Senator Lindsay Graham, The Sequester, Defense Cuts, And The Swaying Palmetto State Economy

Author : michaelbloomer

Michael Matthew Bloomer, February 18, 2013

Much of the time South Carolina's Senator Lindsey Graham reminds me of a grade school pest, someone you want to swat away. Lately his insistence on "Benghazi! Benghazi! Benghazi!" was among the more unmoored from probative necessity, and perhaps the least useful. He strongly vowed to block Chuck Hagel's nomination, partly because of Benghazi, something Hagel had as little connection to as Graham's questioning had to relevance. Yesterday, Graham backed off, and on *FOX News Sunday* told Chris Wallace he'd support Chuck Hagel because “president deserves great deference in his choice.” HUH? Pest. He does that fairly often.

Nonetheless, on immigration reform and a few other issues, Graham, in the age of red meat

Republicanism, is a bit of a centrist. He's more likely to showcase his wing nut nature these days, like his embarrassing questions during the gun control hearings, because he fears a 2014 re-election challenge by a really red meat candidate, as in Tea Party.[1] Though not a centrist as in pre-Gingrich era centrist, Graham's among the nearly GOP "centrists" we have.

About the sequester, Graham has always been clear in his distaste for it. ("I'll fight it with every ounce of my being."[2]) During an appearance on *Fox News Sunday*, Graham answered a Chris Wallace sequester question with this pesky reply:

> "Well, all I can say is the commander-in-chief thought — came up with the idea of sequestration, destroying the military and putting a lot of good programs at risk. It is my belief — **take Obamacare and put it on the table**. You can make $86,000 a year in income and still get a government subsidy under Obamacare. **Obamacare is destroying health care in this country and people are leaving the private sector, because their companies cannot afford to offer Obamacare and if you want to look at ways to find $1.2 trillion in savings over the next decade, look at Obamacare, don't destroy the military and cut blindly across the board.** There are many ways to do it but the president is the commander-in-chief and on his watch we'll begin to unravel the finest military in the history of the world, at a time when we need it most. The Iranians are watching us, we are allowing people to be destroyed in Syria, and i'm disappointed in our commander-in-chief."[3]

Firstly, aside from the obviously cold-hearted attempt to gut Obamacare, Graham has only the Defense Department in mind when he bemoans the sequester. As we see, he's perfectly willing to shut off needed medical care to millions of Americans, and to lie about Obamacare's effects as well. His plea to "not cut across the board" tends toward insincere, his interest is primarily defense spending. He's regularly pulled in significant campaign contributions from Lockheed Martin, Fluor Corp., General Electric, Boeing, and defense-related PACs[4] so he's beholden, but not outlandishly so.

Secondly, as noted at the outset, although Graham won re-election in 2008 with nearly 58% of the vote, in 2014 he may face a primary challenge from the right. Consequently, he's doubling down on his usual DOD passion so as to leave no room to his right for challengers to squeeze through.

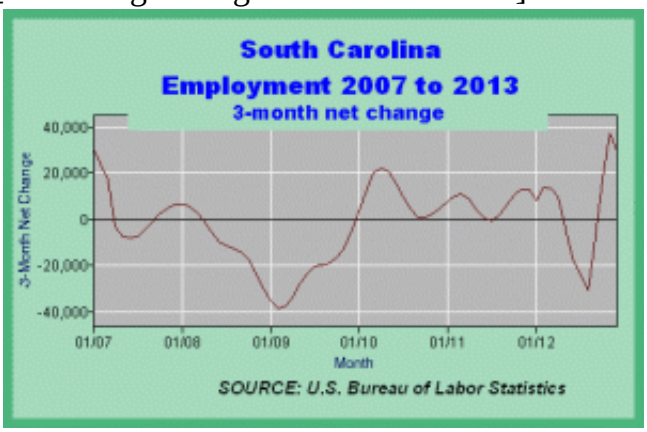
All that aside, Graham's concerns for the impact of the sequester on his state are valid. At $15.7 billion in FY 2011, South Carolina is in the middle tier of state recipients of defense-related spending in most categories, for example, defense spending as a percentage of state GDP.[5] A November 2012 South Carolina Military Base Task Force report, *The Economic Impact of the Military Community in South Carolina (hereafter* EIMC*)*,[6] summed it up:

> The military footprint in South Carolina is significant. The state is home to eight major military installations. According to the most recent *Demographics Report* prepared by the Office of the Deputy Under Secretary of Defense (Military Community and Family Policy), approximately 36,400 active-duty military personnel, 19,100 military reserve personnel, and 10,400 Department of Defense Civilian personnel are operating in the state. The most current *Statistical Report on the Military Retirement System* indicates that over 56,000 military retirees reside in South Carolina. In addition, there are nearly 900 defense contracting firms executing Department of Defense contracts within the state. . .

