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THE NATION

It's time for the United States to convert to a peace economy

Military dominance of the budget makes severe fiscal problems unavoidable

By Seymour Meiman

Whether George Bush or Michael Dukakis committed to substantial reductions in the present military budget, it is likely that whoever enters the White House next year will confront a network of economic problems engendered by the long-enduring military economy. The old strategies of manipulating the economy by government spending, mainly military, have run out of steam. Military spending to boost civilian consumption and capital investment now triggers more imports of consumer and capital goods, thereby worsening the balance of payments.

With continuing \$300 billion allocations to the Defense Department, where are the funds to come from for desperate-

ly-needed reconstruction of the infrastructure and industry? It is a value-added tax the fiscal panacea of the present candidate?

Perils of a military economy

The decline in production capability in many industries exposes the economy to unprecedented dangers. One critical factor is the quantity of military goods and services that have no usefulness for ordinary consumption. From 1947 to 1987, US military spending (in 1982 dollars) totaled \$7.62 trillion. By 1982, this remarkable sum exceeded the money value of the nation's civilian industrial plant, equipment and infrastructure.

The Cold War winners, Japan and West Germany, show all the signs of first-class industrial-economic performance; rates of productivity growth that offset cost increases; the ability to pay high and rising wages while producing capital

goods and consumer goods at prices that are attractive to their users; excellent and improving infrastructures; currencies with predictable value; concentration of technical research on civilian products; high and rising levels of living.

Both the United States and the Soviet Union fall these tests and are thereby second-class industrial economies and are in danger of becoming third class. The latter is defined by a lack of resources for repairing the damage to industry and infrastructure. A rescue operation from second-rate status requires close attention to the consequences of continuing to rely on a military economy.

The scale of the military economy is crucially reflected in its drain on research and development resources, finance capital and employment.

For 1984, here are ratios of civilian to military R & D expenditures in three

countries that are revealing:

Japan 199-1

West Germany 22-1.

United States 2-1.

Since 1951, the annual military budgets of the US government have been larger than the sum of net profits of all US corporations. The Pentagon has been made into the largest single controller of finance capital in the American economy - indeed, in the world.

Some 6.8 million people are on direct Department of Defense payrolls or on the payrolls of military contractors. They and their families (some 20 million people) owe their livelihood to US military spending.

Indifference to cost

A basic quality of military economy is pervasive indifference to cost. Cost escalation is a normal effect of operating according to Pentagon regulations. Given the size of the military economy, the Pentagon's indifference to cost short-circuits the classic processes that once spurred improved efficiency in industry.

There is no way for a new administration to avoid severe and continuing economic stresses at home and abroad without undertaking systematic conversion from a military to a civilian economy.

At the close of World War II, the arms doing war work converted readily to a civilian economy, for they had a long history of producing for civilian markets. After 40 years of the Cold War, factories set up to work for the Pentagon have been typically specialized for that work - and so have their managers, engineers and parts of their production workers. Thus the present problem is one of converting not only plant and equipment but also people from military to civilian operations.

The military work has typically entailed indifference to cost and exotic product design. Military vehicles, like jet airplanes, may ordinarily spend a third to a half of their time in production and maintenance. Such standards are unacceptable for civilian transportation.

These considerations play an important part in the design of the conversion planning process that is spelled out in legislation sponsored by US Rep. Ted Weiss (D-N.Y.) and Sen. Bill Clinton. Title 1 of the bill (H.R. 813) would define large new civilian markets as it directs an agency it calls the defense Economic Adjustment Council to encourage the preparation of concrete plans for the conversion-related activities in such areas of national concern as transportation, housing, education, health care, environmental protection and renewable energy resources "by the various civilian agencies of the Government, as well as by State and local governments."

The cost of repairing US infrastructure (roads, bridges, waterworks, school buildings, hospitals, etc.) is more than \$3 trillion (10 years of 1988 Pentagon bud-

gets). About 100 million man-years of work would be required for infrastructure repair. Without economic conversion, the bridges will continue to decay.

Components of conversion plan

Conversion planning is defined by H.R. 813 as having the following critical components:

Mandatory alternative-use committees. Every military-serving factory, laboratory and base with more than 100 employees is required, as a condition of fulfilling the Pentagon's work, to establish an alternative-use committee. That body is charged with responsibility and authority to prepare a (technical and economic) redesign of factory, base or laboratory for civilian work when the Pentagon's needs are fulfilled. This is mandatory because there are no grounds for assuming that the managements of these facilities, long trained and privileged in the service of the Pentagon, would undertake such alternative-use planning on their own initiative.

Mandatory occupational retraining. The bill specifies that men and women in the managerial and engineering-technical occupations who have had long service on behalf of the Pentagon must go through professional retraining. This is critical to avoid unleashing a work force incapable of dealing with civilian product design, production and marketing.

H.R. 813 also provides for planning grants to military-dependent communities and for a series of supporting operations. These include income maintenance for a maximum of two years, the anticipated time required for changing over from military to civilian work and for the workplace relocation of many people. Military-serving enterprises typically have many more engineers than are required for civilian work. There is also provision for a national employment network and for health insurance support.

The bill also requires the secretary of defense to notify the Economic Adjustment Council "one year in advance of a pending or proposed change in defense spending for as soon as possible prior to such proposed change that would affect employment in the defense industry."

All told, the proposed economic conversion law would have two salivary effects: first, of course, it would renounce America's dormant civilian economy; second, by giving the nation confidence in an economic future without the arms race, it would encourage negotiators to work with their Soviet counterparts in ending what has become an economically intolerable arms race.

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