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# *Military Overspending: What is it Doing to Our Economy?*

by David Milliken

The American economy is seriously troubled. The Prime Lending Rate recently reached twenty percent, with the inflation rate not far behind. Unemployment hovers around eight percent. We are told that the "era of limits" is upon us. "Austerity" is the federal budgetary watchword.

Yet, down the clean, cool corridors of the nation's largest office building, the nation's largest spender continues on, as if the "era of limits" somehow forgot this labyrinth of bureaucracy. President Carter's proposed 1981 budget asks for \$142.7 billion for the Pentagon, an increase of three percent above inflation and projects further increases over the next five years. Nearly two thirds of controllable federal funds will be spent by the military under this budget. Is military spending the uncontrollable, irreplaceable monster it appears to be, destined to overpower every President or Congress that attempts to tame it? Is it the tonic the economy needs, or can't afford to lose?

The basis for this idea can be traced back to 1941. Billions of dollars were spent by the U.S. in defeating the Germans and Japanese. When the war ended, the Great Depression of the 1930's was no more. Military expenditures provided dramatic evidence that it was a cure for an ailing economy.

## **Military Spending Decreases Jobs**

In W.W.II most of the weapons production was labor intensive, requiring many workers. Today's weapons production, however, is capital intensive — that is, it requires large amounts of raw materials, expensive laboratories and technology, and employs fewer people. Consequently, massive military spending contributes to unemployment rather than helping to solve the problem.

This conclusion has been supported by several recent studies. According to the Center for Defense Information, military employment per billion dollars has shrunk from over 100,000 in 1964 to just 45,000 in 1977. The same money could have created 53,000 jobs in civilian production, 71,000 jobs in anti-recessive aid to state and local governments, or 98,000 jobs in public service employment.

Another study by Marion Anderson of the Public Interest Research Group in Michigan (PIRGIM) found that one billion dollars spent on military industry creates 14,000 fewer jobs than if spent in civilian industry. Similarly, one billion dollars spent for military personnel creates 30,000 fewer jobs than one billion dollars spent by state and local governments to hire teachers, police and firemen.

In terms of Pentagon contracts returning tax dollars

to states, New York State loses more than any other state on military spending. An analysis published by the Coalition for a New Foreign and Military Policy shows that a ten billion dollar increase in military spending would yield a net loss of 52,000 jobs in New York; 22,000 jobs in New York City alone. Locally, there would be a loss of 2,500 jobs from the Buffalo area.

The shrinking employment of the Pentagon is especially evident in California where despite increasing military spending, total aerospace employment has decreased from a 1968 high of 750,000 to approximately 440,000 in 1979. Locally, Bell Aerospace in Wheatfield, New York, has lost several thousand workers over the last decade. Moreover, even when military contracts are plentiful, employment in the aerospace industry is irregular and uncertain. When contracts are finished, layoffs inevitably follow.

## **Other Inflationary Effects**

Besides exacerbating the unemployment problem, weapons spending has several inflationary effects on the economy. First, massive Pentagon spending pumps the economy full of money but does not produce a product that consumers can buy. As a result, there is more money chasing fewer goods. And that's inflationary. Available products increase in cost and the buying power of money decreases.

A second inflationary factor is the way in which the government buys its weapons. Initially, there is little, if any, competitive bidding for contracts. When there is competition, it generally concerns design differences rather than price. Moreover, most contracts in the military context are what is known as cost-plus contracts — they promise to cover the contractor's price, plus guarantee a predetermined profit. Even regular contracts turn out to be cost-plus: if a contractor sees that it cannot fulfill the contract at the agreed price, by suggesting the possibility of going out of business, it can easily convince the government to agree to a higher price. In some cases, this process has occurred several times. Thus, there is no incentive to minimize costs.

This has a severe inflationary effect beyond the fact that these weapons systems end up costing far more than they are worth. Since there is no incentive to minimize costs, military contractors can afford to pay very high prices for anything they need, from materials to scientists and engineers. This forces the civilian sector's costs up, since, in order to attract creative talent and procure materials, civilian industry must compete with the military industry.

