
Defense Report

AUSA



Increased Defense Spending—Does It Help or Hinder Our Economy?

Opposition to increased spending for national defense takes several forms, but one of the most insidious anti-defense arguments is the claim that spending more money on defense is more often harmful to the economy than it is beneficial. The claim is made that increased levels of spending on modern weapons systems and other military paraphernalia simply concentrate more money in areas where defense production is already established.

Those who argue this way conveniently overlook some facts. First, they ignore the fact that although much of the final assembly of highly sophisticated defense equipment is concentrated in a few areas of the country, that assembly could not take place without a steady flow of subassemblies and parts—even nuts, bolts and rivets—manufactured in small factories scattered all around the country. Second, they overlook the fact that when production is stepped up at either the major assembly points or the scattered, diverse component factories jobs are created, the need for support services is increased and the economies of many communities get a shot in the arm.

The State of Massachusetts recently completed a study in which it used a computer model to show the economic impact of a ten-percent increase in defense spending within the state. Using a starting point of 1978, when defense spending was at a relatively low level, the computer simulated the ten-percent increase through 1979 and 1980. It showed that by 1980 the number of people employed in Massachusetts manufacturing industries (not all defense related) would have increased by 41 percent. Concurrently, the number of people employed in nonmanufacturing industries would have climbed by 35 percent, with the largest jump (38 percent) in wholesale and retail trade jobs.

What the critics of defense spending seem to be saying is that it is better to have an absolutely even distribution of tax dollars than it is to have adequately equipped armed forces. If this line of reasoning had much validity the anti-defense people should also be arguing that our big manufacturers of automobiles should fragment their assembly lines and scatter them to every economically depressed area of the country.

This might even out the distribution of automaking jobs, but it would also drive the cost of a new car beyond the reach of many. We can do without this kind of fuzzy thinking.