

Practical Steps Toward Disarmament And Economic Conversion by Seymour Melman

Because the war economy is embedded in state capitalism, which in turn grows out of private capitalism, I will define the core problems of this country in terms of its economic structure.

What are the core features of capitalism? First, there is an occupational separation of the work of producing from the work of deciding. Hence, the tasks of producing and the tasks of deciding are increasingly specialized and concentrated in occupations that are devoted particularly to those classes of tasks.

The second main feature of capitalism is that there is a hierarchical form of organization in the decision-making occupations: a pyramid.

The third feature of capitalism is that the decision-making occupations include in their vital characteristics an imperative for enlarging the decision power. That means that it is a primary duty of persons in the decision-making occupations to become more important decision-makers? to rise in the particular hierarchy, if they are situated in one, and to press for superior decision power by their hierarchy against alternative or competing hierarchies.

Finally, capitalism is characterized by the use of money as an instrumental device for marshalling decision-power. Money is used as a medium of exchange in any society where there is division of labor and where we therefore have to exchange the products of our specialized work. But the use of money for marshalling decision-power is a special feature of capitalism.

The money that is used in that way is characteristically called finance capital. That's a term in common usage, there's nothing mysterious about it. Finance capital is a quantity of money of sufficient size and located in the appropriate hands—both are required—to be used as an instrument of organizing work, organizing production, exercising decision power over production of allied work.

These features are present in private capitalism. But private capitalism has a further distinguishing characteristic, and that is that the position in the decision-making occupations

is controlled by private persons—that is by non—governmental persons. Government has limited decision authority in private capitalism. The main finance capital funds are in the hands of private individuals, private firms, and private banks.

But state capitalism is different from that. In state capitalism, position in the decision-making occupations is controlled by government in a crucial way. For example, if you examine the rules and procedures of the arms services procurement regulations and the associated manuals laid down by the Department of Defense in its central administrative office, you'll see that the top management in the Department of Defense is able to exercise authority—is instructed to exercise decision power with respect to the managers of the subordinate contracting firms. The subordinate contracting firms in the Department of Defense relate to the central office of the Pentagon in the same way that the Chevrolet division of General Motors relates to the central office whose chiefs are on the fourteenth floor in downtown Detroit.

But there is this crucial difference: in state capitalism the top managers of the central office are government officials, they are endowed with political power. Not simply economic decision power, as is the case of the managers of private enterprises. Thus the central office that governs the operations of 35,000 prime contracting establishments now has a staff of 150,000. The chief of that organization—its day-to-day working chief, the President so to speak of that firm—is the Secretary of Defense. And functionally, the Chief Executive Officer or the Chairman of the Board is the President of the United States.

That puts the chief officers of this enterprise in a very peculiar relation both to the employees of the assorted contracting firms and to the military establishment. It is a relationship that is very different from the manager of a private firm to the employees of that firm. The employees of the government-managed enterprise relate to the chiefs not only as employees, but also as citizens, for the chiefs of the state-managed enterprises are also the executive officers of the political organization of the government.

What is the relation of this to military economy? Until the time when President Eisenhower gave the famous farewell address in which he identified a military industrial

complex, the primary mode of organization in the military economy was via private firms. Private firms dealt with the separate departments—the Navy, the Army, the Air Force. And there was a set of loose but pervasive connections between the chief officers of these services—the chiefs of these firms—and political officers of the government. That constituted the military industrial complex, and it operated through and was defined by a network of market relations. The services entered into contracts with these firms, they bought and sold. The contract relationship was very important for these firms, and it endowed the service chiefs and the political chiefs with an unusual degree of influence with respect to the private firms.

But all that underwent a qualitative transformation as Robert McNamara was put in charge of the Department of Defense, because he proceeded to organize a central administrative office very much like the central administrative office that now appears, characteristically, as the chief governing body of large multi-divisional organizations. So the central office of the Pentagon must have been modeled after the central office that McNamara knew best, the one he had designed and installed in the Ford Motor Company. But McNamara's second central office enterprise was in a different situation from the one of the Ford Motor Company. First of all it was larger. At the time of McNamara's regime there were about 50,000 employees in the Pentagon central office. (That number has grown, as befits a group that constantly strives to enlarge its decision power. Now there are 120,000 employees in the central office.)

