

The Pentagon Connection

by Seymour Melman*

Something is missing from the reports on New York's financial crisis. The current budget of the City government is said to be short \$1.1 billion, and the mayor's forecast for next year is a deficit of \$6.4 billion. Where has all our money gone?

From the complete fiscal data for 2000 we know that the citizens and firms of New York State paid \$166 billion in taxes to the federal government while receiving \$119 billion in federal spending, so there was a net drain of \$47 billion from the people of New York.

The federal government has been milking the economy of New York State, and feeding more than half of the tax money to the Department of Defense and its allied intelligence agencies. Nevertheless, despite the Pentagon's lavish funding and equipment, they failed to protect New York City on 9-11; their chiefs have stalled on naming a commission to explain that historic debacle.

They proceed with business as usual. In March 2003, the Navy will receive the *U.S.S. Reagan*. With a crew of about 5000, this nuclear powered aircraft carrier alone will cost \$5.4 billion, not counting the cost of the aircraft, fuel and immense arrays of equipment required to maintain a large and diverse body of aircraft. The *U.S.S. Reagan* will add to the present 12 aircraft carrier battle groups, each with their accompanying complement of *Aegis* destroyers, (\$1.3 billion each) submarines and supply ships. Each major aircraft carrier includes the equivalent of an air force with diverse aircraft and global reach. A principal fighter plane for the carriers is the *FA-18E-F* fighter, which is budgeted at \$72 million per plane. A complement of 40 such planes costs \$2.8 billion, and when added to the \$5.4 billion basic cost of the carrier, the total is more than \$8 billion. No other nation is producing nuclear powered submarines or nuclear powered warships of any sort. The United States Navy has ordered three nuclear-powered attack submarines with a price tag of \$2.3 billion each.

I am citing these costs and the few that follow in order to give you at least a beginning understanding of the scale of the economic outlays that are involved for major military materiel.

The Air Force is receiving a fleet of *C-17* heavy airlift planes. These large aircraft have intercontinental range and enormous load carrying capacity. They cost \$279 million per plane – exceeding the price of a fully equipped intercontinental passenger airliner. The Air Force is also getting a fleet of *F-22 Raptor* fighter planes, which are more sophisticated than equipment of any other air force in the world. The *Raptor* costs \$285 million per plane. Then there is the *Joint Strike Fighter*. That is an ambitious design to serve the varied requirements of each of the principal military forces of the United States and of other countries as well. The *Joint Strike Fighter* program, which is scheduled for several thousand planes, is estimated to require an outlay of \$750 billion. This program triggered an intense competition for the contracts among congressmen from principal aircraft producing states, like California, Texas and Washington. Some members of Congress saw this as a bonanza with a long future.

These aircraft and naval vessels are major pieces of the new U.S. military arsenal. They are accompanied by hundreds of billions of dollars for great fleets of armored land vehicles and the equipment for scores of new military bases being constructed around the world. In countries of the Middle East and Central Asia, the United States has been constructing tens of new military bases –

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thirteen in the former Soviet Republics of Central Asia. These will extend ground-based U.S. military power eastward, to within three hundred miles of China.

Spending for conventional explosives and nuclear-equipped missiles has increased as well. The Pentagon has bought special missiles and bombs of varying size designed to penetrate steel, reinforced concrete, and deep underground military facilities of every sort.

The military priorities of the federal government are accompanied by chaotic accounting conditions in the Pentagon – across all services. The Pentagon’s own Inspector General reports that because of deficiencies in accounting methods and internal controls, crucial audit work could not be done for hundreds of billions of dollars of purchases and statements of inventory. This means that the billions of dollars formally voted by the Congress are no measure of actual spending activity – which is finally, out of control.

What Is The “Opportunity Cost” of The Military Extravaganza?

A major part of the answer to that question is revealed in the (accompanying) *Report Card for America’s Infrastructure* that was prepared by the American Society of Civil Engineers. Note that most categories received a grade of Poor or worse. What will it cost to put major parts of the infrastructure in good repair? All this fix-up will require an investment of \$1.3 trillion, the equivalent of about three years of the U.S. military extravaganza.

