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THE MISSING LINK IN THE DISARMAMENT

AGENDA

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In all the international negotiations between great and small powers since World war II, and in all of the major meetings conducted at the United Nations with respect to halting and reversing the arms race, no attention has been given to the problem of how to change the military-serving economy to civilian use. The reason why that must no longer be a missing link, but must be addressed explicitly, is because of the political and economic consequences of permanent war economies in many countries.

Wherever a military economy operates as a durable entity, that economy has a cadre of state managers who enjoy unique power and privilege within their respective states, and that power is linked to the ongoing operation and expansion of the military-serving industrial and allied enterprise. The top managers of the military economies have a direct stake in the maintenance and enlargement of armed forces. They wield their influence everywhere in the world—directly, in governments, and, indirectly, through the media and through diverse educational institutions—to give prestige and support to the idea of using armed force as an instrument of power. Additionally, special privileges are characteristically attached to these occupations. The captains of military economy are privileged personally and professionally. I have seen that in countries large and small, industrialized and developing. That personal material privilege finally makes these people beholden to the continuance of military economies and gives them what is ordinarily understood as an occupational stake in rationalizing, in justifying, and acting for the continuance of these economies, which is tantamount to saying for the continuation of their power and privilege.

The larger political consequence of the existence of these military economies is that governments are rendered drastically less capable of even discussing the politics of reversing the arms race. Very few

governments—they can probably be counted on the fingers of one hand—actually have full-time personnel charged with the professional responsibility of thinking about how to reverse an arms race. The absence of such professional responsibility in principal countries of the world is traceable to the concentration of power and privilege of every sort in the military economies and in the political apparatuses that are supported by them.

But the consequences of military economy extend far beyond the larger issues of war and peace. They have direct and important consequence for a country's short-term and long-term economic development. Here it is crucial to appreciate that a modern military budget is a capital fund. That means that it is not simply a quantity of money with which purchases are made. It is a quantity of money which sets in motion those resources which, within industrial enterprises, are ordinarily understood as comprising fixed and working capital. Fixed capital means land, buildings, and machinery; working capital means the money value of all the other resources required to set an industrial enterprise in motion.

It is customary to assess the magnitude of a military budget as a percentage of the gross national product, which is the money value of all new goods and services generated in an economy in a given year. In the United States the ratio of military spending to the GNP last year was about 7 percent. To almost everyone, this has seemed a small amount, a small slice out of that very large money-valued product pie.

A different picture emerges when you look at the military budget as a capital fund and compare it to another capital fund, namely that which represents the money value of new civilian capital formation, the money value of new civilian assets created in a given year. I am aware of a certain conceptual noncongruity here, as the military budget seen in this light represents a set of potential capital input factors, while the measure of civilian capital formation, as in the standard statistics called "gross domestic fixed capital formation," represents an output measure. Nevertheless we can learn much from making the appropriate comparison. In the United States in the year of last available data, 1979, for every \$100 of new civilian capital formation \$33 worth of capital resources were separately used for military

purposes. In that same year in England the ratio was 32/100, in West Germany 20/100, in Japan 3.7/100. The economic consequence of the ratios for the economies of West Germany and Japan is rather obvious. It accounts for the fine condition of the capital plant and infrastructure, for the fine advance of productivity, and for the quality of industrial products.

In the U.S., given the military budgets for the last years and their planned continuance, my estimate is that by the year 1988 this ratio for the United States will be 87/100. That is a concentration of capital resources for the military so large as to impair the competence of U.S. industry, across the board, to a degree that may render it unrepairable.

Of course, there is an interest in what this ratio might be for the U.S.S.R. The Soviet national income data are not in comparable categories. I have ventured to make an estimate of what the ratio is, again for the year 1979, and my estimate is that it is 66/100. I may be wrong and will welcome being corrected by any Soviet colleagues who produce appropriate data.

The meaning of this relationship is this: not only for industrialized countries but also for developing countries, the concentration of capital-type resources on the military is economically damaging; it yields economic deterioration in the industrialized countries and is a major brake on development in the developing countries. In January, 1980, I was in New Delhi during a world conference of the United Nations Industrial Development Organization, and in April of that year I rendered a report to the United Nations Center for Disarmament. I quote. "... [the conference] marshaled the talents of representatives of all the developing nations and produced a consensus report whose keystone was a request that from 1980 until the end of the century the industrialized nations of the world should make available to the developing nations \$30 to \$40 billion a year for the purpose of speeding industrialization." I noted at the same time that in 1979 the developing countries of the world had expended from their own budgets \$90 billion for military purposes. Hence for their military expenditures — which yielded no goods useful for consumption and no goods that could be used for further

production – these developing countries used up a quantity of capital resource that was a multiple of what they had assessed as the indispensable requirement for their own economic development by the end of the century.

In parallel with these considerations, it is important to appreciate that the issue of disarmament is not simply an issue for the industrialized countries, for the superpowers. I underscore that because as long as twenty years ago I was hearing over and over again, from representatives of developing countries, that the issue of disarmament is a topic for the superpowers, not for the small countries.