The central office set up by McNamara did exactly what a central office is supposed to do. That is it proceeded to write general policy rules for the functioning of the subordinate managements, the contractors and others. Then it set up policing organizations to force compliance with those rules. And it set up reporting systems, whereby the contracting firms and others report to the central office, And much was said at the time about McNamara introducing modern management methods; computers were added to the Department of Defense, et cetera. The great interest in computers was very much associated with setting up of the type of apparatus that the central office of the Department of Defense was becoming,

because computers are control devices. And McNamara needed the use of computers because of the enormous number of entities now being controlled.

However that was a movement away from a private capitalism in which there was at the same time a network of connections with government officials and military officials, properly designated the military industrial complex. That complex underwent a rapid transformation, and it became a central office-managed enterprise.

That was the transition to state capitalism. Not only did it meet the characteristics of the position in the decision-making operations, controlled by the government and formalized, but also the government set up elaborate instrumentalities of exercising that control: manuals of preferred practice, elaborate interpretations systems, schemes whereby all the main managerial occupations in the subordinate—that is the contracting enterprises—were given guidelines on how to carry out their occupations. And they were all assigned prescribed ways of reporting back to the central office. But finally, and in a certain qualitative sense most critically, what came to pass then was that there was a concentration of finance capital to an unprecedented degree in the new state management. State capitalism was established not only by the enlargement of finance capital and the proportion of it controlled by the management, but it also grew qualitatively because of the increase in the number of engineers and scientists—the prime technical resources of the economy of society that would mobilize under the new state management.

Undoubtedly, the new state management became the manager of the largest group of engineers and scientists controlled by any single controlling entity. It became the controller of the largest research and development funds under one management. At the present time 75 percent of the federal government's research and development expenditures are under the jurisdiction of the Department of Defense. That gives it a kind of qualitative impact that's very far-reaching. Whole industries are shaped by the criteria preferred by the Department of Defense, as the design of machines and other instruments are conducted with primary attention to a principal customer, namely the Department of Defense. And there is no other customer that at the same time sends down rules and regulations about how the internal character of a

firm should be governed. So the Department of Defense is more than just a buyer, the Department of Defense is also a manager of the contracting firms.

The transformation to state capitalism also opened up, in a way no doubt unintended, a channel for influencing the character of that state management and the resources put at its disposal. This is not present in private capitalism. Thus, formerly the stockholders had a voice in the allocation of resources by a private incorporated firm. However as we all know, and as Messrs. Burley and Means defined a long time ago in their classic work on the modern corporation and private property, in fact only a minority proportion of stockholder ownership is quite sufficient to carry the day in decision-making in incorporated firms. This means that the ordinary citizen has very little recourse in addressing the top managements of the private firms.

For example, I've been present at more than one discussion undertaken, let's say by peace groups, with management representatives from senior Pentagon serving firms. And the effort was made to try to persuade these people to withdraw from their work for the Department of Defense. There would be a session with management representatives of General Electric, say, who sat around an elegant table in a conference room in their headquarters in Manhattan. And the peace group would make their case, in the name of values of peace, of human life, dangers of nuclear war, etc. And the response from the management representatives, as you might expect, would be, "we are only doing what the higher authority in the government which is duly elected asks us to do. And as they represent the will of the majority of the people of this country, we are only carrying this will out. We appreciate your point of view, we respect your right to state it, but we have no reason not to continue doing the work that we are doing. If there is any moral opprobrium to attach to the work that we do, that's a matter to be resolved with the decision-making authorities who let the contracts to our firm and on whose behalf we are working." With the result that there is of course no recourse. There is no political way to reach the board of directors of General Electric, meaning in terms of wielding decision power. No way to influence them. They are an autonomous body, separate from governments, separate from surrounding community. They are named by the

holders of shares in the corporate securities, and they are pro forma untouchable by other citizens.

