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A SYMPOSIUM

DISARMAMENT

AND THE

AMERICAN ECONOMY

STUDIES IN THE IDEOLOGY, POLITICS
AND ECONOMICS OF DISARMAMENT IN
THE U.S.A. BY

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| James S. Allen | • | Herbert Aptheker |
| Robert W. Dunn | • | John Eaton |
| Jurgen Kuczyuski | • | Hyman Lumer |
| Victor Perlo | • | George Wheeler |

Edited by HERBERT APTHEKER

Price 75 cents

A Symposium:

DISARMAMENT and the AMERICAN ECONOMY

James S. Allen • Herbert Aptheker • Robert
W. Dunn • Hyman Lumer • Victor Perlo •
George Wheeler • John Eaton • Jurgen
Kuczynski. *Edited by Herbert Aptheker.*

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FOREWORD

On January 30, 1960, the Faculty of Social Science held an all-day Conference on Disarmament and the American Economy, attended by almost two hundred people. On this occasion, papers were presented by several American and European experts, interspersed with considerable questioning and commenting from the audience; all are published, substantially as there given, in this work. In addition, a symposium on the same question was held in Chicago, late in March, 1960, participated in by Hyman Lumer, Herbert Aptheker and James S. Allen. The paper read at that time by the latter is also included in the pages that follow.

Developments since, and particularly the smash-up of the projected Summit Meeting to have been held in Paris in May, 1960, offer additional urgency to the subject of this volume. Not unimportant in the blatant manner in which the United States Government chose to break up that meeting—to the holding of which it had agreed in the first place only after years of urging and with hardly-concealed distaste—were considerations of an economic character consequential to decisive elements among the U.S. ruling class. These include the enormous profits those elements realize from huge armaments expenditures. Included, too, are their fear of the rising economic challenge of Socialism and their awareness that a world really at peace and significantly disarmed would be one in which the economic advances of the socialist countries certainly would leap forward at rates even greater than those already achieved.

At the same time, the attempted re-freezing of the Cold War, if successful, would continue and intensify the already crushing economic burden of armaments in the "Free World." And such a re-freezing carries with it the very grave danger of Hot War

which, under present conditions, threatens world-wide incineration. Hence, an examination of the economics of disarmament within the U.S. economy is of vital consequence. The present examination, developed in the pages that follow, shows the economic feasibility—indeed, necessity—of disarmament. It demonstrates that if disarmament is undertaken and if the masses of American people—the working people, the trade-union movement, the Negro, Mexican and Puerto Rican millions, the poorer farmers, small businessmen, and professional groups—by their pressure bring this about and control its development and the uses to which the billions saved are to be put, then depression need not result. On the contrary, a progressively-oriented, anti-monopoly coalition could institute—with the wealth thus saved—a national and international improvement and welfare program that would have the potential of eliminating poverty, illiteracy and much of the disease now thwarting and besetting so large a proportion of humanity.

When it is borne in mind that such a shift in our own country would be but a reflection of a shift in the resources and purposes of the entire world, and that peaceful co-existence would manifest itself in a friendly competition seeking the largest good to humanity, it becomes apparent that while mankind faces in this atomic age its greatest dangers, it simultaneously confronts its most thrilling opportunities. Central to the choice that will be made, is the role of the people of the United States. If the pages that follow contribute in the smallest measure to making that role one of peaceful and creative labors, all who have participated in this volume will be overjoyed.

June 6, 1960.

THE EDITOR

THE IDEOLOGY OF DISARMAMENT

By Herbert Aptheker

HERBERT APTHEKER, Editor of *Political Affairs*, has written many books, including *American Negro Slave Revolts; A Documentary History of the Negro People in the U.S.; History & Reality; The American Revolution*.

The transcendent question before the world today is: Peace or War? A central feature of that question is disarmament. Present in the problem of disarmament are varying considerations, including: 1) The nature of differing social systems; 2) the character of U.S. and USSR foreign policies; 3) the knowledge that in the past, armament races have all terminated in just one way—the expenditure of those armaments through war; 4) the relationship between expenditures for armaments and the viability of the U.S. economy.

All these considerations are inter-related; for purposes of study, however, it is possible to focus on one or another of them. In doing this it is necessary to bear in mind the inter-relationship; at the same time, in doing this, light may be thrown on the particular aspect and this should serve to illuminate the general question.

In this volume, we have chosen to concentrate upon an examination of the relationship between military expenditures and the U.S. economy. This is of particular consequence because there is a very widespread belief here, among all classes of people—big and little business, working people, including major segments of the trade-union leadership, and by no means excluding Negro and other specially exploited components of the population—that without the enormous expenditures for war preparations characteristic of our country ever since World War II, we would have had

a disastrous depression perhaps greater than, and certainly of the proportions of, the depression of the '30's.

A result of this has been an ambivalent attitude towards the peace struggle—however shamefacedly the ambivalent stance may be assumed—which certainly has played a major role in making the peace movement in our country as poorly organized and as ideologically confused as it is.

There is, nevertheless, developing not only everywhere else in the world but also in the United States, an increasing awareness of the necessity to avoid another major war; as this vital desire spreads and grows, there appears more and more often increasingly serious inquiry into all the assumptions hitherto conditioning acceptance of vast expenditures for arms, and especially nuclear weapons. Not least is a mounting uneasiness about the alleged necessity, from the economic viewpoint, of gigantic arms expenditures; some reject this as intolerable morally; some reject it as unsound economically; some even go so far as to declare that if it is not unsound economically and if indeed under the present economic system such arms expenditures are indispensable, then perhaps it is the present economic system that needs major overhauling or even displacing.

We would like to bring forward characteristic examples of these expressions of opinion from quite varied and important segments of American public opinion.

The President of the National Council of Churches—the Council represents 33 Protestant and Eastern Orthodox denominations—the Rev. Dr. Edwin T. Dahlberg, stated on December 18, 1959:

"Faith in God is still the supreme yearning of millions of His children. So likewise is the passion for peace among the nations. But we must put these prayers to work. It is a sin and a disgrace to us all that we should permit a materialistic, God-denying Communist like Nikita Khrushchev to grab the ball and run away with it—going down the field of history with such great words as universal disarmament, world friendship, reconciliation, and good will. These are our words, Christian words. . . . May our Father in heaven forgive us for being too timid to proclaim and implement the very message that was given to us on Christmas eve so long ago."

The Reverend doctor went further. He even suggested: "Pos-

sibly God has waited long enough. He may be saying to us, 'I have been counting on you who bear my name. But if you fail me, I shall have to give my gospel to other nations, other ideologies, and other religions.' It would not be the first time in history that God has rejected his people, and turned to the shepherds, mangers and stables of the world for the renewal of hope and righteousness among men."

The depth of this searching of the Christian faith, by believers, face to face as they are with colossal expenditures for awful devices of human extermination, probably is without precedent in modern times. It has reached the point where, as Professor Gabriel Vahanian, of the Department of Religion of Syracuse University, put it, in a recent article, the conviction is growing that we are living in "The Post-Christian Era" (*The Nation*, Dec. 12, 1959). Another good indication of the intensity of the questioning is the volume by Karl Barth and Johannes Hemel, *How to Serve God in a Marxist Land* (N. Y., 1959, Association Press), including the long introduction by Professor Robert McAfee Brown.

Very recently, William Ernest Hocking, Emeritus Professor of Philosophy, Harvard University, in his book, *The Strength of Men and Nations* (Harper, N. Y., 1959) finds convincing the reports of Adlai Stevenson and Walter Lippmann that the USSR is genuinely desirous of a peaceful world. Professor Hocking even suggests that the USSR may have preceded us in seeing the logic and necessity of devoting all economic energies to social improvement at home and economic advance among the less developed nations abroad, so that "its talk of peaceful competition may be governed at least as much by realism as by sentiment" (p. 135). Hence, he thinks it necessary to ask: "Are we [i.e., the U.S.] willing, to that end, to join the USSR in securing some of the capital for that effort by terminating the morally and economically monstrous contest for superiority in nuclear arms—arms destined, if we can trust the residual human integrity on both sides—never to be used?" (p. 161)

Among elements of the bourgeoisie—and not only what may be considered an occasional maverick like Cyrus Eaton—there is appearing the most basic kind of questioning of value and pol-

icies, even as among distinguished religious and educational leaders. Thus, Marriner S. Eccles, a leading Western banker, formerly Chairman of the Board of Governors of the Federal Reserve System, speaking at the Annual Convention of Utah Wool Growers, held in Salt Lake City on January 17, 1959, entitled his address, "A World Concept is a Must Today." By this he meant, as he explicitly affirmed, not that the world needed only one ideology, but that this could not be the American century; that it was a world in which several different systems did exist and would have to co-exist for the future. Mr. Eccles insisted that "Our entire foreign policy, including economic and military aid, is unrealistic and obsolete." On the other hand, he went on, "I believe that Russia comprehends the world's problems and sees the desirability of a friendly association with us in her own interests." The onus, according to Mr. Eccles, lay upon the United States—"I cannot see any possibility of improving our relationship until we retreat from some of the positions we have taken which have no place in a realistic world concept"—and in particular Mr. Eccles urged a change in U.S. policy towards People's China, the encouraging of trade with the Socialist countries, and the abandonment of the U.S. policy of propping up various "dictator countries."

Concluding his remarkable paper—postulated throughout upon conservative, classical bourgeois economics—Mr. Eccles said that "Together, we [the USA and the USSR] can end the cold war, stop wider distribution of nuclear weapons—with the dangers inherent therein—discontinue further testing of such weapons, and work effectively toward a world-wide disarmament." From the economic point of view, here is the key paragraph in Eccles' address:

"It goes without saying that our domestic economy is closely related to the world's problems—and greatly influenced thereby. We are becoming increasingly dependent upon our enormous and ever-mounting defense expenditures. They are entirely responsible for our present huge budgetary deficit with its added inflation potential. This in spite of the huge tax take. In a free economy there are always heavy pressures—aside from the defense

needs—to continue these expenditures because of the immediate economic effect on business profits, employment, and the communities benefiting thereby. This, of course, for the country as a whole, is an illusion. In a world at peace the budgetary deficit would disappear, taxes could be reduced and, beyond this, in co-operation with Russia, we and our associates could take our place of leadership in financing the most urgent needs of the undeveloped countries—instead of wasting our substance by perpetuating the hostilities which exist.” (*Western Political Quarterly*, December, 1959)

Increasingly, in trade-union circles, there is more and more serious questioning of the role of armaments production in the economic situation. The recurrence of recessions, the fact that each new one is more severe than the preceding and particularly the fact that after each, the number of unemployed is greater than before, despite fantastic expenditure for arms, help account for this intensified re-examination—this, quite apart from the ethical and social questions involved. Characteristic of this in the mainstream channels of the trade-union movement was the editorial in the *Union Advocate*, the organ of the AFL-CIO in St. Paul, Minnesota, Jan. 10, 1960, demanding that the President and Congress “turn some thought to what is going to happen to America when it quits building guns, ships, planes, rockets, and the other gadgets of war.” “Is the price of peace little less than human misery, confusion and frustration?” asks the American labor paper—a question, by the way, that no European, let alone a European worker, could think of asking. Pointing to a decline in stock-market quotations whenever a “threat” of peaceful coexistence looms, the labor paper concludes: “Thus even a dim prospect for world peace is regarded as bad news for U.S. business—especially for the multi-billion dollar weapons business. That’s something to think about.”

Mr. Norman Cousins, in an editorial in the very influential *Saturday Review* (Nov. 14, 1959) finds that “something is troubling the American people.” He says it is: “The question whether we can afford peace.” The question arises, he writes, because, “There is underlying fear that the national economy would come apart at the seams should real peace break out.”