The military facts of the case now include the following. In 1973 the text of the U.S. Army's principal doctrinal field manual, 100-5, Operations, stated that on the Golan Heights one-half of the armored forces, both Syrian and Israeli, were destroyed in two weeks of fighting. And the military analysts writing this manual noted that a loss rate of that magnitude had previously been anticipated only in the event of nuclear weapons use. Thus the lethality of conventional weapons has now entered a range of lethality that was once associated only with nuclear weapons. As the lethality of conventional weapons overlaps with the lower range of lethality of nuclear weapons, one can no longer –on military-technical grounds - make the once classic separation between conventional and nuclear weapons. It is necessary to address the arms race as a whole.

There are recognized requirements for economic conversion. The primary requirement is to understand the difference between military enterprise and others. I'll enumerate a few of these differences. The military enterprise everywhere operates under conditions of maximizing cost, offsetting these costs by maximizing subsidies received from government. This contrasts from the functioning of civilian enterprise which characteristically is oriented to attempting to minimize costs. So the military enterprise is indifferent to costs, and to the civilian enterprise cost is crucial. In the military enterprise unreliability of product confers no great penalty, for unreliability manifests itself either under conditions of combat, where you can't take the product

back and ask for a warranty payment, or behind barbed wire either at home or in far-off places. With civilian goods reliability and unreliability have controlling effect on the competitive position of an enterprise. The managements of the military enterprise know how to deal with governments. It's a type of economic diplomacy.

The managements of civilian enterprise must know how to deal with parties in the market. The engineers of military enterprise design with great ornateness and can be indifferent to cost. The engineers of civilian enterprise must design for serviceability and reliability.

The meaning of these differences is this: a crucial part of economic conversion planning must include major retraining for the managerial and technical occupations and to a lesser extent for a portion of the blue-collar occupations. Further, it is essential that such planning be done in advance. Just to plan the changeover of a substantial military enterprise to civilian work requires, two years of blueprinting, and that is after the new product has been decided. Lastly there are many reasons of merit which indicate that conversion planning is best done on a decentralized basis.

I am pleased to report to you that a conversion planning law has been proposed in the Congress of the United States. H.R. 425, it was offered in the House of Representatives on March 6, 1984, by Congressman Ted Weiss, Democrat of New York [re-introduced as H.R. 229, January 1985]. This bill is a thoughtful formulation of the requirements for economic conversion planning.

From June 14th to the 16th, 1984, a symposium was conducted in Moscow at which ten Soviet engineers, mathematicians, and economists met for the first time with American counterparts to discuss topics of conversion from military to civilian economy. That symposium will be repeated in the United States. But the arms race is not limited to the United States and the Soviet Union. That is why the whole subject of economic conversion planning should be made an integral part of the United Nations' agenda in addressing disarmament.

It is vital to unlearn a series of conventional myths.

It is said that the military economy adds to the GNP. It does. But that simply means that it adds to the money-valued products. These particular money-valued products add nothing to ordinary consumption or to the capability for further production.

There can be, at once, major enlargement of the money-valued products with diminishing quantities of goods and services useful for consumption or further production. It is said that military economy yields jobs. It's true. Hire people and pay them; that is a job. But the social consequences of those jobs are dramatically different from the social consequences of ordinary work that yields use value for consumption or further production. It is said that military economy yields major technical advance via spinoff of military research. Not true. *If* that were the case, there would be no trace of technical crisis in any field of U.S. industry. But the facts are there for all to see: in the country that has probably the largest military budget and the largest military R &D budget in the world, there is abundant evidence of technical deficiency in a great array of civilian industries.

It is held that military economy will support growth and productivity. That is not true in industrialized countries, and it is emphatically not true in developing countries. A series of studies for Latin American and African countries have examined the relationship between economic development and growth, measured in diverse ways, and military spending. These studies have yielded a uniform result: there is a significant negative correlation between military expenditure and economic development.

It is sometimes said that the economic conversion can be left to be done as it is needed. Not true. An economic conversion plan does not spring full-grown like Athena; several years are required to do the requisite planning. Without that careful planning large reductions in military budgets spell industrial and economic chaos.

It is said that economic conversion is appropriate only after there has been political agreement among the various states. I submit to you that the way we order our lives economically is part of the politics of our lives. The classic designation "political economy" captures the point. It was the consensus of the June 1984 Moscow discussion between Soviet and American scholars that not only is the economic conversion issue a vital one with respect to disarmament prospects, but also an issue that must be addressed in every country and that doing so will add to the capability of the respective governments to negotiate politically.

The converse is also true. Where there is limited or zero capability to cope with conversion from military to civilian economy, this limitation will translate into a major political brake on the capability of a government for negotiating an agreement for reversal of the arms race.

Accordingly I suggest the following proposition to you: no agenda for reversing the arms race is henceforth complete without addressing economic conversion. I recommend that economic conversion be treated from this time forward as an indispensable part of the regular schedule of topics for meetings of the United Nations on disarmament matters.

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