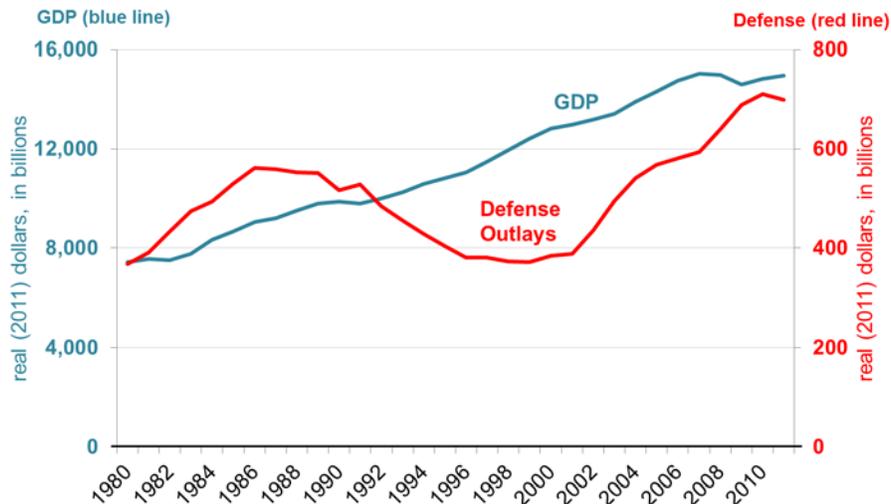


In recent weeks, politicians and pundits have often implied that reductions in defense spending would shrink the gross domestic product (GDP) and further weaken the already-weak economic recovery. Based on this week's chart series, their concerns don't appear to pan out. In fact, over the past 30 years, real economic growth has grown and shrunk irrespective of defense-spending levels.

Using data from the [Office of Management and Budget](#), these charts highlight general trends between defense outlays and real GDP. The first chart represents the year-to-year changes in defense outlays and real GDP. The second chart shows the magnitude (or levels) of historical defense outlays and real GDP. Both measures indicate a weak relationship between defense outlays and GDP.

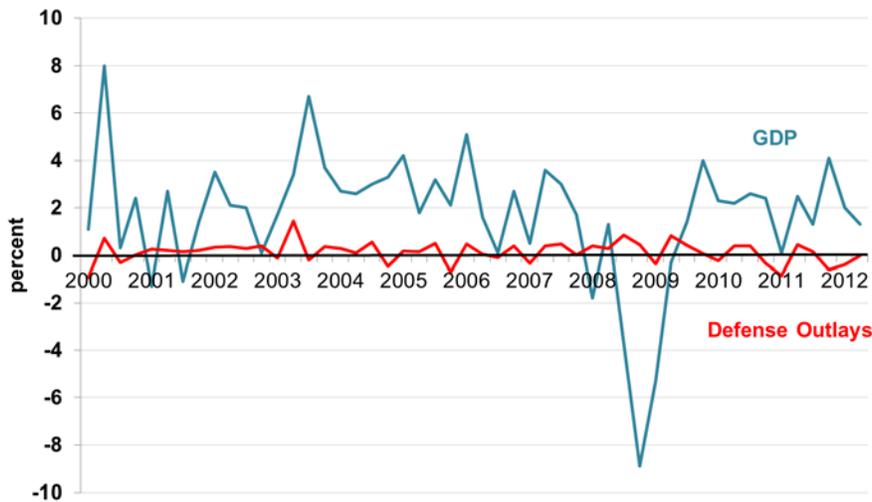
The final chart looks at the Bureau of Economic Analysis's [quarterly data](#) on the share of federal defense spending to percentage change in real gross domestic product. The data confirms that defense outlays have had virtually zero, or less than one percent, contribution to aggregate economic output between 2000 and 2012.

### GDP and Defense Outlays, 1980–2011



Source: Office of Management and Budget, Historical Tables 8.2, accessed on September 28, 2012, <http://www.whitehouse.gov/omb/budget/historicals>. Produced by Veronique de Rugy, Mercatus Center at George Mason University.

### Defense Share to Percent Changes in GDP



Source: Bureau of Economic Analysis, Table 1.1.2. Contributions to Percent Change in Real Gross Domestic Product, accessed September 28, 2012, <http://www.bea.gov/national/pdf/dpaa.pdf>. Produced by Veronique de Rugy, Mercatus Center at George Mason University.

Veronique de Rugy [discusses](#) the impact of the Budget Control Act’s automatic reductions on the defense budget in a Mercatus chart.

*To contact Dr. de Rugy, call 202.550.9246 or email [rlandaue@gmu.edu](mailto:rlandaue@gmu.edu)*