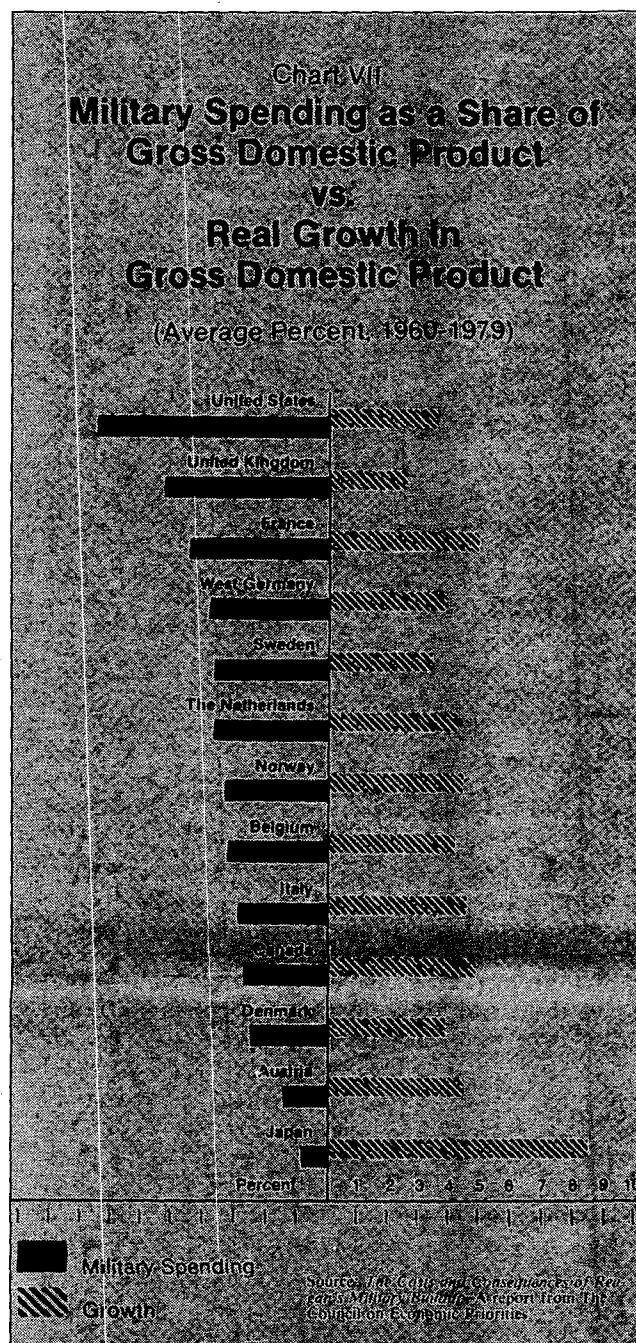


# THE INSIDE STORY



## Facing up to the defense question

By David Moberg

Ultimately the question about military spending that must be faced is simply, do we need it? Does spending more do any good? That, of course, depends on the "good" that one intends to pursue—"national security," "protection of American interests overseas" (keeping the world safe for American business), "world peace."

However, with the rate Reagan plans to accelerate military spending—a total of \$1.6 trillion over the next five years, representing an increase of 52.8 percent—more voices, even from the conservative business lobbying groups and from normally pro-military labor unions, are worrying about the economic consequences as well. Since almost any of the potential aims of military policy—whether defense, empire or peace—requires a sound and healthy domestic economy, the concerns are doubly justified.

It is obvious that if a large part of a country's labor, capital and resources go for military needs, production of civilian goods and services is deprived of that potential effort. But in a capitalist system, numerous leftists have maintained, the potential might not be realized if there is no opportunity to make sufficient profits. Furthermore, they agree, defense spending has helped sustain the long wave of growth after World War II as the U.S. came to rely on a permanent war economy.

In 1949, authors of the important National Security

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Council memorandum, NSC-68, argued against conservative fears that expanded government spending, even on the military, would harm the economy. Instead, they said, military expansion could both feed from economic growth and act as a stimulus.

