

'Go Civilian or Go Broke'

By Seymour Melman

There is no viable economic prospect for the United States with continued inflation-unemployment stagnation. Only conversion of our finite technology and capital resources from military to civilian priorities can reverse this decay.

The conversion idea is absent from mainstream economics, which ignores stagnation-producing features of a military economy: its money-valued products add nothing to consumption or to production. The Pentagon and allied agencies get 75 percent of the Government's research-and-development money, and more capital each year than is left, after taxes, to all corporations. Unlike civilian firms that traditionally minimize production costs to maximize profits, firms in the Pentagon's economy maximize all costs and the offsetting subsidies. These translate into rising prices.

The United States military economy is an inflation machine. From top to bottom, cost and price increases are encouraged and rewarded; these practices are carried into and infect civilian parts of firms serving the Pentagon, and other enterprises. The classic processes of offsetting cost increases by mechanization and other efficiency-promoting measures are neglected. Higher costs are added to prices.

As cost-maximizing infects the machinery-producing industries, new industrial equipment becomes less economical. But as old machinery is retained, productivity growth stagnates: By 1973, United States industry operated the world's oldest stock of machine tools; labor productivity growth in manufacturing fell from the historic 3 percent annual rate to 2.1 percent (1965-1970) and 1.8 percent (1970-1973), the lowest rate of any Western industrial economy.

Meanwhile, the prices of all imports rose as the cost of wars and foreign bases degraded the value of the dollar.

Unintended: An ongoing war economy drives up costs, debilitates productivity and produces inflation.

The military economy produces unemployment. As cost-maximizing raised United States prices, many firms became noncompetitive. American firms invested abroad and imported instead of producing here. One result is unemployment in many industries.

Responding to more rapid civilian economic growth outside the United States, American firms invested \$47 billion abroad during the 1960's. In manufacturing alone, this created 3.3 million new jobs abroad.

Some Americans seek reassurance in the direct employment effects of Pentagon spending. Actually, military expenditure employs fewer people directly than civilian expenditure, causing a loss of over 800,000 jobs in the United States. All told, not fewer than 3.5 million to 4.5 million jobs are lost to Americans owing to the more direct effects of a war economy. Including the indirect ef-



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fects more than doubles these numbers. Economic conversion means transferring manpower, capital and technology from the military to civilian economy. This process has several key

Examples of jobs lost in United States industries because of noncompetitiveness

Industry	Jobs Reduced by Imports	
	1954	1972
Men's and boys' suits and coats.....	300	7,700
Men's and boys' shirts and pajamas.....	400	18,200
Children's underwear.....	4,000	27,700
Wood products.....	4,800	9,800
Furniture and fixtures.....	2,400	11,000
Rubber and plastics footwear.....	4,100	12,000
Men and women's footwear.....	6,500	32,400
Fine furniture wood utensils.....	2,000	5,400
Footwear products.....	1,700	5,100
Fabricated metal products.....	2,900	7,200
Textile Machinery.....	3,500	14,400
General industrial machinery.....	3,400	6,700
Pressing and office machines.....	1,600	17,400
Calculating and accounting machines.....	1,200	5,300
Sewing machines.....	3,600	2,600
Current-carrying wiring devices.....	800	4,500
Radio and TV receiving sets.....	7,800	30,700
Radio and TV communication equipment.....	2,700	9,700
Semiconductors.....	100	11,000
Motor vehicles, buses and parts.....	11,700	95,400
Motorcycles, bicycles and parts.....	450	28,200
Musicians, conducting devices.....	400	2,000
Watches, clocks and watch cases.....	4,100	27,700
Games, toys, children's vehicles.....	2,900	4,600
Garments and textile goods.....	3,600	15,000

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parts: capital transferred from the overblown military Establishment to new civilian activities; these become new markets for military or other firms and new jobs for military employees; obligatory advance planning at every base and factory serving the military to design civilian work options; local responsibility for conversion planning by tripartite committees of management, employees and local community representatives.

Planning for conversion needs a

parallel blueprint for income guarantees to every employee serving the Pentagon: say, 90 percent of salary for two years. Backup for individuals can include family-relocation and job-retraining allowances, administered through existing networks of state employment offices; this would cushion those whose work places could not be converted, for whatever reason. A national economic conversion commission modestly staffed, would be needed to coordinate new civilian capital outlays by governments and firms. No centralized bureaucracy would be required.

An economic-conversion mechanism prepares an alternative to a military economy and alleviates fears for jobs and incomes that now bind managers, unions, military employees, Congressmen and others to the Pentagon budget as a sole source of support. The same process offers the whole economy an exit from the twin bind of unemployment plus inflation.

The options for Jimmy Carter are: Go civilian or go broke.

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