

Disarmament and Conversion in World Perspective by
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Unlike World Wars I and II, the Cold War was a 45-year long power struggle without a defined military-event beginning or ending. The prospect of mutual annihilation deterred the main contestants from direct military combat. So military combat was restricted to surrogates for the main contenders, while the United States and the Soviet Union marshaled their economies in a contest for superiority of one government over the other.

Among the enduring costs of the 40-year long contest was the establishment of "permanent war economies". In both the United States and the U.S.S.R. the war-making institutions became the major parts of government, commanding in each case a lion's share of available funds. More than that, the war-making institutions of each society became the prime controllers of the society's capital resources.

Owing to the great length of the Cold War, major parts of professions, especially the engineering and scientific professions, were mobilized with priority for service to the military economy. Entire careers were accounted for by service to the military enterprise in research and production. Major parts of trade unions in metalworking, electronics, aerospace and chemical industries were composed of workers with sole experience in military industry. As a consequence of this preoccupation, the principal technologies as well as the social sciences were heavily influenced by the major research and development funds spent to meet the requirements of the war-making institutions.

Even in the absence of such avowed purpose, the permanent war economies endowed the main Cold War societies with a militarist cast in virtually all aspects of life, as nothing was exempted from being influenced by or being called upon to serve the societal military / political objectives.

Under these conditions a cumulative preemption of resources of unprecedented magnitude and duration became a characteristic condition of the Cold War and of permanent war economies. For the United States we know that from 1947 to 1989 the military enterprise received, in budgets to the Department of Defense, \$8.2 trillion (measured in dollars of constant 1982 purchasing power by the Comptroller of the DOD). The meaning of this magnitude is indicated by the fact that, in 1982 as well, the total current value of the industrial plant and equipment of the United States, plus the value of the civilian infrastructure, amounted to \$7.3 trillion. Hence, the permanent war economy of the United States used up a quantity of resources more than sufficient to rebuild the largest part of everything human-made on the surface of the United States. As the Soviet Union has essentially matched the main lines of U.S. military capability, it is prudent to assume that a similar massive depletion has occurred in the Soviet economy as well.

The consequences of this historically unprecedented preemption of resources is given by the special characteristics of military economy. First, the products of military economy lack ordinary use value for everyday consumption; nor can military machines be used for further production. Accordingly, the modern jet fighter plane has no use value as food, clothing, dwelling or transportation; neither can it be used for any further production.

A second characteristic feature of permanent war economies is that these are made into the special wards of the state. They are managed by a state management. In that privileged position they are commanded to produce the requisite military goods and services under conditions that maximize cost while maximizing subsidies from government. That is of central importance from the vantage point of economic development, for a cost maximizing micro-economy is the obverse of what is required for productivity growth.

A third characteristic of permanent war economies is that the military budgets which fund them are best understood as capital funds. When used, military budgets set in motion exactly the same sorts of capital as in the ordinary industrial enterprise: fixed capital, representing land, buildings and machinery; and working capital, representing all the other resources that are needed to set the industrial enterprise into motion.

Viewing military budgets as equivalent capital sharpens the understanding of what is foregone by the military use of these resources. For example: during the 1980s I reckoned that the cost of the U.S. Navy's F-18 fighter plane program was equivalent to the cost of modernizing the whole machine-tool stock of U.S. industry; or, the cost of one U.S. Navy attack submarine was equivalent to the cost of 100 miles of electrified railroad right of way, etc. At this writing the machine-tool stock of U.S. industry is aging and the U.S. has little of modern, fast electric powered rail lines.

These characteristics of military budgets have a controlling effect in industrialized economies, where they lead to a cessation and even reversal of economic development. Similarly, in non-industrial countries the establishment of military economies has served to checkmate economic development.

I have shown that in the U.S. a falling rate of productivity growth has checkmated the conditions of a "first rate" industrial economy, leading finally to the "second rate" condition of declining living standards. When the decay in production competence proceeds further it can result in a "third rate" economy. This denotes a former industrialized system whose capacity for producing the means of production has fallen to the point where it cannot produce the capital goods that are essential for reversing the decay in productivity and in level of living. That defines the condition of the Soviet economy at this writing, as well as the visible trend in the U.S. The 1980s U.S. developments included a drop of 60% in the production capacity in the vital machine tool industry and the virtual disappearance of capability for designing and producing high-speed electric railroad equipment.

In the eyes of economists the short term market effects of military enterprise have dominated the scene, since the attention of economists has been focused on problems of regulating market demand. From this vantagepoint military enterprise of course entails direct effects on employment and incomes paid, and thereby effects market activity. However, these short-term gains, obtained over and over again, produce a long-term erosion that has been unexpected. The long term effects include a cumulative preemption of resources that stifles development in one-time major industrial economies. This is now particularly visible in the economies of the United States, the Soviet Union, and also in Great Britain. Further, as the cost maximizing methods of micro-economy spread from the direct military sphere into other aspects of economic life, the normal process of productivity is undermined there as well.

This network of effects stemming from permanent war economies has been obscured from the understanding of most people by a series of major myths. These myths have been made into consensually validated propositions that are taught in the education system and repeated without end in the mass media; thus in the United States they have been given high intellectual status. These include the following propositions:

- * military spending makes prosperity for all
- * peace means depression
- * American wealth is unlimited and therefore the economy can produce both guns and butter for an indefinite period
- * military technology yields important spinoffs that benefit civilian technology
- * spending on the military is as good as spending on anything else
- * preparation for conversion from a military to a civilian economy

is unnecessary as the market will take care of changeover. The wide currency and status given to these propositions have had the effect of holding back preparation for converting from military to civilian economy. Note how this is further foreclosed by the ordinary assumption that the Cold War continues for an indefinite future.

As developing countries have established military economies of varying size their capacity for economic development have been sharply curtailed. I am aware of the reasoning that assumes disarmament would make possible economic development in the Third World, especially by a transfer of major capital resources from the industrialized nations. That view of the matter needs major revision. For the military budgets and military economies of the industrialized countries contain precisely the capital resources that are required for reversing their own economic decay. Allowing for the fact that there is a group of Third World countries that is really bereft of capital resources of every kind, it remains that for most Third World countries their own military budgets contain the main capital fund required for their economic development. This puts a fresh light on the linkage between disarmament and development, for in this view disarmament, including a drastic scaling-down of Third World

countries' military enterprise, is the crucial framework for facilitating their own economic development.

The process of dismantling the permanent war economies of all nations is the critical act for creating a major "peace dividend" that can be applied for economic development everywhere. To make this possible careful preparation is required for conversion from military to civilian economy. This is essential, everywhere, because of the special occupational and organizational characteristics of military economy. The changes required entail a cultural transformation for individuals and for large social groups. Consider the changes that must take place in the universities if the various technologies are to be reoriented with primary attention to improving the quality of life rather than bolstering the military/political structures for the Cold War. Think of the revisions to be made in the social studies if economists, anthropologists, sociologists and political scientists orient themselves not to the service of permanent war economies and belligerent ideologies, but to carry out constructive enterprises of every conceivable sort.

For these purposes it will be essential to give fresh attention to an idea that for 30 years has been treated as Utopia: a mutually agreed disarmament process with an orderly reduction of armed forces and their supporting institutions, together with carefully planned conversion of individuals and institutions to productive activities.

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