A third, related factor is the draining of engineers and scientists from civilian industry. According to Dr. Lloyd J. Dumas, a Columbia University economist,

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between one-third and one-half of American engineers and scientists are employed in military or military-related work. This has seriously reduced the rate of development in civilian technology, resulting in a productivity growth rate of about 1.6 percent since 1964, the lowest of any industrial nation in the world. Since productivity growth is no longer able to offset rising costs, manufacturers are forced to raise prices, causing further inflation.

These inflationary effects add up to create higher unemployment. As American prices rise, American goods are frequently priced out of both foreign and domestic markets, resulting in declines in business and jobs.

Previous Commitments Remove Much of Budget From Current Control (Billions of dollars)	
<b>UNCONTROLLABLE \$471.6</b>	
Entitlements \$298.5	
Social Security	\$142.1
Medical care	\$53.9
Retired Federal employees	\$38.9
Public assistance	\$20.2
Other entitlements for individuals	\$43.4
<b>Contract obligations \$101.4</b>	
Military	\$40.6

Nonmilitary	\$60.8
<b>Interest \$54.8</b>	
(Interest)	\$54.8
<b>Program commitments \$16.9</b>	
(Includes general revenue sharing)	
<b>CONTROLLABLE \$150.3</b>	
Military	\$91.8
Nonmilitary	\$58.5
Uncontrollable outlays are those that the Government is committed to spend unless extraordinary legislation is enacted. Controllable outlays are those that can be changed at the discretion of the President or Congress	

The New York Times / Jan. 29, 1980

## Overkill

Not only is massive military spending bad for the economy, it is also unnecessary. Several former presidential advisors, including former Defense Secretary Robert McNamara, have testified to the "overkill" capacity of the U.S. nuclear arsenal.

I.F. Stone pointed out in 1972 that only 22% of the military budget was used for defense. This figure is somewhat generous as it includes the unnecessary overkill referred to by McNamara. The rest of the 75.1 billion dollars was spent on the Vietnam War (20%) and the U.S. overseas military empire for the purpose

of "containing communism" (58%). This includes the string of military bases the U.S. maintains around the world from the Pacific to Western Europe and the military aid sent to non-Communist regimes in an effort to insure their continued allegiance.

Professor Seymour Melman of Columbia University has calculated that the U.S. could provide national defense for about ten billion dollars — 7% of Carter's proposed 1981 military budget.

When confronted with proposals to cut military spending, the Pentagon and its supporters invariably respond with horrifying tales of the "Soviet threat." If we don't constantly upgrade and expand our weapons systems, the Russians will surely attack. We must not jeopardize our national security.

The Pentagon has successfully used this tactic for decades. Yet, after more than thirty years of an escalating arms race, we are less secure than when it began. Since the U.S. and the Soviet Union each has enough firepower to destroy every person on earth, it is conceivable that a war between the two could obliterate all life on the planet. This was not a possibility before the development of atomic weapons.

Moreover, the weapons being developed and deployed today are not defensive in nature. Such weapons as the cruise missile, the MX missile and the MARV (maneuverable reentry vehicle) systems are extremely accurate (within 100 feet of their intended target). Such accuracy is not necessary for attacking civilian centers but is required for a successful attack against "hard" targets like missile silos. But why would the U.S. attack a Soviet missile silo unless there was a missile in it? And why would missiles still be in their silos unless the Soviets had not yet attacked? The idea that the Soviets might fire only some of their missiles, giving these very accurate missiles a defensive function is untenable. The main strategy used by both nations has been Mutually Assured Destruction (MAD). By maintaining an overwhelming retaliatory capability and being ever ready to completely destroy its adversary, each side make a first strike by the other an exercise in suicide. The Russians know that any nuclear attack would invite the complete destruction of their country, including any missiles left in their silos. There is therefore no incentive for the Soviets to show restraint in an attack, and if their missiles were still in silos it would be virtually certain that they had not attacked. Hence, these weapons must be intended for a preemptive first strike and not for deterrence, as the Pentagon claims.