But look at the case of the state management in the Pentagon. The chairman of the board has that decision through the electoral process. He names the Secretary of Defense as the operating president of the firm. Every dollar that's put in the hands of this state management is voted by the Members of Congress, all of whom are elected by the voting populous, and without whose vote and whose approval the funds cannot be made available. Hence, a major consequence of the transition to state capitalism is that political channels have been opened for affecting the policies and for affecting those who control. I find it fascinating that this view of the matter has not prevailed; that the organization of the Department of Defense is somewhat autonomous. There is still a considerable amount of literature which holds that the Department of Defense is somehow an extension of the top managements of the private firms who are really the source of decision power.

That's a very important thesis, because it has the effect of disempowering the populous that accepts that thesis. If in fact the directorate of the Department of Defense is just an extension of an executive committee *of* private firm managers, then there's no way to reach them. They are beyond touch. There's no way to effect them. If on the other hand they are regarded as put in place in a political system whose main component entities in the Executive and the Congress are in fact subject to the approval of the populous— then the matter takes on a different character.

I call your attention to the recent elections in the Soviet Union, where persons who held prime decision power positions, even Members of the Politburo, were simply voted out from being able to sit in the new Parliament that is to be held. It's not that these people were totally stripped of decision power, and in truth the precise meaning of those elections and of the new body being named is not quite clear. But there is no question that a population that said "no" really put aside the candidates of what has been until now a ruling elite, namely the members of the Communist Party and of their Politburo who are a minority part of the population. So 89 percent of the Moscow population have said "no" to the candidates of the

Communist party and they elected someone else. In some places you may have noticed that there was only one candidate, the candidate of the Communist Party. And the people finished that candidate off by crossing out the his name. As more than 50 percent of the voting populations acted to cross out a name, that nullified the election so that a further election must be held. Obviously there is considerable pressure that there be some choice of persons this time, to make sure this election goes further.

I'm merely underscoring the point that where there is state capitalism and also the presence of a representative political process, there is a way of affecting the operators, in this case of the military economy, who stand at the peak of the state capitalist management operation.

That's why I now turn to a statement of the consequences of military economy, and I will move from that to a discussion of how to organize for winning a political struggle against the war—making institutions.

The consequences of the military economy, very fundamentally, include the big structural chain and the preemption of finance capital resources. Another consequence is the transformation of the internal economy of firms, from one of minimizing costs to one of maximizing costs: with the result that productivity growth in U.S. industry has collapsed. And finally, we have set up a series of war-making institutions: the Department of Defense, the Department of Energy, NASA, the National Security Agency, the National Security Council, and also an array of parts of other executive agencies. Parts of Congress are specially devoted to the needs of the Department of Defense. The Department of Defense has representatives walking the corridors of Capitol Hill, most of them I believe with offices in the buildings of the House of Representatives and the Senate, who either equal or exceed the Representatives or the Senators in number. (These representatives of the Pentagon are suitably attired in civilian clothing, so there is no flamboyant showing of military symbolism in such quantity on a continuing basis.) The consequence of this has included the depletion of both the manufacturing industries of the United States and of the infrastructure of this society, All that is now quite well—known by consensus, it is utterly clear. The countries that have

given dramatically less of their production resources to military economy — Germany and Italy —have obviously won the Cold War, and the countries that have given massive and continuing abundance of capital—type resources to permanent war economies—mainly the U. S. S. R. and the United States—have obviously lost the Cold War. Those are the economies that are now in deep trouble.