Cousins says this has the potential of corrupting the morality of the entire nation; and he insists that economically the result of real peace need not be disastrous. He writes: "We dread that the wheels of our factories will stop turning, the energy of our transistors be stilled, and the circulating power of the defense billions be cut off. We dread the cut-off because we know nothing to take its place." Then Mr. Cousins suggests a social and public welfare program to take its place and bring with it fruitful results. He insists that this requires only a determination in terms of "our values and our purpose." The problem, however, is not placed correctly this way. For, of course, they are not "our" factories and not "our" transistors; the purposes to which they are put are determined by those who do own them, and their purpose is profit and not social usefulness. This must be considered in weighing the origins—not the significance, but the origins—of the values and purposes that Mr. Cousins correctly finds to be self-defeating in human terms. This is not, as Mr. Cousins fears, "economic determinism," which he confuses with Marxism; it is social reality, it is Marxism.

In any case, the program Norman Cousins projects is splendid. For this we all can work together, laboring politically and in the direction of helping to develop mass movements capable of decisively affecting the State, and capable therefore of forcing shifts in foreign and domestic policies, including economic policy.

The basic connection between the nature of the socio-economic system and the impact and role of armament expenditures also is being seen more and more widely. A recent example of this consciousness is Robert L. Heilbroner's book, *The Future as History* (N. Y., 1960, Harper); this points to the relationship between curbing steep military expenditures and considerations of profitability which at present finally determine the functioning of the nation's economy. In a somewhat negative way, the same point is made by Stuart Chase in an article called "Peace, It's Terrible!" (*The Progressive*, January, 1960); here, as his title suggests, Mr. Chase notes the traditional "values" and functions of weapons production for a capitalist economy and so expresses concern as to how such an economy might adjust to a truly peaceful world.

But, at the same time, he remarks that such problems would not afflict the Soviet Union: "We need no crystal ball to see what will happen on the Russian economic front. Nothing unfortunate will happen at all. The transition will be planned well in advance—indeed is probably already in the blueprint stage." Of course, Mr. Chase does not attribute this difference to socialism, in so many words—this just is not done in the "best circles"—but many a reader will make this attribution for him.

A good deal clearer in projecting this relationship between Socialism and an economically painless transition to real disarmament is Professor C. Wright Mills; in his *The Causes of World War Three* (N. Y., 1959, Simon & Shuster) he makes this relationship explicit, although, it must be said, he does not dwell upon it, or develop it.

The most responsible of the American public commentators, in any case, report a new note of seriousness in the international consideration of questions of disarmament. Characteristic are the recent writings of Marquis Childs. In one case, Mr. Childs wrote (*N. Y. Post*, Jan. 18, 1960):

"The old familiar drama of disarmament is about to open for a new run. Whether it is taken as a kind of cynical poker game with most of the cards wild or a profoundly important—perhaps a final—attempt to lift the nuclear siege of recent years, it will occupy the stage in the months ahead."

After considering certain possible avenues of development, Mr. Childs concluded: "The disarmament drama has often in the past ended in futility. Today there is a feeling that it cannot again simply wither away in a desert of dusty words, since survival itself is at stake."

And in a later instance, this same columnist concluded (March 14, 1960):

"Formidable complexities stand in the way of even the smallest start toward disarmament. Not the least of these is the fact that the Western allies have gone right down to the starting line [of the Summit Meeting in Paris in May, 1960—H. A.] without being able to agree among themselves on which arms to reduce and on how to reduce them. Nevertheless, there is always the consolation

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that the talking has begun and that it promises to continue for a very long time."

That the disarmament talks promise to go on for a long time is true; it is also true that this time "they cannot simply wither away in a desert of dusty words." The talks have been going on and will continue and they have had and will continue to have a new note of seriousness—and must begin to produce real results in the near future—because the forces in the world desiring peace are, for the first time in history, decisively stronger than those desiring war. To a degree the American people already have been heard from; but to a degree only. They have not yet spoken out decisively and so the whole struggle for true peaceful co-existence still hangs in the balance.

When the American people do take a decisive stand on this matter, then peace in the world is certain; with peace secure, total disarmament will become a reality. There is, then, no more patriotic task open to an American today than to raise his voice as loudly as he can on behalf of peace in the world and only creative labor for all its inhabitants.

THE POLITICS OF DISARMAMENT

By James S. Allen

JAMES S. ALLEN is the author of several books, including *Reconstruction: The Battle for Democracy*; *Atomic Energy and Society*; and *Atomic Imperialism*.

I will devote my comments to what may be termed the politics of disarmament, in other words, to what is required to convert to a peace economy of full employment.

It is well to keep in mind as we discuss this, why we are able to consider it at all, in any realistic sense. For a decade we have been pelted by cold war hailstorms. Of late, the storm clouds

receded and we were treated to a bit of blue sky and sunlight. Like all changes of season, the old hangs on to the last as the new already impinges on our senses and makes us long for the full bloom of spring. In the climate of international relations, the conflict of elements is even more complex, and the seasons do not rotate in a given order. As events show, the first signs of a thaw can be followed by a cold war freeze, and more heat from the people is needed to again start the thaw.

Mankind has been disappointed too often by the promise of durable peace, and knowledgeable people look for something more substantial than the usual words of diplomacy. Confidence that peace can be won in our day, when the very life of nations depends upon it, arises from the revolutionary changes which have occurred in the world since the war, and which are continuing. Such profound changes cannot proceed for long without at the same time affecting the world position of our country. They have created a crisis for the traditional expansionist policy of American Big Business, with profound meaning for our internal political life.

This crisis arises from the fact that the freedom of action of American monopoly capitalism is severely circumscribed in the present-day world. The United States today stands at the very apex of world capitalism—but in circumstances in which the very orbit of capitalism is curtailed drastically by the progress of socialism in a good part of the world. The United States has become the mainstay of efforts to save world imperialism—but under the impact of successful colonial revolutions imperialism itself is disintegrating, and it is no longer the prime mover in world affairs. Cuba at our very doorstep shows dramatically how the rise of peoples in our current revolutionary world can frustrate the prime monopoly power, and inspire the peoples of Latin America to press harder for control of their own destiny. Furthermore, our ruling economic circles which for over a decade have extended their sway over other capitalist countries, now find themselves caught up in an intensive rivalry for markets and spheres of influence with the very countries they helped restore after the war.

These far-reaching changes do not alter the basic nature of capitalism in its present highly developed stage of monopoly, nor

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of the imperialism to which this system of society gives rise. But in a very essential way, the profound revolutionary changes in the world structure affect the manner in which the system of monopoly and imperialism is able to operate. The ruling monopoly forces have been cornered. As present world trends continue, monopoly must face the necessity of accommodation to a world in which it no longer enjoys the initiative. Peaceful coexistence with the socialist world has become a matter of national necessity. Peaceful competition between the two social systems is the hallmark of progress in the world we have today.

The profound changes we have indicated present a real challenge to the American people. It is not the dire challenge of war, as the advocates of a nuclear arms race would have us believe. It is a challenge to take advantage of the new opportunities presented by these world changes in order to speed up the ending of the cold war, and to modernize our foreign policy. We must make peace and disarmament the established national policy of the United States. The struggle for such a turn is the central issue of domestic politics. It requires a democratic revival which will corner monopoly within the country and restrain it—even as this is happening on a world scale—and open the way to social progress.

That peace is indeed *the* issue of domestic politics is shown in this presidential election year. True, the issue is not yet clearly identified in terms of candidates, parties, wings of parties, or even in a crystallization of a people's program which will unify all peace and anti-monopoly forces. But it is quite obvious that a new Administration will again have to take the road to the Summit, however reluctantly. This is due not only to the pressure of irresponsible new forces in the world. It is due also to the necessities of this particular presidential election, in which the insistent popular desire for emancipation from the fear of nuclear war must somehow be appeased.

Too slowly, the moderates and liberals in both major parties are trying to loosen their commitments to cold war policies, for they sense the direction of events. The favorite device in these circles is to emphasize the need for new social welfare measures,

side by side with a big arms economy. Such a position, for example, is taken by the Conference on Economic Progress, headed by Leon H. Keyserling—a group which reflects liberal thinking in top trade union, farm and some business circles usually associated with the Democratic Party.

A new booklet just issued by this group (*The Federal Budget and "The General Welfare"*) starts right off by bewailing the "marked trend toward dangerously inadequate outlays for national security." Then, with equal concern, it deplors "a marked trend toward inadequate outlays for domestic programs." Perhaps, some encouragement may be derived from the fact that throughout this booklet emphasis is placed on "The General Welfare," including Federal aid for education, public health, social security and other worthwhile measures, as the way to meet the challenge of rising standards in the socialist countries. At least this shows some recognition of the necessities of the present-day world—both at home and abroad. But when you add up all their proposals, you find that recommended Federal outlays for domestic programs in the next five years are to rise from \$31 billion to \$41 billion, or by about one-third, while military spending is to increase from \$48 billion to over \$61 billion, or roughly at the same rate—with the result that we will still have an overwhelmingly military budget.

If this be liberalism, God save us from the liberals! On these terms, even Nixon can afford to be a liberal. He, too, is urging the Republican Party, for the sake of the elections, to lay aside for the moment its conservative prejudices, and to support some faint public service and welfare programs. In fact, this is what the Rockefeller Bros. recommended in their recent series of program reports.

It is the same old cold war buggy, but with a fringe on top. The times demand a different approach, even from the middle-of-the-roaders. A program for the public welfare makes no sense as long as it is tied to a cold war munitions program. All the social welfare in the world will do us no good in a nuclear war. Today, the first test of any program which claims to be in the welfare of the American people is its stand on disarmament. We

can have no real social welfare program that will wipe out poverty in America and meet the needs of the people if the present level of over \$40 billion for arms is to continue, not to speak of increases.

The entire world, except for some of our home-grown ostriches, is well aware today that the principal obstacle to a disarmament agreement with the Soviet Union and other powers are the die-hard cold war and reactionary forces right here in this country.

We all know that powerful forces have a vested interest in the big arms program. It is not only a luscious profit plum which entails no market risks; through the military program Big Business has been able to consolidate its hold on all branches of government, and to undermine the very structure of representative democratic institutions. A decade of cold war has enabled monopoly to militarize and take over science, with dire consequences to our educational system. Contrary to our long tradition, the military brass now enjoys a high place in government—and also a hallowed seat on the boards of corporations. Dixiecratism and other backward social and political forces—like medieval ideologues and the outcasts of new societies the world over—find a secure refuge in the cold war United States. All the elements that would turn the clock back, and now impede the democratic revival of the country, have a stake in reversing the world trend to peaceful coexistence and disarmament.

But what is new is that these forces cannot have their way with the present-day world and that for the first time since we have become a monopoly-ridden nation the real prospect arises that people's movements can advance toward their objectives without being diverted by war. This is the dawn of a new period in the struggle for democracy in the United States. In a very fundamental sense, the magnificent new phase of the struggle for Negro freedom rising in the South, evoking spontaneous response especially among the youth everywhere, bespeaks the new confidence with which the forces of democracy in our land are rising to challenge reaction.

From the midst of the labor movement, too long quiescent also come insistent voices, breaking through the cold war smoke screen laid down by men like Meany, who would hogtie labor

by "partnership" with monopoly. Now, here and there, a national union sees no reason why labor should be excluded from the growing cultural interchange with the socialist countries. Others, with varying degrees of boldness and clarity, demand a complete break with cold war policy and a positive program for peace and disarmament, including recognition of China, in defiance of prevailing policy in the top ranks of labor leadership.

These are serious signs that the people, in a more favorable political atmosphere and sensing the new opportunities for progress, are beginning to move in the only way that can bring about a complete turn in our national policy.

But the question that now troubles many people is this: In our society can the basic bread and butter problems be solved under conditions of disarmament and a peace economy? Even during the decade of cold war economy, it is pointed out, we had three minor depressions, high prices and high taxes, and a rising number of permanent unemployed. The basic critical defects of capitalism in a state of highly developed monopoly and technology make themselves increasingly felt even with high military outlays. Even the munitions industries are not exempt—due to changes in weapons, these branches are themselves becoming "automated," in the sense that many less workers are needed to turn out the new nuclear arms than for conventional weapons. And the spread of real automation through many branches of the economy is accentuating the long-term trend in our country to produce more with less workers. How, then, can capitalism, at the very high level of efficiency such as we have, assure a permanent job at a decent standard of living to everyone?

