

# OPINION

**A**s the economic news darkens in the United States, the ideas for stimulating new jobs get worse. A sure-fire way to advance deeper into recession is now being spread around: spend even more on the Department of Defense (DoD).

Doing that will not generate new jobs effectively and it will perpetuate serious problems in the Pentagon. The newly inaugurated President Barack Obama would be well advised to go in precisely the opposite direction.

Harvard economist Professor Martin Feldstein has advocated in the *Wall Street Journal* ('Defense Spending Would Be Great Stimulus', 24 December 2008) the addition of USD30 billion or so to the Pentagon's budget for the purpose of generating 300,000 new jobs. It is my assertion, however, that pushing the DoD as a jobs engine is a mistake.

With its huge overhead costs, glacial payout rates and ultra-high costs of materials, I believe the Pentagon can generate jobs by spending but neither as many nor as soon as is suggested.

A classic foible is Feldstein's recommendation to surge the economy with "additional funding [that] would allow the [US] Air Force [USAF] to increase the production of fighter planes". The USAF has two fighter aircraft in production: the F-22 Raptor and the F-35 Joint Strike Fighter (JSF). The F-22 has reached the end of approved production (with 183 units) but the air force would love at least 60 more. However, even if Congress appropriated today the USD11 billion needed for them, the work would not start until 2010: too late for the stimulus everyone agrees is needed now.

Feldstein thinks it can be otherwise. He is probably thinking of the Second World War model where production lines cranked out thousands of aircraft each 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 hand-built, pre-Henry Ford style. Go to Lockheed Martin's 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 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 at the start of production, is even slower, although the USAF would like to get its rate up to a whopping 10 to 15 aircraft per month.

Why do we not just speed things up?

We can't. The specialised materials that the F-22 requires must be purchased a year or two ahead of time and, with advance contracting and all the other regulations that exist today, the Pen-

## Assist US economy by cutting defence budget



**Pumping more money into the DoD is not the answer, argues Winslow T Wheeler, when it is such a long and arduous process to initiate, execute and complete existing US programmes**

tagon's bureaucracy is functionally incapable of speeding production up anytime soon, if ever.

In fact, adding more F-22 production money will not increase the production rate or the total number of jobs involved. It will simply extend the current F-22 production rate of 20 aircraft per year into the future. Existing jobs will be saved but no new jobs will be created.

Note also that the USD11 billion that 60 more F-22s would gobble up is more than a third of the USD30 billion that Feldstein wants to give to the DoD. How he would create 300,000 new jobs with the rest of the money is a mystery. More F-22 spending would be a money surge for Lockheed Martin but not a jobs engine for the nation.

Even if one could speed up production of the other fighter, the JSF, it would be stupid to do so. The F-35 is just beginning the testing phase and it has been having some major problems, requiring design changes. That discovery process is far from over. The aircraft should be put into full production after, not before, all the needed modifications are identified.

Over-anxious to push things along much too quickly to permit a 'fly before you buy' strategy, the USAF has already scheduled the production of around 500 F-35s before testing is complete.

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Going even more quickly would make a bad acquisition plan even worse.

Even other economists are sceptical about Feldstein's numbers. An October 2007 paper from the University of Massachusetts-Amherst found that each USD1 billion spent on defence would generate 8,555 jobs, not the 10,000 calculated by Feldstein. Given the problems with the F-22 just discussed and the lack of jobs I believe it will generate, even this lower 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 above study, USD1 billion in spending for mass transit would generate 19,795 jobs (131 per cent more than for the DoD) and in education would generate 17,687 jobs (107 per cent more) – and the hiring could start in early 2009.

In fact, if employment is the aim, it makes more sense to cut defence spending and use the money in programmes that do it better.

As for the defence budget, less money offers the opportunity for reform – just what the doctor ordered. Despite high levels of spending, the combat formations of the services are smaller than at any point since 1946. Major equipment is, on average, older, and, according to key measurables, our forces are less ready to fight. The F-22 and F-35 programmes typify the broken system that fostered this decline. Real reform would do much more for national security than giving the Pentagon more money to spend poorly.

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