At the same time that this manifested deterioration has taken place, there has been a parallel unwillingness on the part of the state management and on the part of the subordinate managements in the contracting firms to reduce the war fighting capabilities of the United States. There has also been an unwillingness to open up discussion internationally of how to reverse an arms race. Several times a week now we hear proposals of unilateral action by the Soviets. In an article of April 10th, 1989 Mr. Gorbachev is reported to have announced the impending closing of several facilities that manufacture atomic warhead material. An accompanying article, dateline from Washington, tells us that in Administration circles—persons not identified—this is being belittled as not a significant move. Furthermore, it is said that the United States will not engage in such a program as it needs additional production for preparing the plan for tactical nuclear warheads. In honor of that program a billion dollars is to be invested by the Energy Department in the state of Idaho alone for the material and manufacture of nuclear warheads. So the state management is telling us, though never in these words, that having 40 times overkill over every Soviet city of size is not enough. More is needed.

What precisely is it needed for? On military grounds it cannot be needed, because there is no way to destroy something more than once. There must therefore be another need. And that other need is found in the core characteristics of both private— and state capitalism. That core characteristic is the imperative to maintain and to enlarge decision power, therefore to maintain and to enlarge the budgets of the Department of Defense and of the Department of Energy: to maintain and enlarge the manufacturing facilities for turning out the atomic warhead material. That means more activity, more organization, more purchasing, more subordinate funds, firms controlled, more employees controlled, opportunities for rising in

hierarchies by the managers of these newly founded enterprises. Opportunity for wielding decision power not only on other firms, but by moving into the state of Idaho in this way, the managers of this enterprise would be by far the managers of the single most important capital investment in the state. They will therefore exercise decision power over all manner and facets of life not even contemplated at this date.

So there is a readiness to disregard the presence of overkill. There is a readiness to continue preparation for war fighting in Central America. There is a readiness to keep producing nuclear materials even though there are no military grounds whatsoever. There is a readiness to produce these nuclear materials even though the allies of the United States in whose territory these tactical weapons are to be placed don't want to have them around, as they have done the arithmetic and discovered that the range of these new weapons would cause them to be detonated in their territory. Hence they see no merit in a multiplication of such weaponry, and prefer to go the route of trying to negotiate an internationally agreed and monitored reversal of the arms race.

We on the other hand have an arms control and disarmament agency in Washington that does not include one single person directed to think about problems of how to formulate, negotiate, or implement a reversal of an arms race. Indeed the idea of reversing the arms race as a way of improving security is virtually wiped out from public discussion. The press doesn't talk about it. The journals of opinion don't talk about it. The universities don't talk about it. And worst of all in my view, the peace organizations don't talk about it. As long as peace organizations don't take up the reversal of the arms race and the parallel problems of what to do with the state capitalist controlled economy of the arms race, then the peace organizations are participating in a type of charade. A lot of talk about peace but what is peace. In our time peace is not simply the momentary absence of war. Because of the sustained operation of war planning, war preparation, peace has to mean diminishing the decision power of the war-making institutions. If that is set in motion then we are moving in a peaceful way.

That has important bearing on strategies and political ideas that have been around for sometime. I call particular attention to the notion of arms control. Until 1960 or so arms control in ordinary usage meant the steps that might be taken in reversing the arms race. It also referred to partial steps, that are not part of the larger arms control program that clearly damped down the arms race. Around 1960, largely as the product of a group of intellectuals around the Harvard-MIT axis, the idea of arms control was transformed and was given the formal meaning of stabilized deterrence. The essential strategic idea was to let each superpower have several hundred intercontinental missiles, in deeply placed, very secure locations such that if either side were to attempt a first strike against the other, those deeply implaced missiles could not be destroyed and the initial attacker would be subject to a nuclear response, what they called a second strike. And foreseeing that consequence there would be a stability in international military relations, and both sides would be deterred.

