The Daily Dish

The Real Threat to National Security

DOUGLAS HOLTZ-EAKIN, PATRICK HEFFLINGER | SEPTEMBER 9, 2016

Two business groups urged Congress on Thursday to give the Ex-Im Bank the power to make large loans without a quorum after the Senate did not consider the nomination of a new board member. The business groups are asking Congress to add a provision to the stopgap spending bill which would require the bank to have two board members, not the three currently needed for a quorum, in order to make loans in excess of $10 million. The Ex-Im bank has now gone more than a year since being able to take action on larger deals. Over 30 transactions, worth more than $20 billion, have been stuck in the pipeline due to the lack of the additional board member.

The House Natural Resources Committee voted on Thursday to exempt some leases from the Obama Administration's coal mining moratorium which took affect earlier this year. The committee decided that if a company had submitted an application for a mine before the administration's moratorium took effect they would be exempted from the moratorium. Included in the legislation is a three-year limit on the Interior Department's review of its coal leasing program, and it establishes a diverse advisory committee which will study the department's energy leasing policies on federal lands.

Eakinomics: The Real Threat to National Security

Donald Trump laid out his foreign policy agenda ("Peace Through Strength") in a speech in Philadelphia on Wednesday. It was instructive from three perspectives. First is its recognition that the world is a dangerous place, and that requires American leadership—not retrenchment. Second, at its core was an indictment of the recent trajectory of defense resources: "In the current year, we are spending $548 billion – a cut of 10% in real inflation-adjusted dollars. This reduction was done through what is known as the sequester, or automatic defense budget cuts. Under the budget agreement, defense took half of the cuts – even though it makes up only one-sixth of the budget. As soon as I take office, I will ask Congress to fully eliminate the defense sequester and will submit a new budget to rebuild our military."

This stands in sharp contrast to the Libertarian candidate, Gary Johnson, who advocates for a further 20 percent reduction in defense spending. And it is far more specific than Hillary Clinton, who opposes the defense caps and sequestration process but (like President Obama) is willing to hold national security as the hostage to be released only in exchange for greater non-defense discretionary spending. There has never been any good policy reason to link defense and non-defense in a dollar-for-dollar fashion and the Trump plan does not do so.

Finally, analysts quickly pointed out that the plan would add $150 billion to the deficit (over 10 years) even though Trump promises to offset his spending by "cutting unauthorized appropriations, reducing improper payments and underpaid taxes, and shrinking the federal workforce through attrition." The real lesson is that there simply isn't enough money there. The real money in the federal budget is in mandatory spending — the entitlements of Medicare, Medicaid, ACA subsidies, and Social Security. Over the next 10 years these programs will grow at annual rates ranging from 5.5 percent to 9.2 percent; swamping the revenue growth of 4.3 percent.

Until entitlement reforms produce a safety net that is both adequate and sustainable, national security will continue to be pushed out of the federal budget and federal debt will continue to threaten the growth of the economy. The entitlement spending explosion is the real threat to national security.