

Bob Dole



NEWS

U.S. SENATOR FOR KANSAS

FROM:

SENATE REPUBLICAN LEADER

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DEFENSE CUTS & JOBS

NEW CONGRESSIONAL STUDY SHOWS DEMOCRATS' DEEP CUTS
COST 1.4 MILLION JOBS BY '95

WASHINGTON -- A new congressional study released today shows how a proposed \$100 billion defense cut would be a severe economic blow not only for defense-dependent communities, but for the nation, as well.

Senate Republican Leader Bob Dole (R-KS), with Senator John Warner (R-VA), ranking member of the Senate Armed Services Committee, Senator Pete Domenici (R-NM), ranking member of the Senate Budget Committee, and Senator Ted Stevens (R-AK), ranking member of the Appropriations Subcommittee on Defense released the study detailing the impact of defense cuts on the economy.

The study, compiled by the Congressional Budget Office (CBO) and requested by Senator Dole in June of 1990, contrasts the impact of President Bush's 1991 budget plan with defense budget proposals calling for far more drastic cuts.

"While we welcome the collapse of communism, the world is still a dangerous place and it is still way too early to be dismantling America's defense system," Dole said. "The President and Secretary Cheney understand that the best way to proceed is through an orderly and measured build-down in defense spending," added Dole with Senator Warner concurring.

Cutting vs. Gutting Defense

"Unfortunately, some members of Congress are demanding an overnight gutting of our armed forces, prematurely shutting down defense plants, throwing millions of Americans onto the unemployment lines and abandoning defense-dependent communities who are struggling to deal with base closings. As this study dramatically demonstrates, the anti-defense forces on Capitol Hill can talk all they want about scrapping weapons systems, but when you're talking about defense cuts you're really talking about cutting jobs and crippling communities," Dole added with Senator Warner's strong endorsement. "Before we start licking our chops over the peace dividend, we'd better understand the difference between cutting defense and gutting defense -- when reducing defense spending, we have to do so with caution, common sense and compassion."

The Impact on Jobs & GNP

In the study entitled The Economic Effects of Reduced Defense Spending, the CBO clearly demonstrates that the rate at which America reduces defense expenditures, and the manner in which the savings are applied, dramatically affect the nation's short and long-term economic well-being.

According to the study, defense cuts already enacted result in the loss of 600,000 jobs in the defense industry and a reduction in U.S. GNP of 0.6 percent over the near term. Doubling those cuts, as recommended by many Congressional Democrats, could result in the loss of nearly 1.4 million total American defense jobs, a decline in U.S. GNP of 1.2 percent, and a further slowing of the economic recovery.

(MORE)

The Deficit Reduction Dividend

How defense savings are invested has a tremendous impact on future economic conditions, according to the report. The study concludes that applying the savings to the deficit, as proposed by the President, will result in a real increase in American GNP of \$50 billion over the long term. Greater deficit reduction offers the prospect of even larger economic benefits over the long term.

"In the near term, there could be no worse time than right now to throw more men and women of the armed services out of work and depress an already weak job market", noted Senator Domenici. "The CBO study documents the real harm placed on people from additional dramatic cuts in defense at this time. While defense spending will continue to decline, for the country's long term growth the CBO supports the argument that the best application of defense savings would be to deficit reduction," concluded Domenici.

"The CBO has reminded us of the fallacy of trying to jump-start our economy by spending defense dollars on new domestic spending," Senator Warner said.

Senator Stevens observed "Secretary Cheney and General Powell presented the Congress a budget plan that achieves a balance between force structure, operations and modernization. Cutting defense spending beyond their proposal puts that balance in jeopardy, and additional cuts will cause substantially more unemployment in almost every state."

Study Highlights

Key conclusions from The Economic Effects of Reduced Defense Spending include:

- o "Substantial defense spending reductions being proposed will result in additional unemployment, business failures, and temporarily depressed communities in areas around shuttered military bases."
- o "Over the long term, the so-called peace dividend--if used to reduce the federal deficit--would increase national savings and investment and would therefore benefit the economy."
- o Individual states vary on their dependency on defense spending. The states likely to be hardest hit will be those who are the largest recipients of defense dollars. These include: California, Texas, Virginia, Florida, New York, Washington, Pennsylvania, Massachusetts, Maryland, and Georgia. Other states such as Alaska and Hawaii would feel the pinch, too. Under defense cuts already enacted, 8 states, including the District of Columbia, will see their output decline by more than 1 percent by 1995.
- o "When defense spending reductions are taking place in the midst of a weak economy, the analysis suggests that few states will avoid experiencing sluggish growth."

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