That argument has come under repeated attack in recent years. The latest volley comes from the Council on Economic Priorities in a report prepared for the Machinists union and the Coalition for a New Foreign and Military Policy called "The Costs and Consequences of Reagan's Military Buildup" (\$2.50 from CEP, 84 Fifth Avenue, New York 10011).

### Military damage.

The study, prepared by Robert DeGrasse Jr. with Paul Murphy and William Ragen, concludes that the Reagan buildup will be especially damaging to the economy because it concentrates on high technology weaponry. (Arms procurement authorization would rise by 90 percent from 1980 to 1983 compared to a 60 percent rise in the Vietnam war.)

"Jobs, investment and economic growth will be sacrificed," the report states. "Technological progress will be distorted.... The high technology sector, an industry important to future American economic growth, will be hardest hit."

Comparing 13 major capitalist countries over the period of 1960 to 1979, DeGrasse concluded that the U.S. suffered from less rapid growth, slower increases in productivity and higher unemployment in part because it devoted more of its Gross National Product to the military. (See chart.)

The inverse relationship between military spending and growth is statistically significant. But it is not a perfectly linear association without exceptions, they acknowledge, since many factors affect growth, productivity and other economic indices.

Yet DeGrasse found that countries with higher levels of military spending tended to have less capital investment, which in turn could account for lower growth in output per worker hour in manufacturing.

Other researchers—from Wall Street to academia—have recently reported similar correlations, but what is equally interesting is that DeGrasse found *no* statistically significant correlation between either wages or civilian government spending and economic growth. Although Japan has low civilian government spending and high growth, most Western European countries have had both higher growth and higher civilian government spending than the U.S. Some European countries, such as Germany, Belgium and the Netherlands, have also had higher manufacturing wages than the U.S. as well as higher growth rates.

Although defenders of military spending cite the economic benefits of spin-offs from defense to civilian production, DeGrasse argues that distortions of defense-oriented planning contribute to the U.S. failure to take advantage of commercial opportunities with new technology. Besides, 60 percent of all federal research and development money (and 30 percent of the total public and private R&D) goes to the military, shortchanging civilian research—a damaging trend that will accelerate with Reagan.

Federal spending on military production at the expense of other programs narrows the focus of U.S. manufacturing, which abandons subway cars in favor of missiles. It yields fewer jobs, because the money goes primarily to higher-paying craft or engineering jobs. Those, in turn, are siphoned from civilian work, depriving those industries and creating inflationary

bottlenecks.

In a study for the Joint Economic Committee, staff expert Richard Kaufman concluded that the Reagan budget underestimated the planned increase by \$80 billion by not taking into account the already troublesome shortages and delays.

The less-skilled and most needy—blacks and women, for example—or those with skills not related to military production—such as teaching—suffer from such allocation. Likewise, parts of the South and Southwest boom while the already hard-pressed industrial belt of the Northeast and Midwest are further deprived.

### Cause or consequence?

However, economist Paul Sweezy, co-author of *Monopoly Capital* and co-editor of *Monthly Review*, argues that statistical correlations such as DeGrasse compiled do not establish cause and effect. In fact, Sweezy says, "the military is not the cause of all our bad troubles [economically]. It's more likely a response to the bad troubles."

"In the Soviet Union, it's obvious that the military takes a larger part of available resources and squeezes the civilian economy so you even have starvation in parts of the countryside," Sweezy says. "But in a capitalist economy the effects of dismantling the military sector would be to put us in a 1930s depression. It depends on whether, in the absence of the military, something else would come along to take up the slack."

Without military spending, it's not clear that a federal budget devoted to income redistribution, construction of infrastructure, education, energy conservation and the like would replace military spending, he says, and even an improved budget would not control the use of private capital.

But DeGrasse argues—despite recent comments by Secretary of Defense Caspar Weinberger about how a \$10 billion cut in military spending would cost 350,000 jobs—that ideology of anti-communism (to which one might add protection of the world as a preserve for American and allied business interests) drives military spending upwards, not economic necessity. The military bill is paid with higher interest rates resulting from deficit spending and "crowding out" of civilian borrowers, with inflation from government printing money to cover debt or with reduction in consumption through taxes.