According to EIMC, the military community "supported approximately 138,161 jobs earning $7.2 billion in annual employee compensation." The job figures include important multipliers:

> [Employment data] includes the FTE positions that are directly employed by the military installation *and* the FTE positions off-base that exist because of the expenditures of the military installation as well as those FTE positions off-base that exist because of the off-base spending of the FTE personnel directly employed by the military installation.

[caption id="attachment_4635" align="alignleft" width="300"]



Will progress halt?[/caption]

South Carolina's workforce of a bit more than 2,500,000 is, in a real sense, just getting back to work. The ranks of the *employed* have just reached their December 2008 level. Unemployment during the recession never was lower than 7.1% and reached 12% in December 2009 before falling steadily to December 2012's 8.1% level after the federal stimulus effect weighed in. Nonetheless, when one considers that pre-recession, South Carolina's unemployment rate ranged from 5% to 6%, their present level is still high.[7]

Sequester-related military cuts would hit the state hard, particularly defense contract cuts.[8] The November 2012 South Carolina Military Base Task Force report cited above discussed the DOD contract boost the state receives

Several South Carolina business organizations and individuals, commonly referred to as defense contractors, provide products and services to the DOD and the state's military installations. According to USAspending.gov, the DOD has obligated over $29.4 billion to defense contractors for work performed in South Carolina since 2003. On average, the DOD has obligated $3.3 billion a year to South Carolina establishments and DOD contracts tend to account for a little more than 2% of South Carolina's gross state product (GSP) each year.

For fiscal year 2011, the DOD issued 27,533 contracts (including modifications) to over 800 defense contractors performing work in South Carolina, with a median contract value $7,798. The majority (?75%) of the contract dollars obligated to South Carolina establishments went to defense contractors that served the needs of South Carolina's military installations. . . The remaining contract dollars (?25%) were awarded to defense contractors serving the needs of the US military outside of South Carolina.

Assuming the sequester kicks in, and holds, and assuming a conservative 15,000 - 20,000 defense-related job losses, would, of course, be a major blow to South Carolina. As we've seen above, the state is just climbing out of a deep recession where joblessness has fallen in three plus years from its 12% high to approximately 8% now. For South Carolina, 12% to 8% is no cause for celebration, but is cause for hope. So, in defense-related employment alone, 15,000 new unemployed souls would push South Carolina's unemployment rate to nearly 9%, an increase of 1%. A sequester would, of course, add to the burden of other non-defense job losses that would result as well. In effect, the state might see its 2013 unemployment rate rise to 10-11%, a heartbreaking collapse, particularly for the already long-term unemployed.

Yet, both sides agreed - although many blame the Obama administration - to put the sequester in place in 2011 to block the unthinkable, i.e. that the "supercommittee" would not reach a budget/deficit agreement. With such a powerful incentive to reach a balanced bargain, surely all will be well. Akin to France installing its invulnerable post-WWI Maginot Line to absolutely prevent a German invasion along the route of the last war, the sequester may fail as well in the face of devil take the hindmost Tea Party fanatics. This GOP insurgency is *not* the last war.

1. *Lindsey Graham on a roll with conservative issues*, JONATHAN ALLEN and GINGER GIBSON, *POLITICO*, Feb. 13, 2013 ?
2. Budget sequesters looming: who'll be at risk?, Tom Curry, NBC.com, Nov. 16, 2011 ?
3. Video, Fox News Sunday, Feb. 17, 2013 ?
4. Lindsey Graham, OpenSecrets.org (accessed 02-18-2013) ?

5. *Comparison of Federal Spending by State in the United States, Amounts in percent state GDP*, (for FY 2009), usgovernmentspending.com (accessed 02-28-2013) ?
6. *The Economic Impact of the Military Community in South Carolina*, South Carolina Military Base Task Force, November 2012 ?
7. *Local Area Unemployment Statistics, South Carolina*, U.S. Bureau of Labor Statistics (accessed 02-18-2013) ?
8. Charleston's economy girds for leaner defense budgets, Tim Mullaney, *USA TODAY*, Feb. 3, 2013 ?