

## **Military Moves**

The military often gets the rap that it is always fighting the last war. But when it comes to perhaps the greatest threat to the security of our nation – our economic foundation – it is the Pentagon that is seeing the future and crafting a pro-active strategy.

The U.S.'s top military person -- Admiral Michael Mullen, chairman of the Joint Chiefs of Staff – said in a recent interview that America's biggest national security challenge was posed by the rising level of public debt. Not terrorism. Not fanaticism. Out-of-control spending.

Mullen said the Pentagon needs to take prompt action to bring its spending under control to stave off future massive defense cuts similar to those now underway in allied nations such as Germany and the United Kingdom. His public remarks mirror what he has been saying privately – that wise, cautious spending coupled with budget cuts elsewhere is what is needed to ensure there is enough money in the future to pay for our national defense.

Cutting spending is a top priority, Mullen said, and in this case the enemy is Congress and its culture of spending. Mullen lamented that Congress often authorizes higher budgets than the Pentagon requests, adding weapons systems the military does not want and refusing to reduce a top-heavy military.

“We have to make the case to Congress to (change the way it operates) and I understand that,” Mullen told *The Financial Times*.

We all should heed that lesson. And we all should start telling Congress to change the way it operates.

This year the federal deficit will hit and likely surpass \$1.47 trillion, tripling since 2007. That means each American's share of the budget deficit is \$40,000 – and rising.

We know what has to be done. Let's make Congress and the White House become a responsible government. Let's make them cut the deficit.

The deficit problem results from unsustainable spending, not the gap between revenues and need. The consequences of a continued spending gluttony will be fiscal uncertainty and relegation to a beaten down dollar for decades.

Why? Because two combined forces create a strong formula for endless deficits. First, politicians want to keep their jobs, so they continue to bring home goodies for constituents. That means choosing spending over spending reductions. And to help make sure they keep their jobs, politicians always promise not to raise taxes. The result is systemic deficits.

Just hear again what Admiral Mullen said: the Pentagon requests LESS money than Congress gives them. Last year, the Pentagon asked Congress to eliminate the second engine for the F35 joint strike fighter. Congress has said it will likely ignore that request. Why? The production will guarantee jobs across many states.

And then there is the pay increase the Pentagon has sought, 1.4 percent. So far Congress has said, no thanks – they want to give a 1.9 percent increase.

The military budget is ripe for cuts, even with Mullen's determination to get Congress on the proper budget path now. And it is not lost that the Pentagon played a role in one of the most successful spending cut moves to emerge from Washington: the Base Realignment and Closing (BRAC) commissions of the 1980s and 1990s, which independently reduced the number of U.S. military bases and was crafted so no member of Congress ever had to vote for shutting down any particular military base.

Mullen should go one step further and offer areas to cut the defense budget – then call on the other departments to follow his lead.

An independent deficit reduction commission, similar to the BRAC commissions, would be an excellent first step. A spending commission could curb discretionary spending successfully if it embodies the lessons of BRAC and is composed of independent members whose recommendations become binding without congressional action. The Mercatus Center at George Mason University suggests a start by submitting \$1.16 trillion in discretionary spending out of the entire budget of \$3.8 trillion for possible reduction or elimination – one third of the federal budget.

Returning to 2000 spending levels, the last time the U.S. had a balanced budget, a suggestion by John Garen of the University of Kentucky's Gatton College of Business and Economics, would also help. In essence, that is returning to a pre-war budget of lower spending.

More ideas are needed. But we can't go anywhere without taking a first step, for without significant spending cuts we will see major tax increases.

No one is talking about a great day of reckoning when the debt becomes due and has to be paid off, but it is wise for us to understand what just is happening. Growing deficits and public debt affect the performance of the entire economy – private and public. As the private sector become relatively smaller, real GDP growth become less vibrant.

Mullen has put his finger on the problem – both the micro problem of military spending and the macro problem of our entire budget and spending. “If we do not figure out how to manage ourselves inside this growing challenge (of fiscal austerity) then I do worry that it won’t be too long before those kinds of (huge) cuts will be part of our future as well, and that would be very dangerous,” Mullen said.

Thank you Admiral. You can’t spend what you don’t have and if you do, you are in trouble. We need responsible government now.