A few things were left out by these strategists of logical military deterrence. The first thing that was left out was the understanding of the role of the top managers of military economy, both here and in the Soviet Union. And those top managers, endowed with the characteristic managerial imperative to enlarge decision power, of course did not stabilize anything. They proceeded to act towards the enlargement of their decision power. Second, the shrewd arms controllers deceived themselves and everyone listening to them when they persuaded people that the military officers were going to do something different than the traditional task of finding out how to win in military combat. This is evident in a reading of the ordinary field manuals of the U.S. army. (The main ones are publicly available. They don't get read by editors and researchers and peace organizations, I don't know why. It would seem that to know something about how to make peace you'd better find out about the behavior of those who are training to make war.) A reading of Field Manual 100-5, called Operations, the basic doctrinal manual of the U.S. army, opens with a set of paragraphs, indeed with a first sentence, that says, "The goal of the U.S. army is to win the first battle." That's in italics. Then by the end of the third

paragraph you are advised that the goal is not just to win the first battle, but the third and the fourth, and finally to win not just battles but the whole war.

Now in order to win a war you want assured material superiority. How much more is needed for assured material superiority? The answer is more. How much firepower is needed? More. What shock effect is needed? More. How much surprise is needed? More. More is better. The combination of the state managers with their imperative for enlarging decision power, plus the ordinary dynamic of the military offices following their doctrine, led to successive administrations in the United States that proceeded to frighten the populous while telling them that they will see to their defense. And that the piling up of nuclear overkill was more defense, and the performance of acts of aggression against third-world countries were also an act of defense. And that led us to where we are now today: a deteriorated industrial economy, a deteriorated infrastructure, and a domestic culture that is in chaos since its values are in gross contradiction.

How can you have a kinder, gentler anything while voting \$300 billion military budgets? How can you have an improved condition of life if principal committees of the Congress spend their time discussing small missiles versus large missile? One-warhead missiles versus fifteen-warhead missiles? How many submarines are enough? The answer is obvious: more is better. How many bombers are needed? More. The B-1 bomber costs \$250 million a copy. That's alright, it's for defense. The Stealth bomber will cost \$500 million a copy. That's alright, it's for defense. People are homeless on the streets of cities and suburbia, but that's okay, that's not important. It's not said that way, but the implication is obvious. Schools are in decay: that's alright, it's not important. People are dismissed from hospitals without getting care because they can't pay the bills that's not important. The infant mortality rate of the United State in many of its localities is precisely that of a third world country, and that's not important.

So the whole culture of the society is pervaded with a war-preparing, death-dealing quality. From which it should be no surprise at all that the kids take to drink, and drugs, and

mayhem. After all, the leading authority figures of the country talk about kinder and gentler, but organize mayhem.

How is one to organize a winning political struggle against the war-making institutions? I want to first argue that that's the only game in town for a peace movement. I can't think of anything else really worth talking about. For example I wouldn't give any weight to a discussion of single warhead versus multiple warhead missiles. I would spend a lot of time on devising a plan for a negotiated reversal of the arms race, with a program for reducing the number of such missiles of all sizes. The American peace organizations must stop taking orders from the war—making institutions. A principal instruction of the war-making institutions is never to discuss disarmament. The moment it is ever raised there is always a rejoinder: "you mean you want this country to unilaterally disarm and be left naked?" So the idea of a negotiated, monitored reversal of the arms race is instantly converted to the idea of unilateral abandonment of weaponries and "being left naked."

There is no question that a reversal of the arms race is an intricate process. But it can't be more intricate than stopping the drug epidemic. There are ways of addressing all aspects of it, and we are bound to learn a lot of things along the way. Two main policy lines are indicated. The first is to put the idea of how to plan a reversal of the arms race on the political table. We've got to make it a discussible idea once again. There are many limitations, difficulties we may have on how to define things, many problems that surely arise on inspection and verification, and unsettled issues as to how to deal with conflicts among countries which will go on forever. We have to address questions of how these conflicts might be resolved, what to do in unusual circumstances, how to act when there are no armed forces country by country but only police forces, for domestic order. How to organize an international peace-keeping body that would be at the service of every government, to assure compliance with the treaty and to stand in the way of any party who would act in violation of the treaty.

