

# Spiralling Military Spending Creates Mass Unemployment

By [Washington's Blog](#)

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Region: [USA](#)

Theme: [Militarization and WMD](#)

I have [written extensively](#) on the fact that this is not a normal cyclical recession, and we're not in the type of "jobless recovery" which we've had a couple of times in the last 50 years. Unemployment will continue rising in America for some time, which will make a real, sustainable recovery very difficult.

The heads of two Federal Reserve banks are now [saying](#) something similar:

Janet Yellen, president of the Federal Reserve Bank of San Francisco, and Dennis Lockhart, president of the Federal Reserve Bank of Atlanta, warned that rising unemployment could crimp consumers, restraining the recovery. Consumer spending accounts for about 70 percent of economic activity.

But instead of doing anything to encourage a sustainable recovery in employment – such as rebuilding America's manufacturing base, or breaking up the too big to fails so that the smaller banks have a chance to grow and lend more to individuals and small businesses (see [this](#) and [this](#)) – the government has simply thrown money at the banks.

Moreover – contrary to what you might have heard – PhD economist Dean Baker [pointed out](#) yesterday that America's massive military spending on unnecessary and unpopular wars actually *lowers* GDP and **increases** unemployment:

Defense spending means that the government is pulling away resources from the uses determined by the market and instead using them to buy weapons and supplies and to pay for soldiers and other military personnel. In standard economic models, defense spending is a direct drain on the economy, reducing efficiency, slowing growth and costing jobs.

A few years ago, the Center for Economic and Policy Research commissioned Global Insight, one of the leading economic modeling firms, to project the impact of a sustained increase in defense spending equal to 1.0 percentage point of GDP. This was roughly equal to the cost of the Iraq War.

Global Insight's model projected that after 20 years the economy would be about 0.6 percentage points smaller as a result of the additional defense spending. Slower growth would imply a loss of almost 700,000 jobs compared to a situation in which defense spending had not been increased. Construction and manufacturing were especially big job losers in the projections, losing 210,000 and 90,000 jobs, respectively.

The scenario we asked Global Insight to model turned out to have vastly underestimated the

increase in defense spending associated with current policy. In the most recent quarter, defense spending was equal to 5.6 percent of GDP. By comparison, before the September 11th attacks, the Congressional Budget Office projected that defense spending in 2009 would be equal to just 2.4 percent of GDP. Our post-September 11th build-up was equal to 3.2 percentage points of GDP compared to the pre-attack baseline. This means that the Global Insight projections of job loss are far too low...

**The projected job loss from this increase in defense spending would be close to 2 million.** In other words, the standard economic models that project job loss from efforts to stem global warming also project that the increase in defense spending since 2000 will cost the economy close to 2 million jobs in the long run.

*Note 1: Global Insight is:*

*Recognized as the most consistently [accurate](#) forecasting company in the world.*

*Note 2: I am for a strong defense. That's not what I'm talking about.*

But we got into the Iraq war based on the [false linkage of Saddam and 9/11](#), and false claims that Saddam had WMDs. Nobel prize winning economist Joseph Stiglitz says that the Iraq war will cost [\\$3-5 trillion dollars](#).

And experts say that the Iraq war has **increased** the threat of terrorism. See [this](#), [this](#), [this](#), [this](#), [this](#) and [this](#).

*(Incidentally, torture also [reduces our national security](#)).*

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