The same middle-of-the-roaders we cited earlier usually answer by saying that everything depends upon increasing our rate of economic growth. By various calculations they come to the conclusion that a 5% yearly increase, rather than the going rate of around 2%, will provide *almost* full employment as well as resources for greater public services and for an even greater military budget. Here again, both the Keyserling group of liberals and the Rockefeller Bros. agree. That in itself should give the liberals cause for worry.

Certainly, no one can be opposed to a higher rate of growth, provided it is not channeled off for military purposes. But even assuming that our growth is devoted increasingly to civilian purposes, how can we be sure that this will be translated into better conditions for the people—such as the shorter work day, more housing, public health benefits, and other needs. Capitalism being what it is, monopoly will seek to appropriate for itself as much as it can from the surplus produced by our society, concentrating ever more of the social wealth in its own hands, even if this means the spread of unemployment and poverty. There is no magic formula under capitalism, and especially in an elite monopoly society, that can make depressions vanish and automatically improve living standards, even if one allows for a greater measure of social welfare than the liberals are now willing to concede.

Here we come to the heart of the problem. It is simple enough to give a general answer: only socialism can assure us a permanent peace economy of full employment, without war or the threat of war. That is true enough. But the problem poses itself in a more immediate context: How can we seek to approach such a state of affairs, even while capitalism exists in the country, for things are such in the world that a capitalist United States may well be forced to adapt itself to a world in which war is impossible?

Essentially, I think, the line of the answer has already been indicated. We can make advances in the direction of a full-employment peace economy to the degree that the people are able to hold in check those very Big Business and reactionary forces which want to continue the cold war. Fundamentally, we are dealing with a single problem. Cold-war full employment promises the security of the dead. The struggle for a peace-economy full employment is just that—a struggle, but a struggle for life, for a renewed nation, for a rejuvenated democracy and culture, and for the open road that leads to progress.

When half the nation's wage-earners depend for a livelihood directly upon the corporations, and of the industrial workers at least 75%, it is quite clear who controls this country, sets its policies and determines its general course. It is also clear that to

change this course, to set the nation on the road to progress, we need more than hope and good wishes. The alive and progressive forces of our society—in the labor movement, among the Negro people now in motion, among the farmers and from the midst of our intellectuals and the middle classes—such progressive forces ought to set their sights upon stimulating a common democratic effort to curtail and restrain the power of monopoly both in government and in the economy.

This kind of movement, once it becomes continuous, can bring about a deep democratic and cultural revival in the land to check Big Business power and to win a firm national policy of peace. Such movements, growing and spreading in many ways (as we see in the spreading movement for integration), can go beyond merely checking monopoly power. For as they grow, and as their demands become more persistent, new ground can be won that will extend and enrich democracy and strengthen the role of labor, the Negro people and other popular forces in public affairs.

Capitalism cannot be transformed into a welfare society, but mass movements for basic reforms and social changes can isolate the reactionary forces, place severe limitations upon the power of monopoly, even restricting capitalist exploitation itself, and build up the united fronts of labor, the Negro people and other democratic anti-monopoly elements so that they can proceed toward the elimination of monopoly from government and economic life.

Under our society, this is the only way we can approach a peace economy of full employment and increasing social benefits. The perspective of labor and democratic anti-monopoly struggles is the outlook that can unite the forces of the people for the present and for the future—for social progress in general, including the goal of socialism. It is a united, comprehensive perspective which envisions a progressive outcome from the present struggles for peace, democracy and economic betterment. It is along this line of struggle that we will approach a situation of full employment under conditions of permanent peace.

THE COLOSSAL COST OF WAR PREPARATIONS

By Robert W. Dunn

ROBERT W. DUNN is Director of the Labor Research Association and author of *Americanization of Labor; Labor and Automobiles, Labor and Textiles*, and other works.

The total amounts spent on world armaments have been estimated roughly at around \$100 billion a year. Of this amount the United States spends, in round numbers, about \$45 billion and the Soviet Union about \$25 billion for a total of \$70 billion, or about two-thirds of the world's total. Every hour the world spends about \$8.5 million for armaments which could eventually be used to blow the world to bits. Of this amount the U.S. alone spends about \$4 million an hour every hour of the day and night. This arms race is a deadly—and expensive—business.

The purpose of my paper is merely to give the general setting for the discussion of the economic effects of disarmament. This includes showing the size of our present armament burden in terms of the total economy and the amount it extracts from the pockets of the American people. In this connection we want to show what the present alliance between big business and the Pentagon means in terms of a colossal economic waste and the price you pay in a "free economy" for so-called "national security" which is no security at all in the present-day world of inter-continental missiles with nuclear warheads.

We have shown in our *Economic Notes* of Labor Research Association how the profits of the U.S. corporations have been swollen by war and preparations for wars, and how the rate of profit from capital applied to military business has been often from 50% to 100% greater than that applied to civilian production. We shall not deal here with this profits situation but mainly with the over-all cost to the people of the present armaments race

and how the Pentagon conspires with Big Business to make it still heavier.

In relation to the gross national product of the United States—the sum total of all goods and services turned out by both private and government sectors of the economy—military spending now represents roughly over 10%. This compares with about 1.4% in 1935, a peak of nearly 42% during the World War II period, and 13.5% in the post-Korean War period.

The magnitude of U.S. annual “defense-related” expenditure can be visualized best in comparative terms. It is approximately equal to the total amounts spent by all state and local governments in the course of a year; it is double the current rate of outlays for new residential construction; it is three times as large as the annual consumer expenditures for new automobiles; and, as noted, it accounts for one dollar in every ten spent on goods and services by consumers, business firms and all government units combined.

While the percentage of the gross national product that goes to military spending has risen, as noted, the percentage going to what is called government “welfare spending” has declined from around 11.5% in 1935 to less than 9% in recent years.

But this is only one way of looking at military spending and tends to obscure its cost to the taxpayer in terms of national or federal spending. Thus the figures of the President’s Budget Message bring out the relative size of war preparations much better than any comparisons with the vast, duplicating, GNP figures.

For the current fiscal year, ending this June, 1960, out of a total estimated expenditure of \$78.4 billion, some \$45.6 billion, or over 58%, go to what are classified in the budget as “major national security” items. These include all the military functions of the Defense Department, the military assistance portion of the foreign aid program, the Atomic Energy expenditures and stockpiling and defense production. (For earlier years see our *Labor Fact Books*, Nos. 1-14.)

The amount going directly to the military functions of the Defense Department alone totals \$41 billion. In current dis-

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cussion you will find both these figures being used, the \$46 billion one being the more inclusive, covering other aspects of the cold war in progress and the nuclear war of mutual annihilation for which preparations are being made.

Of course, there are other major items in other parts of the budget that could properly be considered almost wholly committed to the cold war. For example, there is the "defense support" item in the "international affairs and finance" section of the budget which is used to buttress dictatorial regimes like that in South Korea that could not exist without various types of economic aid. Other items in this section are wholly or partly devoted to cold war purposes.

Then there are such items in the regular budget as the expenditures of the FBI, and the appropriations for the House Un-American Committee and Senator Eastland's Internal Security Committee—all three engaged in hounding **peace workers** and even prominent church leaders who call for world co-existence or write letters to newspapers asking for an end of nuclear arms testing.

In considering war costs as a whole we must include also the billions committed to the veterans of past wars and for paying the interest on loans arising mainly out of such wars. Combining these with the current military and related expenditures we arrive at a setup about as follows:

| | <i>Amount</i> | <i>% of total federal budget</i> |
|--------------------------------------|----------------|--------------------------------------|
| Major national security expenditures | \$45.6 billion | 58% |
| Veterans benefits | 5.1 " | 7% |
| Interest on federal debt | 9.4 " | 12% |
| Other war-related items—at least .. | 3.1 " | 3% |

Thus, for easy remembering, one can say that about 80% of the \$78 billion federal budget in the current fiscal year (and nearly \$80 billion in the next fiscal year) goes for wars *past, present* and *future*. And you can figure that about 80% of the taxes taken out of your pay envelope for the federal government are thus used for the same purposes.

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Obviously some of the items above, such as veterans expenditures and interest payments on the debt, would not be curtailed immediately by a disarmament program. But their inclusion helps us to grasp the total historical cost of war in relation to the current national budget.

It is clear from all this that war (its preparation and aftermath) eats up about 80% of the total budget and that the "civilian" sector thus gets only about 20%, including health, welfare, relief and all the rest. As one of the business letters, reviewing these figures, says: "If we can ever get a sort of peace we can have much more for everything we need, but not before. If we can get peace we can slash taxes, but we can't do it otherwise." And the "Business Review" of the Federal Reserve Bank of Philadelphia told us the obvious when it said that schools, roads, health, parks and other public services "are not receiving the attention they would receive if we didn't have to spend so much for defense needs."

There is, to be sure, little expectation in business circles that military outlays will decrease, and its main beneficiaries are not likely to hope for any such development. What is perhaps a typical observation appeared in the January, 1960, issue of "Fortune" magazine which says: "Though talk of disarmament goes on, spending for defense will probably hold level for some time to come." Assuming, it suggests, that the Summit conference does not blow up, "progress at best would be cautious and slow" so that "defense spending is apt to remain neither a stimulus nor a drag on the economy but a steady influence."

These prevailing sentiments in big business are supported by official Pentagon publicity handouts indicating that, regardless of world peace talks, there would be no likely cuts in military spending before at least 1962. And, unfortunately, supporting these attitudes, are the Democrats, liberal and otherwise, and the leaders of Americans for Democratic Action who keep calling for more arms spending on the grounds that Eisenhower himself has neglected the needs of the military. AFL-CIO top leaders, under the influence of embittered anti-Sovietism, likewise accuse the Administration of putting the federal budget before national

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defense interests. This is of course the thesis of the munitions lobby.

Let us now take a look at this "neglected" Pentagon, to see if it has really been weakened by an absence of funds or Eisenhower's efforts at budget-balancing.

PENTAGON PROFLIGACY

All military spending is waste—a massive throwing away of human and material resources without any useful product being created. But even in the narrower sense of misuse of funds and failure to apply them to the uses for which they are appropriated, the scandalous waste by the Pentagon is greater than for any other branch of the government. The rules of secrecy make it especially easy to get away with deals that would ordinarily be discovered.

Discussing one aspect of this problem, a leading confidential letter to businessmen recently pointed out that "billions are wasted" in the purchase of missiles, for example, through duplication, overlapping, and double costs.

This waste results from two main causes, rivalry between the branches of the service, and "private industry profits in missile contracts" plus a "network of influence."

After mentioning the \$2 billions spent for each of the Air Force's Bomarc I missile and the Army's Nike-Hercules missile, both of which are already obsolete, this confidential letter mentions facts which it admits everybody tries to conceal. "Each missile has its own contractors . . . who are pet contractors, pets of one or another of the three armed services. This is deniable, but the evidence is circumstantially clear. So there are profit motives in having many missiles abuilding regardless of waste and duplication."

This situation affects not only the big monopolies but the smaller concerns. As the business letter puts it: "The pet contractors distribute their subcontracts far and wide. Thus we have hundreds of companies in hundreds of scattered communities owing dollars-and-cents loyalty to one or another of the rival

missiles." Also, "The contractors have big lobbies in Washington to pull wires, suites in office buildings and hotels and lots of entertaining." All of this goes down as "expenses" for the taxpayer to cover when the armament company puts in its bill to the government.

Then, we have also the practice of corporations hiring ex-generals to help them land the contracts. The Subcommittee for Special Investigations of the House Committee on Armed Services, headed by Rep. F. E. Hebert, found, after an incomplete survey, that there were 1,453 retired officers on the staffs of companies that hold about 80% of the military contracts. General Dynamics Corp., headed by former Army Secretary Frank Pace, Jr., had 186, while Lockheed Aircraft had 171 ex-officers on its payroll. The Hebert Committee could only protest rather weakly: "We think it is unethical and unconscionable for a person to have anything to do in private life with a subject with which he was directly concerned while in public employment." It proposed legislation that could ban sales by retired regular officers to any military service, a law it would seem easy to circumvent. General Dynamics alone, top "defense" contractor and maker of missiles, submarines and supersonic airplanes, has seven former admirals, generals and AEC officials among its leading executives and directors.