Continuation of the America’s militarized state capitalism will produce a further deterioration of every main aspect of infrastructure that is accounted for on the *Report Card*, as well as deterioration of major elements that are not shown there: the quality of housing for tens of millions of our people and the rattle-trap condition of what passes for railroads in the United States. Replacing only “severely damaged” housing, as measured by the federal government’s own Housing Census, will require an outlay of \$369 billion. The electrification of American railroads will cost \$250 billion. But such undertakings are made impossible by the priority allocation of our tax dollars to the military.

Department of Deindustrialization

A huge change has been happening in the American economy, (though mostly unreported).

U.S. firms have been closing factories here and moving them to countries where unions cannot oppose management. This **deindustrialization** has happened so quickly that America’s capacity to produce anything is seriously undermined. For example, last year the New York City government announced its plans to buy a new fleet of subway cars. Though this contract is worth \$3-4 billion, *not one U.S. firm responded*. Of 100 products offered in this fall’s *L.L. Bean* catalogue 92 are *Imported* and only 8 *Made in the U.S.A.* All kinds of companies have shipped their factories abroad, leaving only top management offices in the U.S. Closing U.S. factories has not only left millions without work, but has also diminished the U.S. production capability required for repairing our broken infrastructure.

While the federal government throws money at the military, it does nothing to save America’s manufacturing industries - the core means of production for the entire society.

Every manufacturing industry whose products are required for repairing and modernizing America’s infrastructure is left out by the federal government’s military plans. No amount of Pentagon spending can fix that. If you add the \$618 billion required for repair of U.S. housing and railroads to the Civil Engineer’s *Report Card*, the result would be a \$2.0 trillion market for every sort of manufacturing industry. Instead, the government presses forward with military programs that speed the further deindustrialization of the U.S.

No Remedy for Joblessness

Apart from its economic consequences, joblessness has a poisonous effect on the human psyche, for it sends a message: not needed, not wanted. But the governments of the U.S.: federal, state, city and county, have been unified in support of military priorities. This has rendered American governments incapable of organizing our people for productive work.

When the federal government's Labor Department reports unemployment at 5.7 percent, that is typically an understatement of joblessness. For joblessness includes people ready and willing to work but not "reporting" for unemployment application. And even meager levels of employment – even one day of work per week, renders the person "employed" in the federal count. So federally reported unemployment actually refers to twice that number actually jobless, hence 11.4 percent.

Shortchanging New York City

The Mayor of New York City now demands cuts in spending by the City government, for he reckons that a budget deficit of \$1.1 billion for this year will be followed by the enlarged deficit of \$6.4 billion in the year to come. How does the Mayor propose to cope with the prospective deficit? He offers a host of detailed plans for cutting the outlays for schools, libraries, the fire department, the police department, the sanitation department, cuts in the staffs for child welfare, for services for elderly people and children.

The Mayor has no proposal at all for cutting parts of the federal military budget. Instead he offers increases in various City taxes, including income taxes and charges for using the City's bridges over the East River. Soon perhaps modern technology will enable the City to raise money by charging each citizen a fee for crossing the street.

In 1998 Allan G. Hevesi, then Comptroller in charge of the City's budget planning, prepared a report on the capital funds needed by the City. His report showed the money required by each City department for new buildings and equipment from 1998 to 2007. Of the \$92 billion required, only half was made available by the time his report was prepared. Now, with financial crises ever larger because of the further militarization of our lives, the buildings and equipment needed by a modern city will not be available in any foreseeable future. Every City department will be a casualty of the federal government's warmaking.

Something For The Serfs

While millions of Americans suffered losses of savings and pension funds from the 2001—2 meltdown of corporate securities, the same events in securities markets were used to create a new class of economic royalty. These were the American corporate and government insiders who used their positions to know when to buy and when to sell in the securities markets and thereby amass enormous profits. So the N.Y. Times (Aug. 25, 2002) displayed a list of the 100 executives who made the most money from strategic selling of their company stocks. Altogether, these people reported \$6.2 billion in highly unequal profits, (the top CEO got \$1.4 billion and number two in the Times list was down to a mere \$340 million.)

All this marked a historic turn of events. A new royalty was created, with royal outfitting: palaces (not just big houses); staffs of servants with butlers trained to oversee the underlings; lavish cars and other accoutrements (as displayed in the N.Y. Times advertising for luxury goods); etc.