Cutting consumption would lessen the possibilities of pulling out of the recession. Higher interest rates are squeezing small businesses, which are the most innovative and generate more jobs. Unlike the '50s, the U.S. can't afford the military and satisfy other needs, he says, partly because accumulated costs from deferring important social investments are now so high, partly because the world economy is so much more competitive.

Simply cutting back the military dramatically without putting something more beneficial in its place could be disastrous, especially in the short run, but sustaining the military takes its toll in the long run. Replacing the military spending with government policies and expenditures that rebuild the weak links of the system and addressed crucial social needs would carry widespread economic benefits. The central problem is—as it has been for decades—political: to be effective such an approach would mean that the U.S. would have to abandon its role as self-appointed cop of the world and that the government would increase competition with and control over private investment. There are, needless to say, some powerful opponents to that alternative. ■

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IN THESE TIMES

# Was Dellums' news unfit to print?

By Eric R. Alterman

WASHINGTON

**O**N MARCH 16, REP. RONALD V. Dellums (D-Calif.) began conducting the first extensive congressional hearings on American defense policies since the Fulbright hearings on the Vietnam war. The Armed Services Committee on which Dellums serves refused to sponsor the hearings, so he was forced to seek outside funding for his ad hoc committee on the defense budget.

The hearings, held March 16-18 and March 30-April 1, received little press coverage despite the appearance of William Fulbright, former chairman of the Senate Foreign Relations Committee, as the first witness. According to a Dellums aide, Fulbright's presence was intended to convey continuity between the current hearings and those of Vietnam days.

Many of the witnesses called before the committee strongly opposed the administration's defense policies and were generally outside the hawkish consensus of the Congress. Their orientation, coupled with previous press branding of Dellums as a "maverick" or "radical," led Dellums' staff to speculate that the media's decision not to cover the hearings was a political, rather than a news, decision.

During his testimony, Fulbright discussed the general implications of the budget, providing a perspective for the witnesses who followed. Fulbright told the committee that the administration's proposed defense build-up of \$1.6 trillion over the next five years "is so beyond our capacity to comprehend that it leaves us stunned and paralyzes our ability to protest." He then expressed fear that "this military budget is so large and the emphasis on nuclear weapons so strong and the rhetoric about the Soviet threat so extreme that one cannot resist the feeling that we are preparing to fight and win a nuclear war."

Fulbright called Secretary of Defense Caspar Weinberger's contention that military expenditures are a good social program "simply nonsense." At the close of his testimony he said he agreed with George Kennan, former ambassador to the Soviet Union, that "if we insist on viewing the Soviets as total and incorrigible enemies, that is the way we shall have them—for that view allows for nothing else."

The next witness, Walter LaFeber, a professor of American diplomatic history at Cornell whose four editions of *Ameri-*



According to one of Rep. Ronald Dellums' (right) aides, William Fulbright's (left) presence at the March 16 congressional hearing on American defense policies was intended to convey continuity between the current hearings and those of Vietnam days.

ca, *Russia and the Cold War* have become the standard revisionist text, told the committee that Reagan's Central American policies were "the diplomatic counterpart of throwing gasoline on a gasoline fire." LaFeber accused the administration of "driving Central American revolutions increasingly to the left," saying "if the militarization of U.S. foreign policy in the Caribbean-Central American region has only undermined the long-term interests of this country—even when we had undoubted military superiority in the area—it is not reasonable to believe that by devoting billions more to such militarization the foreign policy will be improved."

Former chief SALT negotiator Paul Warnke also had few kind words for the Reagan military budget, telling the committee that nuclear weapons "are good for one thing and only one thing and that is to prevent others from using

nuclear weapons against us or our friends and allies." In response to the budget proposals, he said, "It is important for economic reasons and, even more urgently, important for our national security that any elements designed to develop a nuclear war fighting capability be eliminated." He then characterized the administration's assertion that "we must possess the ability to wage nuclear war rationally" as "going from MAD to worse." The strategic expert closed out the week's testimony by calling nuclear arms control "an essential component of our national security."