After showing how the Joint Chiefs of Staff compromise and logroll and get around the President's orders against rivalries and duplication, the above-quoted confidential business letter admits: "The truth is that defense has gotten so big and so ingrained in the economy with the profits from contracts so widely distributed it is becoming pretty much of a law unto itself and out of control."

The waste and inefficiency and bureaucracy involved in spending these multiple billions on defense is recognized even by such authorities as Admiral H. G. Rickover who told a Senate subcommittee that the Pentagon was a big manpower jungle. He said that an arbitrary 20% to 30% reduction in the Pentagon population would be "one of the most significant steps ever taken to improve efficiency." This caused even the *Wall Street Journal*

to note editorially: "The officer's comments do not give a very pleasant picture of the way the Defense Department is spending some 41 billion tax dollars every year. But we hate to think of the traffic jam in that jungle if it were spending, say \$50 billion."

The difficulties of catching and exposing this waste are quite apparent. When probes are attempted the probers run into all sorts of excuses why they can't get into the files. "Security, top secret." "Confidential papers involving the White House," "classified material"—these are some of the excuses used to prevent investigations of the Pentagon-Big Business conspiracies.

STOCKPILE WASTE

Another piece of incredible waste which intermeshes with the U.S. "free enterprise" economy is the government's purchase of materials for the so-called strategic stockpiles operated by the military establishment.

The building and maintenance of such "defense" stockpiles of "strategic" raw materials is supposedly to have them ready for use in a "national emergency." But actually their main purpose now is to maintain the prices and profits of private corporations.

The same above-quoted confidential letter to businessmen pointed out recently that this military stockpile operation "has gotten to be a racket, full of deceit and mercenary motives . . . the thing goes on, never ends . . . hundreds of millions every year . . . tucked away in government warehouses, not needed, gathering dust, costly."

It estimates that there are now about \$8 billion worth of stuff in these stockpiles and adds frankly that it is actually "a scheme to support metal prices . . . a subsidy to the mining industry" with the purpose of piling up "more profits" for the companies. And the result is that the government can't even sell the stuff, for that would "break the market."

Even the *Magazine of Wall Street*, in an article, August 15, 1959, described this huge stockpile as \$8.1 billion worth of immobilized material "for which there is neither economic nor mili-

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tary justification." For most of it was accumulated to meet a military demand arising out of a now obsolescent type of war. In a nuclear-missile conflict most of it is useless.

Even the super-chauvinist *U. S. News & World Report* (July 13, 1959) admitted that these huge hoards of tin, copper, oils, natural rubber, don't seem so necessary from a military standpoint as they used to be. For the new weapons—the missiles for example—"don't chew up so much copper or aluminum as conventional planes and ammunition did." Also, "a feeling is growing that an atomic war would be over so fast that there wouldn't be much need for huge stockpiles of the 'conventional' materials."

MILITARY "SURPLUS"

A closely related form of waste is revealed in the scandals connected with the disposal of so-called "military surplus," and nearly 90% of all Federal surplus comes from the Defense Department. This has not been thoroughly investigated by Congress but even a little surface scratching has brought to light fantastic over-buying by all branches of the service, the purchase of all sorts of unnecessary things, the disposal of war goods at a fraction of their original cost, and the mushrooming growth of some 8,000 firms and trade groups involved in disposing of this "surplus" after collusively bidding for it at government auctions.

Senator Paul Douglas, (D., Ill.) himself a leading advocate of more billions for war preparations, cited government figures to show how one service sells at a loss what another buys at high cost. And he put it mildly when he said that, "It is wasteful and scandalous, and an unnecessary burden on the taxpayers, when the Defense Department buys the same or similar items at the same time they are disposing of new or used items at two or three cents on the dollar."

This goes hand in hand with duplicate buying by the services with each going ahead on its own, thus bidding up prices received by private contractors.

One news agency, after an investigation of the subject, estimated that the government had recovered only 8 cents on the

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dollar for the vast amounts of such equipment (estimated at around \$100 billion) that had been declared surplus and sold since World War II. And another \$60 billion worth is expected to be disposed of in the next three or four years. In addition, there are billions more of surplus items that are not sold for fear they might undermine private business and precipitate bankruptcies in the same lines.

We also have the spectacle of negotiated contracts without competitive bidding on about 85% of military contracts, a practice that could be justified only in case of war or real national emergency.

This opens the door for collusive action between contractors and between government agents and contractors, all a part of the "free enterprise" methods of operation.

BIG BUSINESS GETS INCREASING SHARE OF ARMAMENTS ORDERS

For those who stress the importance of military sub-contracts for small business, as referred to above, the actual figures show that less and less has been going to this type of concern. In fact, out of the total value of contracts given out by the military services in fiscal 1959, only 16.6% went to small business compared with 25.3% in fiscal 1954. Later figures from the Defense Department show that the proportion had fallen to 13.6% in November, 1959.

And even in the field of subcontracts, where small business was supposed to benefit most, the percentage going to the small concerns has been falling. It amounted to only 17.8% in November, 1959.

As for the \$4 billion or more annually for military "research and development," the latest reports show that small business in the period July-November, last year, received only 2.3%. This kind of business obviously goes to the big monopoly "integrated" companies with the largest facilities and Pentagon lobbies.

It is clear that there is less and less of a "future" for small business in the military and missiles business.

THE ECONOMIC ROLE OF ARMAMENTS EXPENDITURES

By Hyman Lumer

HYMAN LUMER, Associate Editor of *Political Affairs*, is the author of *War Economy and Crisis*.

We live in what has been termed a permanent war economy. Since World War II, large-scale military budgets have become a prominent ongoing aspect of the American economic picture. Moreover, they have come to be widely viewed as a necessary prop to the economy—as a means of warding off crisis and assuring a high level of employment.

The average American draws such conclusions chiefly from the empirical observation that when local industries receive more military orders more men are hired and business improves. Economists, however, have given them a more sophisticated rationale, based on the central doctrine of J. M. Keynes, namely that the government, through large-scale spending (and particularly deficit spending), can regulate the economy and keep it on an even keel, and can assure full employment at all times.

This theory had its inception in the thirties, at the time when the New Deal “pump-priming” program was being put into effect as a means of combatting the depression. As we know, this program met with indifferent success, and the large army of unemployed was finally absorbed only after the outbreak of World War II.

But now the experiences of the war itself were seized upon as proof of the Keynesian thesis. As this writer has previously described it:

The leading Keynesian theoreticians rejoiced. Here was a program of government spending that did produce full employment! Here, in the war economy, lay the secret of abolishing crises. Keynes himself asserted that only war econ-

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omy makes possible sustained government spending on the level required to provide full employment. He proposed that the war economy should be used as a "grand experiment" for determining how to maintain sufficient high level of spending after the war. Lord Beveridge similarly sang the praises of war economy:

By the spectacular achievement of its planned economy, war shows how great is the waste of unemployment. Finally war experience confirms the possibility of securing full employment by socialization of demand without socialization of production.*

The relative prosperity of the postwar years lent further credence to such ideas and gave birth to the belief in many circles that a regulated economy and a "welfare state" had been substantially achieved—a "welfare state," be it noted, whose foundation is the expenditure on armaments of 10 per cent of the national product and well over half the federal budget.

Such has come to be the most widely accepted view of things. The reality, however, is somewhat different. To be sure, the production of armaments may have a stimulating effect on the economy. But it is temporary and limited, and arms budgets are not at all the economic regulator which the Keynesians consider them to be. Their actual effects are, of course, rather complex, and we can undertake here only to outline them briefly.

First of all, an armaments program means the diversion by the government of a share of the nation's purchasing power, or real wealth, from other purposes to this one. The government may do so by taxation, by borrowing from the existing money supply or by credit inflation—that is, by creating new money. But whichever of these methods is employed, the net result is the same: part of the nation's economic resources is taken by the government, and civilian purchasing power is accordingly diminished, whether through taxation or inflation. In this sense, armaments do not represent a net addition to the national output,

* Hyman Lumer, *War Economy and Crisis* (International Publishers, N. Y., 1954), p. 10.

but only a shifting from one form of production to another.

In a capitalist economy, however, the full utilization of resources for civilian purposes does not always take place. Capitalism generates overproduction, excess productive capacity and accumulation of capital which cannot readily be profitably invested. Under these circumstances, by providing an outlet for such capital, military spending may stimulate investment for a time. "It brings about a shifting of capital investments to war goods industries, entailing large expenditures for conversion to war production together with the investment of additional capital to expand the productive facilities in these industries. . . . In this way, the decline in capital investments is temporarily arrested. For a time, at least, there is rising production and employment in the expanding arms industries."*

But the stimulus is only temporary, wearing off as the facilities required to maintain the given level of arms production are completed. A jump in military expenditures may also give rise to a spurt in production of consumer goods and raw materials in anticipation of possible shortages. This occurred, for example, at the start of the Korean war. Such spurts, however, prove to be even more short-lived, particularly since there is in the end no corresponding spurt in consumer demand.

The most striking feature of arms production is its utter wastefulness. Economically, it is a means of systematically destroying a part of the national wealth, for armaments are neither capital goods nor consumer goods and have no utility other than to be consumed in wartime. Failing this, they speedily become obsolete and are scrapped to make way for fresh stocks of arms.

However, what is destroyed must be paid for. The money used to pay capitalists to produce arms represents, as we have indicated, a share of the national purchasing power appropriated by the government for that purpose. If this were taken from the capitalists themselves, they would lose more than they gain in profits from military production, and would have no interest in pursuing such a course. But the fact is that it is the working people

* *War Economy and Crisis*, pp. 144-145.

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who bear the lion's share of the costs. It is they, as the official statistics show, who have been paying a steadily increasing share of the rising tax burden. It is they who suffer most from the inflation and rising prices which are the result of military budgets.

On the other hand, it is the makers of the arms who gain. The rate of profit on military contracts is, as a rule, considerably higher than that to be obtained in civilian production. Such contracts offer not only a guaranteed market but all sorts of opportunities for padding of figures and other forms of graft and corruption, especially in connection with the experimental and pilot operations which are such a large part of peacetime military budgets. In many instances, moreover, the productive facilities have been built at government expense and turned over to private corporations which extract profits from their operations without themselves having invested one penny in them.

The net effect of an arms economy, therefore, is not to expand the total market, but to siphon purchasing power from the hands of the working people to the profit of the capitalists in the armaments and related industries. This impoverishment may at times be obscured by other factors. As the French Marxist economist Henri Claude points out, it "can be partially concealed when the militarization of the economy coincides with the upward swing of the cycle, that is, parallel with a real expansion of the capitalist market caused by large scale renewal of fixed capital."*

Nevertheless, it manifests itself, even under such conditions in the form of partial crises of overproduction—in the "crisis within a boom" phenomenon which occurred, for example, 1950-52 during the Korean war. Here, in the face of an over-
upswing involving a big jump in arms outlays, there took place simultaneously a sharp drop in output of many consumer goods, especially consumer durables. Thus, between June, 1950 and June, 1952 the Federal Reserve Board index of production of major consumer durable goods (1947-49 = 100) fell from 163

* "Whither Does Militarization of the Economy Lead?" *World Marxist Review*, December, 1959.

108, or by more than one-third. The result was declining employment in these industries, culminating in a wave of layoffs late in 1951.

The impoverishment of the people as a consequence of the militarization of the economy is evident also in the growing shortages of schools, hospitals, low-cost housing and other vital social needs. These needs the forty-odd billions a year now being spent on arms would more than suffice to fill, even after a substantial tax cut. Finally, it should be noted that in the face of these huge military outlays, we have experienced three postwar economic slumps as well as a rising level of unemployment in the intervening boom periods.