What can we expect from the new American royals? Mr. Gary Winnick, once chairman of Global Crossing had gained a profit of \$734 million by selling company stock before the shares became worthless. He told a Congressional committee that he "would write a check for \$25 million to cover part of the retirement money several thousand employees lost when the stock collapsed." Said Winnick: "I call on other chairmen and C.E.O.'s of other companies to step up and write a check."

| Subject | Grade | Comments |
|---------------------|-------|---|
| Roads | D+ | One-third of the nation's major roads are in poor or mediocre condition, costing American drivers an estimated \$5.8 billion a year. Road conditions contribute to as many as 13,800 highway fatalities annually. Twenty seven percent of America's urban freeways – which account for 61% of all miles driven – are congested. |
| Bridges | C | As of 1998, 29% of the nation's bridges were structurally deficient or functionally obsolete, an improvement from 31% in 1996. It is estimated that it will cost \$10.6 billion a year for 20 years to eliminate all bridge deficiencies. |
| Transit | C- | Transit ridership has increased 15% since 1995 – faster than airline or highway transportation. Capital spending must increase 41% just to maintain the system in its present condition. |
| Aviation | D | Airport capacity has increased only 1% in the past 10 years, while air traffic has increased 37% during that time. Airport congestion delayed nearly 50,000 flights in one month alone last year. Congestion also jeopardizes safety – there were 429 runway incursions (“near misses”) reported in 2000, up 25% from 1999. |
| Schools | D- | Due to either aging or outdated facilities, or severe overcrowding, 75% of our nation's school buildings are inadequate to meet the needs of school children. The average cost of capital investment needed is \$3,800 per student, more than half the average cost to educate that student for one year. Since 1998, the total need has increased from \$112 billion to \$127 billion. |
| Drinking Water | D | The nation's 54,000 drinking water systems face an annual shortfall of \$11 billion needed to replace facilities that are nearing the end of their useful life and to comply with federal water regulations. Non-point source pollution remains the most significant threat to water quality. |
| Wastewater | D | The nation's 16,000 wastewater systems face enormous needs. Some sewer systems are 100 years old. Currently, there is a \$12 billion annual shortfall in funding for infrastructure needs in this category; however, federal funding has remained flat for a decade. More than one-third of U.S. surface waters do not meet water quality standards. |
| Dams | D | There are more than 2,100 unsafe dams in the United States. There were 61 reported dam failures in the past two years. The number of “high-hazard potential dams” – those whose failure would cause loss of life – increased from 9,281 in 1998 to 9,921 in 2001. |
| Solid Waste | C+ | The amount of solid waste sent to landfills has declined 13% since 1990, while the amount of waste recovered through recycling has nearly doubled. Most states have ten years' worth of landfill capacity and waste-to-energy plants now manage 17% of the nation's trash. |
| Hazardous Waste | D+ | Effective regulation and enforcement have largely halted the contamination of new sites. Aided by the best clean-up technology in the world, the rate of Superfund clean-up has quickened – though not enough to keep pace with the number of new sites listed as the backlog of potential sites is assessed. |
| Navigable Waterways | D+ | The U.S. Army Corps of Engineers has a backlog of \$38 billion in active authorized projects. On the inland waterways system, 44% of all the lock chambers have already exceeded their 50-year design lives. Key deep-draft channels are inadequate for the mega-container ships, which are the world standard for international trade; and intermodal connectors to ports are in poor condition. Transportation demand on waterways is expected to double by 2020, and serious performance problems are likely if current levels of investment continue. |
| Energy | D+ | Since 1990, actual capacity has increased only about 7,000 megawatts (MW) per year, an annual shortfall of 30%. More than 10,000 MW of capacity will have to be added each year until 2008 to keep up with the 1.8% annual growth in demand. The U.S. energy transmission infrastructure relies on older technology, raising questions of long-term reliability. |

America's Infrastructure G.P.A. = D+
Total Investment Needs = \$ 1.3 Trillion

(estimated 5-year need)

A = Exceptional
B = Good
C = Fair
D = Poor
F = Inadequate

Each category was evaluated on the basis of condition and performance, capacity vs. need, and funding vs. need.