In addition to appearances by Fulbright, LaFeber and Warnke, the first week's testimony included statements by experts such as Herbert Scoville of the Arms Control Association, Richard Barnett of the Institute for Policy Studies, Jeremy Stone of the Federation of American Scientists and scholars such as

Frank Holzman, Earl Ravenal, Robert Aldridge, Norman Birnbaum, Frank von Hippel and Barbara Levi. On the final day of the first week of the hearings, Dellums expressed many of the views presented in the testimony in a speech before the National Negro Press Association broadcast by National Public Radio.

When the hearings resumed March 31, they centered on the economic, moral and civil implications of the Reagan budget and on the impact of global arms sales on third world economies. Testimony by defense experts, labor leaders and clergy included Seymour Melman of Columbia and William Winpisinger, president of the International Association of Machinists and Aerospace Workers. Jonah House and Philip Berrigan closed out the hearings.

Dellums said his hearings were intended to "challenge the policy assumptions and spending priorities of the current administration and to develop testimony that will serve as a basis for constructing a comprehensive alternative military budget that addresses the true needs of a national security in a responsible manner." As one of Reagan's most virulent critics, Dellums has often been angered by the president's contention that nobody has come up with an alternative to the administration's budget proposal. Dellums plans to have an alternative budget ready after all of the congressional budget hearings are completed.

There is a major difference in scope between the Dellums hearings and those being conducted by official congressional committees dealing with the budgetary process. Dellums' ad hoc committee is attempting what one aide called "the first sustained attempt to challenge the priorities and assumptions of the Pentagon." Until now, the Weinberger policy has been to give the military carte blanche with regard to arms procurement. All that will change if Dellums has any say in the matter. But at this time that appears unlikely since the Dellums hearings were virtually ignored by the media.

Eric R. Alterman is a New York-based freelance journalist.

## This amendment may actually pass

By Mary Ellen Leary

SAN FRANCISCO

**L**OST IN THE CLAMOR OVER cuts, military spending and the "New Federalism," the real centerpiece of President Reagan's plans for reshaping the federal government is quietly moving toward reality. The Reagan-supported campaign for a constitutional amendment to cap federal spending and taxing is now just three states short of the required two-thirds majority. Its progress through state legislatures has largely been eclipsed by the more controversial fate of another proposed constitutional change, the Equal Rights Amendment.

But many observers agree that passage of the "Balanced Budget-Tax Limitation

Constitutional Amendment" appears more likely than that of the ERA. The proposed amendment would end deficit financing of the federal government and place a lid on the rate by which federal spending grows—it could never outrun the pace of national income. As the cornerstones of "Reaganomics," these two restrictions would impose monumental changes in how Washington works.

Some observers believe that a year of worsening recession and the largest deficit budget ever—a deficit nearing \$1 trillion—is an odd time to press for an irrevocable cap on resources available to Washington. But advocates of the amendment, including the president, see advantages to their cause in the current fiscal crisis.

For Reagan, this campaign started nearly 10 years ago, when, as governor

of California, he personally sponsored an initiative at a special 1973 election that proposed fixing a limit to California's year-to-year state spending increases and freezing expenditures in the budget to a fixed portion of all of California's personal income. The aim was to keep government from further encroaching on the public's purse. Though California voters rejected the initiative, it was the harbinger of the 1978 Proposition 13 tax rebellion. And this, in turn, triggered parallel tax reduction moves or restraints on government spending in many other states.

Today, the same conservative economists and monetarists who fashioned that unsuccessful 1973 plan for California—led largely by Milton Friedman—have masterminded a pincer move guaranteed to focus national attention on the drive to impose this type of formula on Washington as well.

One arm of the pincers approaches this fiscal change through a succession of state legislative resolutions calling for a national constitutional convention. Its purpose would be to bar future federal deficit spending and to put a limit on revenues the government can collect

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