically the US has been caught off guard when preparing for future conflict. That's not – that's not been the exception, that's been the rule. That we nearly are always caught off – Pearl Harbor in the 40s and others, some discussion, you know, that perhaps some of our people saw that coming a lot sooner than others. But Desert One in the 80s and 9-11 ten years ago. Those are examples.

What about nuclear North Korea? Everybody said, oh, we have plenty of time. No problem. But recently the Arab Spring has highlighted this trend. No one really foresaw that a Tunisian street vendor upset with his government taking his wares would be the matchstick that catalyzed a conflagration of revolutions across North Africa and the Middle East. Moreover, Iran is quickly becoming that nuclear threat that we decided a moment ago. And allies in the Middle East, included Turkey and Egypt are becoming more distant. I have to say to you, if Egypt's not lost to us, I'm confused. I mean, when they have forty percent of their parliament being in the hands of the Muslim Brotherhood, and another close to twenty percent being in the hands of Salafists, I don't know that we understand what a profound paradigm shift has occurred there. Mr. Obama's lack of foresight to say is disturbing is such an understatement. And if I said what I really thought it would – it'd probably get me on the front page. [LAUGHTER] But his plan provides nothing more than a blueprint for an anemic national security and a weakened American economy. And I suppose the question always comes because this administration seems to posit it quite often, would you rather fight a war on equal terms with the enemy or have the odds stacked in your favor? So that the war's won before it begins?

They almost have this idea that if we have a qualitative military edge, there's something immoral about that, that somehow we think our ideas are somehow arrogantly superior. We have this notion that the American principles of, you know, holding all men and women to be created and

are equal, that those things, you know, after all, those are just one viewpoint, and everyone has a right – we have to be tolerant. Well, of course we have to be tolerant. But true tolerance is not in pretending you have no difference with someone. It's being kind and decent to each other in spite of those differences. But you do not have to surrender moral authority. You do not have to suggest that atheistic communism is on par with American freedom. You don't have to do that, because to do so is to betray your fellow human beings in my judgment. And yet that's what this administration would be to do is suggest that somehow because we want to have a superior military capability that we're suggesting that all of our ideas are superior to everybody else in the world and we shouldn't do that. And I just will say to you that that is a terrible recipe for seeing bondage overtake humanity. It is a very, very dangerous thing. So the question to most generals is – most of them would suggest, no, we don't want to fight when the odds are even, we want to fight when we are superior in every way because in America, you and I know that when we are more capable, that we end up saving lives on both sides of the conflict. That is a fundamental truth. So the budget here in all of the battles that we've had – made it very difficult for people like me, it hasn't on national defense, because I always vote for national defense, because I understand that that's the most important thing I can do for my country in terms of our national security and also in terms of the economy and also in terms of the security of the government's fiscal place in the world. It's just critically important. And yet being one of the most fiscally conservative members of Congress, there is this great effort, Frank, as you know, to try to push this wedge – I mean, it happened on the Armed Services Committee in a big way on this deal to have the sequestering, people like me were saying, no, if we do that, forgive me, for the Democrats in the room, I appreciate you all. Here goes.

If we do that, the Democrats will simply still make the issue. They'll simply lock it up because on the one hand they wanted to cut defense forever. And this notion that they will fail to do so because it might cut Medicare, well, it really didn't cut Medicare, it cut – not the recipients, it cut the providers of Medicare. It cut the doctors and things like that. So I thought, this is just – this is not hard to see. It wasn't anything that took any special insight, because that's something that I don't claim to have. I think there are three kinds of people that predict the future politically. Those are those who don't know and those who don't know they don't know and those who know they don't know. And I fit in that third category. But in this case it was pretty easy to see and I'm really sorry that we didn't. So – but the Armed Services Committee was split on that issue. In a big way. And those of us that said, no, we're not comfortable with that, we're not going to do it, we were considered sort of the, you know, the rabble rousers. And so it's difficult. I don't have to tell all of you that a navy with 285 ships, I don't have to tell all of you with a reduced missile defense capacity, I don't have to tell all of you with an actual reduction in our force of significant import in a time, as Frank said, when we are facing some great challenges in the world, is not wise policy. It is not good for America and, you know, when you are in your homes at night, you certainly worry about paying the rent, you certainly worry about paying your light bill, making sure your kids have food and all of those things, but if you think there is someone outside that may come in and harm or kill your family, all of those other things become issues of no import.

#### **FRED GRANDY:**

Assuming the president's budget, his official budget to Congress, reflects the numbers in the Center's breakdown, do you anticipate the Republican majority in the House to come up with an

alternative budget which officially tries to restore some of those cuts and also makes provisions for maintaining a robust defense up to and including the kinds of comments you made about EMP? Can we look to the House majority to present an alternative document so that we're not fighting something with nothing?

**TRENT FRANKS:**

Well, that is the – probably the perfect question to ask and I think the absolute clearest answer I can give you is an unequivocal yes. You will see that. There's no question in my mind about that. Whether or not, you know, given the dynamics with Mr. Reid that we'll even have a hearing – that's one of the challenges that we have, you know, talking about some of the jobs bills, we have thirty jobs bills over there. That are being completely ignored without even a vote. And I'm concerned that there might be that kind of boldness or that kind of recalcitrance in an election year that might be hard to overcome. But yes, we will, you know, people like me and people like others on the Armed Services Committee will make sure that we have an alternative budget to deal with this and it will, I hope, do what's necessary to make the right provisions for the country and its national security. But, boy, I just don't know what's – what to say. See, we have, you know, you've heard it before, but we have really control, or a nominal control of one third of government. And it puts us at an extreme disadvantage in negotiations, especially when, you know, Mr. Reid is so partisan in that regard and when he has the president to back him up and when there's a national election going on, it is a recipe for stalemate just at the wrong time, Mr. Grandy. So, but I appreciate your question and I so appreciate all the work that you do. I mean, Fred Grandy, as you all probably know, is a former member of Congress, very distinguished member of Congress. And has been sort of a senior statesman to come back and – he says it better than the rest of us do, but he is so committed to things that I believe in and I'm very grateful that he's here and on the job.

**FRANK GAFFNEY:**

Clearly, the country is grappling not only with deficits, but also with the imperative of trying to resuscitate our economy. To bring jobs back on stream. And what this, I think, really demonstrates vividly is the idea behind these cuts, or at least the impact behind these cuts will be that jobs are lost. By the hundreds of thousands and possibly as many as a million. Jobs that exist right now. People that are bringing home paychecks, in many cases, sizable paychecks. Doing real work right now. Work that in our estimation as national security minded folks is actually needed work, whether it's producing the equipment that our men and women in uniform rely upon to prevail in the wars we find ourselves facing. Or more importantly, I think, to deter the wars that may be in prospect. But we're being asked to give those jobs up and bet on the come that there will be new jobs that will somehow be conjured up if we simply start throwing money at them to do maybe important work. That is something, again, that can be decided by others, but they're not real jobs right now.

This study will assist in beginning to calibrate that problem and to mitigate its unintended and certainly undesirable effects.

We commend you, of course, the website [forthecommondefense.org](http://forthecommondefense.org) where you can get the detailed lay down of the study, but the larger point here is that we are, I think, looking at the absolute best case here. Because we're not even taking into account the roughly 330 billion

dollars that has already been taken out of defense accounts. So you add the 330 plus the 485 or so, that first nine percent for this study's purposes, and then possibly another nine percent on top of that, and you get up to heroic impacts.

Again, both on the national security capabilities of the United States and on the communities around this country that we are sworn to defend.