The temporary stimulus offered by an increase in military expenditures may serve to hold off an economic downturn for a time, but it does so only by increasing the underlying instability of the economy—by curtailing consumer goods markets, by adding to an already mountainous national debt, by a lopsided, abnormal inflation of war goods sectors of the economy such as the aircraft industry, and in other ways as well. Hence, far from abolishing crises, it paves the way for the ultimate occurrence of more severe crises.

Furthermore, since the effects are temporary and limited, they can be prolonged only by further increases in military spending. Such a course of action, if persisted in, leads in the end to all-out militarization of the economy, accompanied by extreme impoverishment of the masses of working people. This is exactly what happened in Hitler Germany in the thirties; by 1939 the average German worker was putting in twelve to fourteen hours a day turning out arms for Hitler's Wehrmacht, and at the same time suffering severe shortages of all the necessities of life.

In addition, since military expenditures can be justified only on the grounds that they are needed for war, such a course of action is possible only under conditions of mounting war hysteria—as an accompaniment of an aggressive foreign policy leading ultimately to all-out war. This, too, was the final outcome of the Nazi "prosperity" built on guns and tanks.

Such, in brief, are the principal features of an arms economy.

Of course, not all of these features are peculiar to this form of government spending; certainly, whatever economic stimulus may be provided by spending for military purposes may equally be achieved by spending for other purposes. Yet in practice, military expenditures have far exceeded any others. Indeed, they are today greater than all other government outlays combined. Nor is this accidental, for in the capitalist economy of today they offer certain unique advantages from the viewpoint of the big monopolies, aside from their relationship to an aggressive, warlike foreign policy.

Traditionally, the capitalist class has opposed large-scale government economic intervention as interfering with free enterprise. However, in the present stage of capitalism—the stage of its general crisis and decay—monopoly capital finds itself increasingly compelled to resort to such intervention to protect and augment its profits. In the light of this contradiction, the most palatable form of government spending—in fact, the only form which the monopolies will readily accept in large doses—is spending for military purposes. John Eaton expresses it as follows:

Military expenditure is the only form of state expenditure to which monopoly capitalism readily reconciles itself. Despite the vast scale of monopoly's institutions their basis is private property, and to defend the myth from which the privileges of the monopoly capitalists derive, the ideology of private property and commodity production must be assiduously defended. Any extension of the economic functions of the state—which, however, political circumstances repeatedly make necessary—involves the policy of the monopoly capitalists in contradictions. But these contradictions are eased in so far as state expenditure is concentrated upon military purposes. Monopolies themselves make profits from such orders but, what is more important, such expenditure strengthens ideologically and materially the forces of reaction and militates against social developments of a progressive character.*

* "Military Expenditure in the Imperialist Countries," *Marxism Today* (London), September, 1959.

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The scope of government spending for purposes other than military is sharply restricted by this jealous regard for the prerogatives of private enterprise. While big business may not oppose expenditures for such things as new post offices, it fiercely resists any outlays which encroach in the slightest degree on its own sacred domain. This hostility is discussed as an obstacle to Keynesian fiscal policy in an article by two American economists, who write:

This resistance appears even in minor cases such as prison industries and housing activities of universities, and in intensified form in connection with public ownership of power facilities, public housing, public health services, etc. Government spending thus tends to be restricted to those relatively limited projects which are traditionally governmental or which are not likely to be commercially profitable. . . . As a result, expenditure for defense remains about the only large form of outlay which can be substantially increased without taint of infringement on private enterprise.*

Since the production of armaments can be justified only on the grounds that they are necessary to meet a threat of war, the easing of world tensions and the growing demands for disarmament to which it gives rise progressively diminish the basis for continuation of large-scale military outlays. These developments do not, however, lessen the need of monopoly capital to rely upon the economic resources of the state to prop up its profits. For this reason, as well as others, big business will on the whole strenuously resist any serious reduction of armaments. At the same time, as it is increasingly compelled to adapt itself to new conditions beyond its control, it will seek out other, even though less satisfactory, state-monopoly capitalist measures to meet its needs.

* Howard R. Bowen and Gerald M. Meier, "Institutional Aspects of Economic Fluctuations," in: K. K. Kurihara, ed., *Post Keynesian Economics* (Rutgers University Press, 1954), pp. 164-165.

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But if an arms economy best serves the monopolies as a means of enhancing their profits at the expense of the working people then by the same token the best interests of the people will be served by disarmament and the use of the immense sums thereby released for their own benefit—to reduce their taxes and to provide the schools, hospitals, housing, health protection, improve social security and other social services which are today so badly needed. Such measures, moreover, will create far more jobs than does the production of armaments. However, even if the funds now wasted on arms should become available, it does not by any means follow that they will automatically be used for the people's welfare. From what has been said above, it is obvious that the monopolies will vigorously oppose increased spending for such purposes, and above all for such things as public housing or new TVA's. They will strive instead for the reduction of their own taxes and will fight for those forms of government spending which siphon the funds directly into their own pockets. The economic benefits of disarmament for the working people will materialize therefore, only if they are energetically fought for.

Disarmament should not be viewed, any more than armaments, as an economic panacea. If government spending for military purposes is not a cure for economic crises, neither is spending for other purposes. The boom-bust cycle is inherent in capitalist production and cannot be eliminated by Keynesian "regulation" in any form. In a capitalist economy, government spending cannot do away with the problem of overproduction. Artificial stimulation of capital investment can in the end serve only to add to excess capacity and to undermine the profitability of investment, thus augmenting the factors making for crisis.

Rather, the economic significance of disarmament must be seen in terms of the class struggle. The working class is compelled at all times and under all conditions to wage a struggle in defense of its living standards—a struggle over the division between the capitalist class and itself of the product of its labor. A growing part of this struggle is the conflict over the disposition of the financial resources of the state. More and more, the working class and its allies are compelled to battle in the political arena

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over such questions as who shall pay the costs of government spending and who shall receive its benefits. These questions are involved in the fight for disarmament itself.

The economic advantage of disarmament lies in the fact that it offers conditions vastly more favorable to the workers in their struggles. If war economy strengthens the forces of reaction, disarmament strengthens those of progress. If war economy squanders the nation's resources and perverts its scientific and technical potentials to turn out instruments of destruction, disarmament frees them to be used for providing the means for a better life for all. It opens the door to imposing social and economic advances by the American people, advances which will realize at least in some degree the enormous promise held forth by the new developments in science and technology, and which are blocked by the present huge military expenditures. Hence disarmament is something to be welcomed from the economic point of view and not, as is still all too often the case, something to be feared.

We have confined ourselves here chiefly to the economic aspects of armament and disarmament. We have not dealt with the more fundamental question of peace or war, of existence or annihilation. For disarmament means living in a world freed from the gnawing fear of nuclear destruction—a world at peace. That this is most fervently to be desired, certainly no one can question.

ECONOMICS OF DISARMAMENT

By Victor Perlo

VICTOR PERLO'S work in economics is well-known. He is the author of *The Empire of High Finance; USA & USSR: The Economic Race*, and other works.

If the people leave it to big business to decide when they must

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accept some disarmament, if ever, Wall Street will call the tune and determine things to suit itself.

If the people fight for peace and disarmament, and become the driving power that finally forces the government to accept real disarmament, they will be in a stronger position to influence corresponding economic policies. Such policies, expressed in a people's program that meets the needs and stirs the souls of tens of millions, can help mobilize a vast force for peace in America.

There are two weaknesses in the typical liberal approach to disarmament. First, there is no fight for disarmament accompanying the presentation of an economic program.

Second, it concentrates on economic "planning" of construction projects, as if everything were a technical problem. There are plenty of blueprints. What is needed is political "planning" to win the needed policies.

Some trade unions, liberal economists, columnists like Dorothy Porter, concentrate on the 6½ million getting employment out of the cold war, as preventing some "disaster" from "unplanned" disarmament.

I concentrate my attention on the 13 million jobs that can be won by the American people out of the fight for disarmament.

I say flatly—there will be no disaster from disarmament! True, if left to big business, not much good will come out of it either for the people. But if the people pick up the ball, a tremendous amount of good can come out of it.

Disarmament is the greatest opportunity of the century. It is no danger.

So far as the business cycle is concerned, it will permit new stimulating forces to become decisive, in place of the worn-out cold-war stimuli. If released, these can spark general economic advance for a considerable period. But even if not, even if profits are reduced and growth slows, disarmament can mean better living conditions and less unemployment.

It opens the way to realizing Roosevelt's Bill of Rights. This was a great charter won by the American people in the battles against monopolies at home during the 1930's and against fascism abroad during World War II. These were:

The right to earn enough to provide adequate food and clothing and recreation.

The right of farmers and small business men to earn a living without unfair monopoly competition.

The right of every family to a decent home.

The right to adequate medical care and the opportunity to achieve and enjoy good health.

The right to a good education.

Those rights were promised the people with peace. The promise was betrayed by armament profiteers, by international oil combines, by peanut politicians, by short-sighted labor leaders. The people got no peace. The people got no economic Bill of Rights.

If we finally force the peace, we can force the delivery of the Bill of Rights too.

There are many points in the detailed economic program for disarmament to realize the Bill of Rights. I have selected just three of them.

Housing

Have you read the chamber of horrors described by the enterprising *World Telegram and Sun* reporter Woody Klein, of the desperate struggle for existence in the modern city jungles of downtrodden millions?

Of the rats and roaches and filth and cold, the leaks and the crashing whiskey bottles?

Do you know that the number of slums in America is increasing all the time? That there are 15 million substandard dwelling units, inhabited by 50 million people?

The AFL-CIO says that to overcome this by 1975 we must have 2.3 million housing units built yearly, or 35 million in 15 years. Of these, it implies, 900,000 yearly must be low-cost public housing: "A large-scale, low-rent public housing program to provide decent homes for low-income families . . . must be the cornerstone of the nation's housing effort." (*Labor's Economic Review*, Sept., 1959).

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And this would also be the cornerstone of all the public construction programs that must come in with disarmament.

900,000 units would cost \$12 billion, of which the cost to the government for capital payments and operating subsidies would amount to about one-fifth, or \$2.5 billion. The remainder would be borrowed through regular private channels used for public housing programs. The \$2.5 billion of direct outlay amounts to barely 5 per cent of the military budget. For the fifteen years it will take less than we spend on the military in a single year. And for that, we can house everybody in America decently!

The housing program ties in with the two main social and economic questions facing America today.

The first is civil rights. In view of the dubious record of the AFL-CIO on this front, I was pleasantly surprised to note the forthright way in which they put the question:

"Housing conditions are especially bad for Negroes. Despite the atrocious dwellings in which minority families are forced to live, the acute shortage of housing they can obtain, even of the worst quality has forced them to pay very high rents even for the most unsanitary, decrepit kinds of shelter.

"To help provide equal housing opportunity, the Federal Government should . . . assure an opportunity to obtain adequate housing to all families without regard to race, color, creed or national origin. This will require that all housing built with the aid of Federal funds or credit or any other form of financial assistance should be made available to minority families on an equal basis with all other families."

Secondly, it ties in with economic competition with the USSR. The Soviet Union has less housing space per family than we have. But they also have no filthy slums as we know them. They built 3 million housing units in 1959. They will rehouse 88 million people during the seven-year plan. Everybody will have plenty of room in good, modern dwellings by 1970. Considering our smaller population and smaller growth in population, and larger average housing unit, the 2.3 million units per year goal of the AFL-CIO would afford good competition with the Soviet effort. Let's do it promptly. To the Senators screaming about a missile

gap, I say: Let us prevent a housing gap!

Because of the leverage provided by use of private mortgage and bond money for most of the funds, the budget dollars devoted to low-cost housing go very far indeed in providing jobs. The 900,000 per year of low-cost units will provide 1,800,000 jobs, or 45 per cent of all civilian employment connected with the arms program.

Shorter Work-Week

There has been a chorus of propaganda against the shorter work-week associated with cold war thinking. In 1957 Walter Reuther soft-pedaled the UAW drive for a shorter work-week because, he claimed, the Soviet Sputnik forced everybody to work harder to avoid falling behind the USSR.