There is a great array of topics that are involved here, and there are many difficulties. They are important for the obvious reason that unless we find a way to address these problems there will be no extricating ourselves, a) from the continued domestic decay in our own country, in our own lives, and b) we will have no way of extricating ourselves from what is obviously a mounting danger of nuclear war.

For that we have to follow a strategy of dealing with plans for the negotiated reversal of arms race—disarmament. In 1962 the President of the United States prepared such a complete plan. He called it a blueprint for the peace race, And Kennedy said this was the U.S. government's plan for achieving general disarmament in a peaceful world. So one thing to be done is to read President Kennedy's plan. Another thing is to read the 1987 proposal that has been drawn up by Marcus Raskin. Marcus Raskin is a colleague with me in the National Commission for Economic Conversion and Disarmament, he is a distinguished fellow of the Institute for Policy Studies in Washington, and he was a main writer of Kennedy's 1962 plan. So there is a 1987 proposal for carrying out, in fifteen years, a general reversal of the arms race. I don't claim that there is perfection in any of this. But I do claim that these are the main embodiments of ideas now available for discussing this matter, and therefore they deserve serious attention.

The second strategic line that is needed is preparing conversion from military to civilian economy. The country is frightened by the idea of reversing the arms race because people believe that the result will be an economic debacle. The size of the military economy and the problems of preparing a change to civilian work are important matters. They have been addressed in a proposed law. In this Congress it is House Resolution 101. (Copies of that law and explanatory materials about it are available from two places: from the National Commission for Economic Conversion and Disarmament, P.O. Box 15025, Washington, DC, 20003. Or from Congressman Ted Weiss, House of Representatives, Washington, DC. He is the principal proponent of this law.) It is of great moment that law is now being taken seriously for priority sponsorship during the present Congress, being taken seriously by top

leadership persons in the Democratic Party. There is an opportunity not seen in the last 25 years.

Why is this now being taken seriously? Put yourself in a position of a leader of the Democratic Party knowing that you have to approve a budget—the President is apparently unable to draft a budget, the Members of the Congress don't know how to draft a budget—someone has to make up a budget. And why the prices on the budget? In one respect it's no longer possible to spend and spend and borrow and borrow because the lenders aren't ready to cooperate as they once did. Germany and Japan's bankers and financiers are uneasy about lending more to the government of the United States, Also, the President and Congress are unable to make budget because \$300 billion is being put in the hands of the Department of Defense. On the one side they are ill— at—ease about cutting, on the other side they know that there is a great array of issues: in environment, homelessness, education, healthcare, transportation, and clean air and water, that must be dealt with. They know that about \$17 billion a year must be expended for many years to come to clean up the radiation mess left by the operation of the Energy Department's nuclear materials plants because they are poisoning the earth and the water. And they have no way now of finding that money. They must either take it away from the Department of Defense or borrow further, and both of those are political no-no's in the eyes of many persons.

Therefore a new perspective is needed. And a new perspective is opened up first of all by laying out an agenda of what the country desperately needs in repairing infrastructure, and secondly by laying out plans for conversion from a military to civilian economy so that the people in the factories, bases, and laboratories working for the Department of Defense can take a hand in planning a future for themselves beyond their work for the Pentagon, And that will give confidence to the wider republic.

What are the prospects for mobilizing the largest part of the American public behind such an orientation? In my judgement the prospects are fine. The occupations and the trade associations that are now being depleted because of decay in industry and environment entail numbers of people that are a multiple by far of those engaged in the military economy. The

overwhelming majority of the populous is victimized by the consequences of a permanent war economy. But they typically don't understand the connection between their victimization, the deterioration of their occupations and work as a consequence of the permanent war economy. It is a priority task in the peace movement to make them understand that connection.

That opens the prospect of a coalition strategy. The people, the professions, the trade associations concerned with infrastructure, environment, housing, education, health, transportation, water, waste disposal—are all candidates for meeting together and for understanding that their separate and joint prospect for proper functioning resides with transforming the orientation of the security of the United States, out of the permanent war economy and towards an economy at peace.