

The Daily Dish

Funding the Wall — A Lesson in Opportunity Costs

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Eakinomics: Funding the Wall — A Lesson in Opportunity Costs

Economists are fond of stressing that the real cost of any purchase or activity is the need to forego an alternative purchase or activity. In market settings, it is not that the price of Twizzlers (2 pound resealable, strawberry twists) costs you $10. It is that you give up the opportunity to buy two rolls of Necco Wafers (1 chocolate, 1 assorted) at $5 a pop. In non-market settings, the cost of watching Clemson seal the national college football title is the sacrifice of precious sleep on a weeknight. Opportunity costs are a bedrock of economics and budgeting.

I was reminded of this by the latest work from AAF's Gordon Gray and Ariane Martin, which explores the opportunity costs of the president's demand for $5.7 billion to build a wall (or fence, or barrier, or whatever) on the southern border. As reported by *The New York Times*: "Mr. Trump did not rule out declaring a state of national emergency that could allow him to bypass Congress to fund the wall. Asked if he would make such a declaration, an action that would likely face legal challenges, Mr. Trump said: 'If this doesn't work out, probably I will do it. I would almost say definitely.'"

As Gray and Martin point out, such a declaration involves reprogramming funds appropriated for the Pentagon. But it is not the whole Pentagon budget (roughly $700 billion) that matters. Instead, it would be done "by reprogramming funds appropriated for the purpose of military construction projects. $5.7 billion, no trivial sum in general, is more than half the $10.3 billion that was appropriated to fund the military's construction (MilCon) projects. These projects run the gamut from overseas hangars for the new F-35A and special operations training facilities to middle schools for children of military families and parking lots. Some of these funds have certainly already been obligated since the MilCon appropriation was enacted, further diminishing the magnitude of available resources

for reprogramming to fund the wall."

In short, the opportunity cost of the wall would be these projects. One might (cynically) think that it would be easy enough to choose the projects on a political basis — just drop those in states that voted for the opposition. As the report shows, this is not very easy. Eliminating everything in California, for example, takes care of the $0.7 in the $5.7 billion. (The report contains a complete list of projects and state totals.)

Funding the wall in the appropriations process has a clear and transparent opportunity cost. But doing it via a national emergency declaration does not make it free, or even easier.