Of course, the auto companies laughed at this. Even while he was arguing this position, they were laying off hundreds of thousands of auto workers, and the final touch was in 1960, when they surpassed 1957 production with many fewer workers, through general practice of overtime, that is, of more than 40 hours per week, and the worst speedup in a quarter of a century.

General Electric Corporation, in its post-Sputnik propaganda, went even further. It suggested that workers should have to sacrifice by working 48 hours per week at the same pay they now get for 40 hours. Employers, of course, would require profits to be maintained or increased, so that they would have plenty to invest in more defense production to compete with the USSR. That would be their "sacrifice."

Finally Nelson Rockefeller in 1959, speaking at the state AFL-CIO convention, claimed that for the last three decades the working day had been cut $3\frac{1}{2}$ hours per decade, and that this process must stop to permit successful economic competition with the USSR.

The actual history is that American labor was the pioneer in fighting for the shorter work-week, all the way back to 1887. And in winning it. From 1890 to 1940 there was a cut of 20 hours in the work-week, or 4 hours per decade. But there has

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been none at all during the last two decades. War and cold war halted the progress, and through overtime and "moonlighting," the actual work-week averages more today than two decades ago.

America's leadership in winning a shorter work-week is in danger.

In Britain, the conservative TUC is demanding a cut from 48 to 40 hours, citing the example of other countries, including the example of the 35-hour week planned in the USSR.

Yes, the USSR is now almost down to 40 hours per week and in another two or three years will get ahead of us if we stand still. American labor is twice as productive as British and Soviet labor. It is entitled to a shorter work-week. It needs it for holding jobs and adding to them.

The Russians cut the work-week 6 hours in five years and sent up *Sputniks* and *Lunik*s at the same time.

Perhaps if we match the Russians in reducing the work-week, we will match them also in the size and quality of our *sputniks*.

East-West Trade

For many years, leaders of American high finance were worried about their allies' "dollar gap." Now they are worried about their own dollar gap. Thanks to the cold war the American balance of payments is running at the unprecedented deficit of \$4 billion yearly, and everybody is afraid the almighty dollar may be unpinned, devalued and dethroned.

The one and only solution is to end the cold war, and its six billion yearly drain on the balance of payments. And at the same time disarmament will open the greatest opportunity in our history for rebuilding foreign trade into a major economic growth factor.

Already East-West trade has been of crucial value to Britain and other European countries, and to many raw material producing countries in providing markets, avoiding currency devaluations and providing supplies of needed materials and equipment for industrialization.

The socialist countries have 36 per cent of the population of the world outside the United States, 45 per cent of its industrial

production, and 70 per cent of its economic growth. That means they provide at least as large a potential market as the entire capitalist world, outside the United States—a market that is racing upwards with its Soviet Seven-Year Boots and Chinese Great Leaps Forward—a market that buys above all things the kinds of specialized, major machinery which no country can produce like the United States!

We can sell as much to that market as to the entire rest of the world. Simple arithmetic says we can sell it \$15-\$20 billion yearly. That could be the most important peacetime growth factor for the American economy in a number of decades.

But everybody has been indoctrinated with a half-dozen reasons why it supposedly won't work. I have been talking about the East-West trade potential for many years. Some people say I'm day-dreaming.

Let's look at the facts. In seven years, 1952-59, East-West trade jumped from \$5 billion to \$8 billion. And it's growing more rapidly than ever. That's no day dream. That's real goods, real business profits. Only Americans got none of it. In terms of our economic position, we should get one-third or one-fourth.

Of course there are difficulties. Let's consider them seriously and accurately and not one-sidedly.

They have nothing to sell us. They sell mainly raw materials and foodstuffs, and we have found substitutes.

The answer is: So does almost everybody else sell us mainly raw materials and foodstuffs, which comprise 70 per cent of all our imports! What's more, in view of increasing relative exhaustion of our own low-cost supplies in comparison with our growing use, the demands for foreign raw materials and foodstuffs of certain types will tend to grow. Take away discriminatory laws and regulations and the socialist countries will win a good share of it. This may be disadvantageous to American companies who have invested in Brazil and Turkey to make profits out of prohibiting Soviet manganese and chrome, but it will be beneficial to the United States generally. New markets for more varied products of the multiplied socialist economy will many times outweigh permanent losses.

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Chinese exports to us in the years 1926-30 exceeded those of Mexico, France, India, Australia. If poverty-stricken China could ship us \$150 million yearly of bristles, tungsten, antimony, carpet wool and other items in the 1920's, how many times more could modern, onsurging China send us today?

Moreover, our exports need not be limited to our imports from socialist countries. Undoubtedly, with the progress of disarmament, normal terms for export of capital goods will be resumed, and these include credits of substantial periods, and in some cases long periods.

Moreover, the USSR may send some gold, as it is a very large producer and has supplies, and has sent significant amounts to other countries. Even such an inveterate anti-Soviet propagandist as Luce is rubbing his hands at the prospect of getting Soviet gold, now that he worries about the backing of the dollar. *Fortune* editorializes: "The more gold the Russians release to the West, the better for free multilateral trade carried on by private enterprise."

And that multilateral trade is another means by which the Socialist countries may be expected to buy more from us than they sell us, in turn selling more to countries with which we traditionally have a net import surplus.

Another argument against East-West trade is that the USSR has a state trading monopoly, which is unfair competition with our free enterprise. Our poor, delicate, defenseless flower of free enterprise! Like the international oil cartel, which handles twenty times as much oil in international trade as the Soviet trading monopoly.

Of the same quality is the charge of socialist country dumping. A fine charge for an American to make, when the U.S. Government practices systematic dumping that surpasses the dumping of all other governments combined. In fact, there is every evidence that the USSR does not engage in dumping, according to any reasonable, moderate description of the term. Here is the *Journal of Commerce* description, written October 20, 1959, of the outcome of the trade agreement concluded in 1959 between Britain and the Soviet Union:

"The Russians are pursuing a pricing policy which has silenced all fears of dumping, but which is consistent with the drive to earn as much sterling as possible."

These and other arguments are motivated politically and by special interests of armaments, oil and foreign, colonial-type investment. They are not valid. The fact is that East-West trade has a potential of many billions, as previously indicated. And I think that in the space of a four-year program of complete and total disarmament, American trade with the social world could rise to \$5 billion yearly on the export side—and go on from there in succeeding decades.

Program Summary

Let us draw up a balance sheet of our disarmament program in terms of jobs. There are now roughly 6.5 million people employed on account of the munitions budget—including 2½ million in the armed forces, 3 million engaged in production and construction, and 1 million civilians employed by the armed forces and at AEC establishment.

Our housing program will provide jobs for 1.8 million. Other public works, which we haven't gone into, will provide another 1.8 million. The 35 hour week will mean an additional 4 million jobs. East-West trade and other measures to advance trade will account for a million jobs. That makes a total of 8½ million jobs, or 2 million more than are now employed through the cold war. And that isn't all.

A major part of the program to accompany real disarmament is to end poverty in America through higher minimum wages and the establishment of minimum family incomes, fair employment practices, a program of national health insurance, improved social security, and a GI Bill of Rights for former munitions workers.

The higher purchasing power of the people resulting from these measures will increase domestic markets enough to provide another 5 million jobs. So the grand total will be 13½ million, or double those now in cold war jobs. It will keep all of these people employed, take care of existing unemployment, and the growth in the labor force for several years to come.

In summary, disarmament will not automatically solve our economic problems. It will create a climate in which they can be solved.

The American people can take advantage of this climate, and create it by fighting for disarmament, to markedly improve their lot, within the framework of horizons they themselves have established in past political and economic activities and battles.

WAR PRODUCTION AND EMPLOYMENT

By George S. Wheeler

GEORGE WHEELER is an American economist who has been living in Prague for several years. He is the Prague correspondent of the *National Guardian*, and is connected with the Economic Institute of the Czechoslovak Academy of Science.

One of the most widely held ideas in the United States today is that war production props up the economy and increases employment. This appears to be the only common sense conclusion that is possible after two world wars and the experiences of the last decade. It is this belief, more than any other, which prevents the American working people from uniting actively behind a peace movement. They tolerate huge military expenditures, a belligerent Pentagon and an inconsistent, self-defeating and dangerous foreign policy because they are convinced that this is the only way of avoiding an economic crash, and a depression such as occurred after 1929. Some trade union leaders even advocate an *increase* in military expenditures. But, as Hyman Lumer argued in *Political Affairs* a year ago, it is "of paramount importance to fight against increased arms expenditures as a way out."

It is true that only in times of war or huge war preparations has the U.S. economy operated at top capacity. To this experience can be added the argument that war production has other advan-

tages, such as that it does not need a market. I have myself repeated and elaborated on most of these arguments. Yet they are fundamentally false. War production creates no jobs and does not prop up the economy. This we can see if we look more carefully at the reasons for the burst of activity during war periods.

Why does the economy work at higher levels during war? Fundamentally it is because, temporarily, the contradictions between productive capacity and the limited market are overcome by a great expansion of the credit system. This increase of credit is generated primarily by the government demand for war products. This demand directly stimulates a large increase in employment and profits, and these in turn stimulate an increase in activity that spreads throughout the economy.

A similar growth in amount of outstanding credit, and of its counterpart debt, takes place during the boom phase of every business cycle. The main differences are that in time of war the main borrower is the government and that the pace of expansion is more reckless, and the amount is unchecked by normal considerations of prudence. During World War II, for example, the Federal net debt increased from \$42.6 billion in 1939 to \$252.7 billion in 1945. Yet only a few years before, when peacetime projects were being considered, many bankers and conservative economists had argued that a \$40 billion debt was pushing the economy to the point of bankruptcy.

It is not our purpose to emphasize here that this inflationary expansion of the credit system at the same time sharpens the contradictions of capitalism. That was pointed out nearly a century ago by Marx who wrote: "The credit system appears as the main lever of overproduction and overspeculation in commerce solely because the process of reproduction, which is elastic in nature, is here forced to its extreme limits. . . . At the same time credit accelerates the violent eruptions of this antagonism, the crisis, and thereby the development of the elements of disintegration of the old mode of production." (Marx, *Capital*, Vol. III, "The Role of Credit," p. 522, Kerr edition.)

We note this sharpening of contradictions in passing so that no one will think that we have been deluded into believing that

tinkering with the credit system can cure the fundamental difficulties of capitalism. Instead we assume that these contradictions of capitalism will continue as long as capitalism and that the problem we are discussing in this paper is quite limited and distinct: the effect of armament on employment. We are not discussing such problems as the economic cycle or whether there can be a peaceful transition to socialism. Those are different problems, and we will do well to concentrate our attention on the most urgent questions first.

We are discussing the credit system and its role in stimulation of the forces of production only because it is the expansion of the credit system in time of war, and not war production itself or any of its special characteristics, which results in the high demand for labor power and the feverish search of capitalists for workers during such periods. The effect is due to the increase in volume of the circulating medium, not to the purposes to which that credit is put. An equal amount of stimulation of the economy could be obtained, and in part has been, by use of credit for other purposes. These may or may not involve the direct purchase of commodities. For example the use of credit to pay pensions of veterans' bonuses, or to pay teachers or build schools, or to finance economic aid to other countries, are just a few of the possible non-military uses of credit that could stimulate the economy just as effectively as credit used to finance missile production.

In such cases there would be no more problem of market than in the case of "military hardware." Military products involve "no problem of competition in the market" only in the same sense that any sheer waste involves no problem of a market. If automobiles were produced, sold to the government and then dumped into the sea they also would have "no market problem" in the same limited sense that military products do not require a market. Actually, when the Federal budget is in balance, the purchase of military products destroys a consumer goods market at least as large as the one "created" by the government purchase of military products. This is simply because taxation reduces the amount that would be spent on consumer goods or invested.

