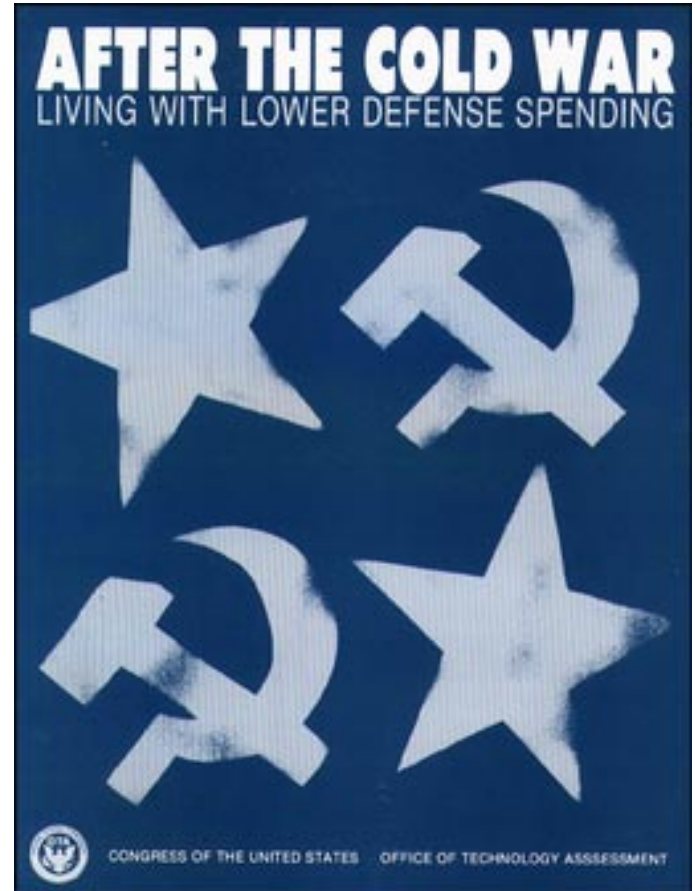


*After the Cold War: Living With Lower
Defense Spending*

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Foreword

The great events of 1991 ended the Cold War, banished the threat of global nuclear conflict, and freed us to redefine national security. While future U.S. defense needs are still unclear, they will surely require less money and fewer people, as well as shifting in kind. It is now safe to contemplate very substantial reductions in defense spending—perhaps to the lowest level in 40 years—and to turn our attention to other pressing national needs.

Welcome as these changes are, adjustment to lower defense spending is not painless. Many of the workers and communities that depend for their livelihood on the military will have to find new jobs and new sources of economic strength. Defense companies will have to adapt to commercial demands, or shrink, or possibly go under. On the bright side, the size of the adjustment is modest, compared to defense build-downs of the past and to the present size of the U.S. economy. From 1991 to 2001, perhaps as many as 2.5 million defense-related jobs will disappear. That averages to 250,000 a year, or two-tenths of 1 percent of the employed work force in 1991.

Averages, however, can be misleading. The decline could be uneven, with steep drops in short time periods, making adjustment more difficult. And hardships will be much greater than average in some communities where defense spending and jobs are concentrated. Another caveat: the U.S. economy is not as sturdy as it was during earlier defense cutbacks. American industry faces tough challenges by foreign competitors, especially the Japanese; well-paid jobs to take the place of defense manufacturing jobs are scarce; and the 1990-91 recession shows few signs of lifting in early 1992. Government programs can help defense industry workers, veterans of the armed forces, and communities make the transition, and can lend assistance to defense firms that want to get into more commercial production. But their prospects will depend most fundamentally on growth in the national economy.

This is the first report of OTA's assessment of Technology and Defense Conversion, requested by several congressional committees and members of the Technology Assessment Board to examine effects of the defense build-down on the civilian side of the economy. This report focuses on ways to handle the dislocation of workers and communities that is, to some degree, inevitable in the defense cutback. It opens a discussion of how defense technologies might be converted to commercial applications. The second and final report of the assessment will continue that discussion and will concentrate on opportunities to channel human and technological resources into building a stronger civilian economy.



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NOTE: OTA appreciates and is grateful for the valuable assistance and thoughtful critiques provided by the advisory panel members. The panel does not, however, necessarily approve, disapprove, or endorse this background paper. OTA assumes full responsibility for the background paper and the accuracy of its contents.

After the Cold War: Living With Lower Defense Spending

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