This conclusion was substantiated in 1977 by then Defense Secretary Donald Rumsfeld: "The most ambitious strategy dictates a first-strike capability against

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the enemy's offensive forces which seeks to destroy as much of his megatonnage as possible before it can be brought into play. An enemy's residual retaliation, assumed to be directed against urban-industrial targets, would be blunted still further by a combination of active and passive defenses, including ASW (anti-submarine warfare), ABM's (anti-ballistic missiles), anti-bomber defense, civil defense, stockpiles of food and other essentials, and even the dispersal and hardening of essential industry."

Not only does this type of thinking encourage the idea that nuclear war is a viable and winnable alternative, it also makes the Russians nervous. In a crisis, the Soviets might more readily fire their missiles so they wouldn't be destroyed in their silos. Adding a heightened readiness to launch an attack to the fact that several false warnings of attack have already occurred increases the possibility that we could all be destroyed on the basis of a human error.

## Converting to a Non-Military Economy

Albert Einstein once said "the splitting of the atom has changed everything save our modes of thinking." One mode of thinking that needs changing is our conception of national strength. By the present measure of strength (i.e. military power) the United States ranks number one. But in 1979 we were eighteenth in doctor-patient ratio, thirteenth in infant mortality and seventh in life expectancy. We need to realize that national strength and security are dependent upon a healthy society and economy rather than numbers of weapons.

Of course, any unplanned reduction in military spending would result in widespread layoffs among military workers. A proposal which would avoid this problem is Planned Economic Conversion (PEC). PEC basically means planning ahead for a more peaceful economy, avoiding mass layoffs and creating new job opportunities.

Such a proposal has been introduced in Congress by Senators George McGovern and Charles Mathias and Representative Ted Weiss. Among its provisions:

- pay salaries and benefits to displaced workers for up to two years;
- provide training and retraining for workers who need it;
- mandate alternative use committees at each defense facility, with labor, management and community representation;
- require the preparation of alternative plans for each facility to assure the development of future job openings *before* plant closings;
- transfer government capital from military to civilian purposes;

—finance conversion planning through an assessment on contractor revenue.

These proposals are not mere idle fantasy. The Pentagon's own figures show that it's been done before. In 1933 a munitions plant in Muscle Shoals, Alabama was converted by the Tennessee Valley Authority into what has become one of the major fertilizer research and development facilities in the country.

Between 1961 and 1977, 75 communities affected by military cutbacks received federal aid. Altogether, 78,000 civilian jobs were created to replace 68,000 military jobs.

In the early 1970's, the AVCO engine plant in Charleston, South Carolina switched from producing Army helicopters to building truck engines. It now employs more people than it did before the conversion.

Military installations have also been converted into educational facilities. Forty-eight former bases now house seven four year colleges, 26 technical schools, six vocational schools and a variety of other educational institutions. Student enrollment totals 62,000.

Many other alternatives have been suggested. One of the most comprehensive plans was proposed by the Combine Shop Stewards Committee at Lucas Aerospace, the largest aerospace firm in Europe, in Burnley, Lancashire, England. The Committee came up with 150 civilian products that Lucas could produce with its present equipment and personnel instead of weapons. They include such things as much needed kidney dialysis machines, alternate energy technology and a low technology combined road-rail transportation system which has already attracted the interest of Tanzania and China.

Such alternatives may be possible locally at Bell Aerospace. However, in recent years when Bell's Minuteman III contract has been endangered, local congressmen have consistently ignored such possibilities. Instead, they have concentrated their energies on retaining inflationary, capital-intensive military contracts. The result has been more layoffs and further decline at Bell. One promising note, however, is Representative John LaFalce's recent support for conversion legislation.

Between one-third and one-half of all the scientists and engineers in the U.S. are employed in military or military-related work. Perhaps, if all this creative talent were rechannelled into socially useful pursuits, we would be able to make real progress in protecting and enhancing life instead of further developing our capability for mass destruction.

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