With a balanced budget no purchasing power or employment is generated by passing the funds through the complicated mill of the Treasury and Pentagon. What happens is that money that otherwise would increase standards of living or the productive capacity of the economy is taken as taxes and diverted to expenditures that produce less than nothing. It can no longer be argued that military expenditures even increase national security—on the contrary they create the greatest possible hazard to it and to all of us. But this too is a separate argument. The point made here is that the increase in funds absorbed through taxation has severely crippled the growth of production for peaceful purposes throughout the entire post-war period. If taxes on working people had not been so high, for example, far more homes would have been built. If low income groups had been exempted from taxation, instead of having a disproportionate increase in the load, there would have been very little problem of food surpluses. This can be seen from a comparison of the figures on food consumption by income classes that have been published by the U.S. Department of Agriculture.

Those data showed that family units with net incomes of \$500 or less per year consumed 50 percent less than those with incomes ranging from \$1,500 to \$2,000. Families with incomes of \$5,000 or more per year consumed nearly three times as much dairy products and more than five times as much fruit per capita as the poorest group. It can be seen that the problem of food surpluses in the United States is in large part a class problem, aggravated by the burden of taxation of low income groups for armaments. Farmers in the past have sometimes enjoyed relative prosperity during war booms. But now, and throughout the post-war period, they have suffered from a market that has been very much curtailed by taxation of income that would otherwise have been spent on food and clothing.

At least \$10,000,000,000 in taxes for war purposes falls on people with incomes below those considered "adequate" by Bureau of Labor Statistics standards. Elimination of direct taxation of these low incomes, and reduction of other taxation upon them would result in an immediate increase in expenditures for con-

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sumer goods of an almost corresponding amount. All data indicate that these groups do relatively little saving and that they spend their money as fast as they earn it. The velocity of circulation of money would certainly be at least as high as for money taken in taxation by the Treasury.

This means that reduction of expenditures for armaments need not have a depressing effect on the economy. If taxes were reduced correspondingly, an equal, or greater, amount of employment would be generated by the rise of consumer spending. If taxes were reduced first, and perhaps more than the reduction of armaments, an inflationary unbalancing of the budget could be attained of any amount desired. War expenditures have in the past been the chief and most profitable means of unbalancing the budget and inducing inflation—but they certainly are not the only means. If the people want it, and organize to get it, they can incur debt to stimulate production and employment for any peaceful purpose, not just for military waste.

In fact during the entire post-war period the main increase in credit and debt has not been for war purposes, but for peaceful expenditures, and mainly in the private sector of the economy. In the first post-war years up to 1949, the inflationary impact of the rise of government debt during the war period was still being felt. Since that time the source of inflation has been overwhelmingly from private credit. This can be seen in the following table.

INCREASE IN NET PUBLIC AND PRIVATE DEBT, 1929-1958 (in billions of dollars)

| End of Year | Total | Federal government | State and local | Corporate | Farm mortgage and production | Commercial and financial | Consumer credit | Non-farm mortgage |
|-------------|-------|--------------------|-----------------|-----------|------------------------------|--------------------------|-----------------|-------------------|
| 1929 | 190.9 | 16.5 | 13.2 | 88.9 | 12.2 | 22.4 | 6.4 | 31.2 |
| 1939 | 183.2 | 42.6 | 16.3 | 73.5 | 8.8 | 9.8 | 7.2 | 25.0 |
| 1945 | 406.3 | 252.7 | 13.7 | 85.3 | 7.2 | 14.8 | 5.7 | 27.0 |
| 1949 | 448.4 | 218.6 | 18.1 | 118.0 | 11.9 | 13.9 | 17.3 | 50.6 |
| 1958 | 757.9 | 232.5 | 50.4 | 236.0 | 22.0 | 27.5 | 44.7 | 144.3 |

Source: *Economic Report of the President*, 1959, p. 194.

At the end of 1958 according to these official data the net debt of the Federal government was \$20 billion less than at the end of the war. Clearly, for the post-war period as a whole, the transactions of the Federal government in regards to arms production were not the major source of inflation and contributed nothing to the total employment available in the economy. It is quite true that in some critical periods, such as in 1957-58, the Federal government swung an impressive weight on to the side of expansion of the circulating medium. The increase in Federal debt of nearly \$13 billion during that crisis was a potent inflationary force in itself. Perhaps as important was the notice that it served on the business community that the established policy of government and Wall Street was to prevent a deflationary trend in the economy. Arms expenditures remained the most profitable way of attaining that curb to deflation. But it was not the only cause of the deficit, since other expenditures, such as those for price-support programs, also increased.

Contrast the relatively small change in total federal credit or debt with the tremendous growth of private debt in the post-war period. In the decade from 1949 through 1958 the total net debt increased by \$309.5 billion, but of this the increase in Federal net debt accounted for only \$13.9, or only about 4 per cent of the total. We repeat, that such inflationary increase in credit sharpens many of the contradictions of capitalism. But it would also be silly to attempt to deny that the increase of nearly \$94 billion in non-farm mortgage debt was not a major factor in sustaining the volume of home building and of employment in the construction industry. Also the increase since 1945 of more than \$150 billion in the debt of corporations was a major factor in sustaining the high post-war rate of investment in plant and equipment. The increase of nearly \$40 billion in consumer credit has often been emphasized, but it is only a little more than 11 per cent of the total. It is this expansion of the credit system, not armaments, which has partly and temporarily removed the fetters from production and employment in the post-war period.

This is only the beginning of the discussion of the effect of the expansion of the credit system, but it is enough to show that it

is false to argue that armaments have been the major prop to the U.S. economy in the post-war period. It also indicates that a whole variety of other devices can and have been used in the post-war period with much the same effect on purchasing power as the expansion of government credit during the War period. This is an important fact that must be kept in mind in considering the possible programs in a period of disarmament and transition to peace.

When we argue that armaments production does not add to, and probably reduces employment in periods of approximately balanced Federal budgets, we do not imply that the problem of adjustment of war industries, particularly the airplane industries, is an easy one. But part of this adjustment would have to be made in any event since bombers and fighters are largely obsolete and the industry as presently organized has far too much manpower. Some day the American people will wake up to the fact that for many years they have been paying for useless and obsolete equipment (and not just for planes) and stop pouring funds down this particular rat hole on the false theory that in doing so they are "creating jobs." It would be both cheaper and safer to hire the corporations to dig holes and fill them up again if we must bow to the pressures of vested interests, and can think of no constructive projects.

One incidental thing that would facilitate the consideration of the values and costs of military projects would be recognition of the fact that there are no real military secrets of any importance to national security—unless it is the formula for the Soviet rocket fuel. Military "security" is used largely to keep the U.S. public from knowing what is going on in regard to graft, profits and provocative policies. From my own experience in Germany in the immediate post-war period I know that "secret" was not intended to protect the American people, but to protect such operators as General Draper and Robert Murphy. They could select for release what they wanted the public to know, while hiding their plans to partition Germany and restore the Nazis to power, secure in the knowledge that anyone exposing their actions risked court martial for violations of security. Today "military security" is an integral

part of the entire armaments fraud—a main bastion protecting vested and even criminal interests in war and cold war.

Because the vested interests in war production and in military careers are greater than ever before in history, the peace movement must mobilize all possible allies. First of all it must get the organized backing of the labor movement. This effort will never get to first base if it continues to be handicapped by the false idea that arms production and employment props up the economy. We cannot expect working people to be enthusiastic about disarmament, at least not fully enthusiastic, if they at the same time fear that disarmament will increase unemployment and perhaps even precipitate a crisis.

We must argue instead that what happens in a period of disarmament in terms of employment depends on what policies are adopted. That in turn depends on the relative political pressures—on how well the workers and farmers are organized, and on what their demands are. If disarmament is undertaken without compensating programs, the difficulties of adjustment would be severe for many workers. But with sufficient political pressures, as during the New Deal period, a wide variety of different programs would be possible. In any event, the costs would be far less than the savings, and real incomes of the population as a whole could rise sharply, even if there were some increase of unemployment during the transition period. It is quite possible that, as some capitalists have already calculated, the period of disarmament will bring with it greater prosperity than has ever been known. There will, of course, be great and continuous difficulties in all capitalist countries. But certainly wasting our substance on armaments has not prevented such problems! We do not require a very effective transition period program to do better than the scandalous misuse of our resources under the armament program—and that is entirely aside from the danger that the continued armament race would most certainly end in war and the obliteration of civilization.

We conclude that war expenditures and war industries provide no net increase in employment. On the contrary they reduce it by diverting national income to industries that produce

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less employment per dollar of expenditures than the consumer goods industries. The taxes to support these war industries are the greatest single block to rising living standards. When the budget of the Federal government is in balance, these taxes reduce purchasing power of workers and capitalists that would otherwise be spent for consumer goods or invested in industry. Under these conditions, the arms industries are simply inefficient parasitic burdens.

If the Federal budget is unbalanced to support the arms industry, as it was during World War II, or again as recently as 1958, it is not the arms industry as such that stimulates the economy. Rather it is the expansion of the credit system. That expansion could be done with more effectiveness if the credit were used for peaceful purposes, such as payment of pensions, construction of hospitals or financing of the development of economically backward countries. The expansion of credit need not even be in the public sector of the economy. In the post-war period in the United States the overwhelming amount of the increase of credit has been in the private sector of the economy and for peaceful purposes. This, not armaments, has been the major "shot in the arm" stimulating the economy. With disarmament, the expansion of the peaceful sectors of the economy could be greatly stimulated and employment could return to a normal pattern.

ECONOMICS OF THE FIGHT FOR PEACE

By John Eaton

JOHN EATON is an English economist perhaps best known to American writers for his *Political Economy*, which first appeared in 1949 and has just been reissued in a new edition.

Arms are produced to fight with. The basic reason for which the Governments of the U.S.A., Great Britain and other European

powers embarked in the post war years on vast programs of military expenditure was their desire to create military strength as a means of implementing the policies they were pursuing. Ruling classes always envisage the ideal use of military strength in the form of a threat, a deterrent that clinches an argument but is never actually used. But the days of the gunboat that went to Eastern waters and settled matters without dirtying the barrels of its guns, are long gone for the capitalist powers of today.

The strategy of the deterrent implies overwhelming military superiority. A deterrent is only effective if it is quite clear that the Power possessing it will not hesitate at a certain stage of the argument to use it. If, in fact, that Power dare not use its deterrent because it could not support the retaliation that it knows its use would provoke, then this deterrent can no longer deter and military strength ceases, so far as this is the case, to fulfill the primary purpose for which it was being created.

This is the situation now confronting the capitalist powers of the West. Until some three or four years ago the policy of the Cold War implied the Hot War, in the sense that the capitalist world under the leadership of the U.S. Government was pressing the socialist world by every means in its power, diplomatically and economically, and supporting this pressure by amassing ever greater military strength—which of course was not intended to be used provided the objectives of the Cold War were obtained without their needing to be used. (The reciprocal of this proposition is less often stated, i.e., they were intended to be used if the West could not otherwise get its way). What is now different is that an important section of the capitalists in the U.S.A. and the U.K. no longer find it possible to envisage a future situation when they will command a sufficient superiority of military strength to use as a deterrent or alternatively as the instrument of gainfully conducting a war against the socialist powers. The sputniks add point and publicity to the reasons for their fears. Therefore, instead of looking for the next steps in the development of the Cold War policy, they look for a way of putting on the brake; but immediately a host of new problems emerge.

The negative aspects of the new policy for which they are look-

ing are quite clear. They are—instead of the logical further development of the Cold War policy—to stop its further development. But positively what is the policy to follow? Can external policy remain balanced on a razor's edge, as it were, neither going backward nor forward? If not, how to retreat and what does it involve?

Any step back from the Cold War policy, whilst apparently a simple enough thing when viewed as a turning away from, a negating of the old policy, becomes horrifyingly complicated—from the standpoint of capitalism—when looked at in its positive significance, namely as the first step in a new anti-Cold War policy. It is not just a question of reducing arms expenditure, as has happened before now in the history of capitalism in inter-war periods. A *detente* between the socialist world and the capitalist world, if it is to have reality, must lead quite quickly to measures of disarmament agreed upon by negotiation, each of which—if the *detente* is to continue—is bound to lead to further measures since the scientifically conceivable means of annihilating destruction are already not confined to atomic explosions and will increase.

Moreover, in the event of arms being restricted to traditional weapons and a war breaking out, it might be fought at the outset with traditional weapons only but before long scientific techniques would begin to be applied to new methods of destruction and it would be a question of who quickest could produce them. It turns out then—if looked at this other way round—that the first step away from the Cold War is also (if policy continues to move in the new direction) the first step in a series of which the logical conclusion is total disarmament.

Capitalism, I believe, inevitably tends towards war because it is a system of rivalries between groupings of interests which cannot ever be satisfied with any scale or sphere of operations—however great—as being sufficiently large to give security against other Powers. To this inevitable rivalry within the capitalist world is now added its fear of the new socialist world. So the natural tendency of every capitalist state of any size up to the present has been to look for its salvation in armaments. In so doing the capitalist states of today are confirming a tradition more than four

thousand years old, common to all class societies, the tradition of constantly augmenting material strength and being prepared quickly to turn it into military strength as the only possible safeguard against others who are doing just what they themselves are doing. At the same time, throughout the ages, militarist policies have been used also against the internal enemies of the ruling classes and particularly as a means of holding a grip on those they exploit economically.

It is not my intention to deal in any thorough way here with the social and political implications of demilitarization; but it is essential not to forget how deep the roots of militarism go, since if this were overlooked, one might see only the reasons compelling the rulers of capitalist to consider a *detente* and neglect the gargantuan resistances and inhibitions that must obstruct the unfolding of a policy of *detente*.

The conclusion I draw from the fact that capitalist policy neither dares to go forward nor to draw back is that it will become extremely unstable and full of internal contradictions. This is a very dangerous situation in which irresponsible adventurers and war-mongering fanatics may in one or another country get into positions of authority. Against this the only safeguard is a popular will for peace making common cause with the desire for peace in the socialist countries; but the will of the mass of the people for peace still needs to find more effective forms of political expression within the capitalist world. It is in this connection that the economics of the fight for peace assumes exceptional importance. It is an inseparable part of the movement for peace as a whole, a movement that can by its work within the capitalist world decisively tip the scales towards peace. However, the centre of gravity of this movement is not within the ruling classes but amongst the mass of the people, primarily in the organizations of the working class in alliance with a widening number of progressive intellectuals.

The capitalist class has now a very considerable economic interest in maintaining a big arms program. To explain militarism and production of arms as if due solely to the arms makers' pursuit of profits, is incorrect. The truth is rather that arms are

produced in pursuance of an overall policy of the capitalist class as a whole but, as a result, the wealth and power of the arms producing interests are disproportionately increased. These interests will combine with larger social forces that have an interest in maintaining militarism. (Can there, for example, be armed forces without arms?) And beyond these direct material interests, there are what one might call, the ideological forces of inertia, all the old ideas built deeply into men's consciousness by some thousands of years of class society, the sort of ideas that ordinary people, with no axes to grind, express when they say "there always have been and always will be wars." Against this the vision of what a world without war means from the economic standpoint is a powerful antidote. Professor Bernal in his *World Without War* has painted an inspiring picture of some of the scientific and technical possibilities, but there is still much work to be done by economists on the more specifically economic aspects of a peace economy.

We are living in a world in which the economic involvement of the state in the leading monopoly capitalist powers is now very great. The growth of state monopoly capitalism is primarily due to wars and preparation for wars; but it is also influenced by the pressure of popular demand for improved social services, housing, health, education, etc., and also in the demand, strongly stimulated by the growth and example of the socialist world, that public authority should take responsibility for maintaining the level of economic activity and employment.

Arms expenditure has the peculiar advantage for the capitalist class, in contradistinction to social services and other economic functions of the state for civilian purposes, that it enables the state to influence substantially the general level of demand and economic activity without ideologically or materially strengthening interests that are opposed to capitalism.

Cessation or substantial reduction of arms expenditures raises immediately and in a very decisive form the question of public responsibility for seeing that resources released from military purposes are used for purposes of social progress. The ways and means of meeting this situation and finding some common ground on this economic counterpart to disarmament, is one of the most

crucial issues confronting the varied forces now moving forward in support of a *detente*.

Let me pose—without answering—one important question to which economists in my opinion need to be addressing themselves. In Britain today expenditure on research in the Universities is £12 m. a year. In industries it is £85 m. For military purposes by the Government it is £240 m. How is the scientific manpower and resources in Government hands at present—twenty times as great as in the Universities and three times as great as in industry—to be redeployed for the purpose of making human life better in terms not only of its material conditions but also of its scope and freedom?

This is a most fundamental question, in my view, because the "capital" of the future, more important than any existing stock of buildings or machinery, is the technical know-how and experience of men and women of which the fountain-head is scientific and technical research.

If today we have more scientists employed on research than say in the thirties, it is mainly due to military expenditure, but even if all the scientific manpower wasted on military work were transferred to peaceful occupations, we would still be terribly deficient in scientists and technicians vis-a-vis the needs of the age.

The release of scientific and technical personnel at present militarily employed would force attention to be turned to problems to which at present we shut our eyes. War is reaction's great alibi. Assume only the priority of national defense and everything else goes by the board. But take this away and we are virtually compelled to think how to apply the techniques of scientific study and research, so ably applied to the perfection of death, now to the quite new problem of making life better.

It seems to me that there is an appalling waste of human ability which, given better educational opportunities, could make society wealthier and the working life of the ordinary individual more enjoyable. Our science is applied in a cramped way to improving production of isolated products and more study might fruitfully be directed to improving the conditions of social life

considered as a totality—the inter-relations between production, education, health, waste of time and nervous energy on chores, etc. Could we not do more to study the logistics of civilian life or divert, for example, the ingenuity used in building submarines to designing a maximum time-and-choresaving house, first regardless of production costs and then tackle the problem of reducing production costs to a minimum (as happened broadly speaking in the evolution of the mass-produced automobile). I cannot help feeling that though the problem of unemployment is still with us, our even greater problem is mis-employment. We have too few high-grade technicians and scientists and too many of these are devising better methods of genetic suicide. But back of these, it seems to me, there stands rank upon rank of unemployed potentialities—and if democracy means anything, it means providing scope for the development of human potentialities.

The problem is not, I think, only one of producing material goods, though this still remains the major problem, but it is one of eliminating petty material cares and preoccupations and allowing more and more people to devote the best of their energies to satisfying, worthwhile work, from which they get enjoyment. To solve these problems I believe that it will be necessary greatly to widen the scope and the unification of the scientific approach. By this I mean not only that the social sciences, the biological sciences and the physical sciences need to work together much more, but also that the scientific attitude needs to be infused throughout all working life, every worker to be in part, as it were, a field worker able to add something from his practical experience to the sum total of scientific knowledge.

The "socialization" of science in this sense calls, I believe, for much more consideration. Myself, I think such a thing cannot come to full fruition without the socialization of the means of production as a prerequisite. However, I do not wish to foist conclusions into an argument that has still to work itself out as an historical process through which whole peoples will determine how to conduct the social aspect of their life so as to provide a positive alternative to the negation of the militaristic way. However, to others who like myself hold socialist convictions, I would

say that I do not see peace and socialism as alternatives for peoples such as those of Britain and America. Peace versus war seems rather to me to be the concrete historical form in which the choice between the old and the new presents itself to the masses of our peoples. It is in the securing and building of a world without war that the practical relevance of socialist theory is likely to be more widely recognized.

In conclusion, I feel that it is essential to make some specific reference to the problem of the under-developed countries. Whilst material standards in Britain and America are pitifully low in relation to what they might be, given the potentialities of modern techniques, they are high in relation to those of the mass of the peoples in the capitalist world—the peoples of the colonial and ex-colonial territories. These peoples have lived under the shadow of finance capital and industrial monopolies from the metropolitan countries. The growth of modern industry and commerce has been cramped and distorted by the political and economic domination of the economically more advanced countries. Today the ex-colonial countries are moving towards independence politically but economically they remain weak and impoverished. The sooner all the legacies of imperialist exploitation are wiped out the better it will be for the peace of the world. The leading capitalist powers are likely, if arms production is reduced, to increase Government backed grants and loans to the under-developed countries. They may hope to use these as means of supporting economic domination, but in this they probably underestimate the strength of the movements opposed to them. There will be prolonged debate about forms of aid to under-developed countries but the tendency will be for aid without strings to prevail, particularly as trade and aid from the socialist countries is placing the under-developed countries in a stronger negotiating position vis-a-vis the industrial powers of the capitalist world.

An expansion of trade between the industrial and raw material producing countries is today as important to the former as it is to the latter and the main expansion in exports from the industrial countries, suiting both parties to the transaction, must necessarily be in capital goods. Credits and grants from the industrial coun-

tries will hasten the process of growth and should be expanded for reasons of common sense. It is not a question of philanthropy on the part of the industrially advanced countries. Resources directed to such purposes will be far more advantageously spent than they would be if squandered on armaments. It seems to me therefore that the ways and means of helping the industrialization of the impoverished countries of the capitalist world form a central theme in the economics of the fight for peace, which economists in all countries who wish to work for peace, should explore more thoroughly, alongside the question of diverting resources to peaceful use in the advanced industrial countries themselves.

PEACE AND THE ECONOMIST

By Jurgen Kuczynski

JURGEN KUCZYNSKI is a Professor at Humboldt University in Berlin. Many of his works have been published in the United States, including *Labour Conditions in Western Europe*; *Hunger and Work*; and *Germany: Economic and Labor Conditions under Fascism*.

The question is being raised by quite a number of economists in the United States and in England, in France and in Western Germany, in connection with the lessening of the strain in international relations during the past year: whether the change-over from an exceedingly high production of armaments to production for peaceful purposes can be achieved without leading to a deep crisis?

I do not know whether these same economists have thought of the following pertinent questions, and of the answers to them:

If armaments should continue to grow at their present pace, or even more rapidly—will it then be possible to avoid a Third World War?

Should their answer be "Yes," then a further question follows: what sense is there in armaments which use up immense masses of raw materials, labor power, etc., and which are never being put to use?

Should their answer be "No," there again is a further question: what, if anything, will be left of the economy of the United States, of England, France or Western Germany if a Third World War should break out?

To continue piling up armaments without war is patent nonsense.

But to prepare for war in order to avoid a crisis is like trying to avoid a cold by committing suicide.

There is yet another group of economists. They say the United States, England and other countries build up armaments only in order to safeguard peace, that their military supremacy alone will keep the Socialist Camp from starting war.

For years the countries of the Socialist Camp have, in answer to this argument, pointed out that every socialist country wants peace because it needs peace if socialism is to flourish. For years a good many people have pushed aside this argument as being "mere propaganda."

Today the situation is quite different.

Today the Socialist Camp is, without a doubt, even in the opinion of military experts in the United States and England, superior in military matters to the imperialist countries of the "West"—temporarily superior according to the wishful thinking of these military experts, permanently superior according to the knowledge of all who understand military science and socialism as well.

But at the very moment when this military supremacy of the Socialist Camp became evident to anyone familiar with military matters, the Socialist Camp proceeded to intensify its efforts for the safeguarding of peace!

This actual fact constitutes an argument that is, I think, "really unbeatable."

Now, when we answer the questions raised in a reasonable way, then it becomes obvious that no practical purpose whatever

can be served by asking whether there will be a crisis when we change the economy for war into an economy for peace.

The question must be put differently: How can we manage to change from an economy for war to an economy for peace with the least possible loss of time and the least possible amount of friction? How can we, as quickly and as smoothly as possible, set up that economy for peace which will benefit all mankind by raising the standard of living in all countries to heights undreamed of today?

There will not be a sole and single answer to this question; there will be many answers, and different ones in the different countries. To contribute to the solution of this task, every economist who loves his country, and who therefore loves peace, will, in our day and age, stake his honor and his pride.

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