

Forum

THE PEACE DIVIDEND

What to Do With the Cold War Money

By SEYMOUR MELMAN

THE idea of a "peace dividend" first surfaced in 1969. A Cabinet Coordination Committee was set up to report to President Lyndon B. Johnson on what the Federal Government should do with its savings when the War in Vietnam finally ended. The committee proposed that the Federal Government dedicate \$39.7 billion a year from its savings — in 1969 dollars — for the upkeep of the infrastructure.

The peace dividend was to provide money for roads, clean air, education, housing and foreign economic aid. But the war in Vietnam dragged on into the 1970's and the political energies needed to realize a peace dividend were exhausted. As a result, President Johnson's plans were never implemented and critical areas of our infrastructure, manufacturing sector and educational system fell into disrepair.

With the end of the cold war — and a desire to terminate the 46-year-old arms race — there is once again the possibility of a peace dividend.

Half of all Federal tax dollars go to the Pentagon. These large expenditures have hurt the competitive position of the United States and have kept the level of investment in the civilian economy, as a share of gross national product, lower than in Europe or Japan. For example, in 1983, for every \$100 we spent on civilian capital formation, including new factories, machines and tools, we spent another \$40 on the military. In West Germany, for every \$100 spent on civilian investment, the military received only an additional \$13. And in Japan, for every \$100 spent on civilian investment, a mere \$3 was spent on the military. Therefore these countries were able to spend more on their civilian needs.

As a result of years of neglect, our nation's infrastructure is falling to support a modern industrial society. Examples of the decay are everywhere. In New York City alone two water mains rupture every day. The

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A Peaceful Way to Spend \$165 Billion

Recommendations of the National Commission for Economic Conversion and Disarmament on reallocation of military spending. Annual Federal outlays. In billions of dollars.

Comprehensive housing program	\$30
Dept. of Education extra spending	\$30
Repair of roads, bridges, water and sewer systems	\$26
Other education needs (preschool, facilities repair, etc.)	\$23
Radioactive waste cleanup	\$17.5
Toxic waste cleanup	\$16
Miscellaneous health costs	\$12.5
Electrification of U.S. rail system	\$10

Source: National Commission for Economic Conversion and Disarmament

scale of the problem is vast: estimates for repairing our nation's infrastructure — its roads, bridges, highways, waterways and so forth — are between \$3 trillion and \$6 trillion. The bill would have been far less had we been able to spend President Johnson's peace dividend.

Some of these repairs are the responsibility of our municipal and state governments, but a large part is the responsibility of the Federal Government. According to estimates prepared by the National Commission for Economic Conversion and Disarmament, a nonprofit research group, if we were to restore the nation's infrastructure, the Federal Government's share of the total would be more than \$165 billion a year. This amount can be made available from savings from ending the cold war.

From 1947 to 1987, according to the Federal Government's own estimates, the United States spent \$7.6 trillion on the military, a sum roughly equal to the total value of the nation's plant and equipment, plus the value of its civilian infrastructure. This means that since 1947, our military has used up resources sufficient to

class industrial economy with respect to productivity growth, research and development, the quality of infrastructure, average wages, competitiveness and standard of living. From this second-rate condition the United States is headed for further decline. And if we become a third-rate industrial economy, we will lack forever the means of production necessary to repair our deficiencies.

MANY barriers remain before we can reap the peace dividend and restore our nation to first-rate economic status. The cold war ideological and institutional systems remain in place and continue to influence our Government's leadership. For example, the central administrative offices of the Department of Defense has a staff of 120,000 and controls more than 35,000 prime contracting companies. Such managerial organizations do not readily relinquish decision-making power. And many members of Congress have become accustomed to functioning as virtual marketing managers for military companies, bases and laboratories in their districts.

That is why deliberate planning for conversion from a military to a civilian economy has become an indispensable requirement for obtaining and utilizing the peace dividend. Without a highly decentralized and mandatory two-year planning requirement, conversion to a civilian economy will fail.

To realize a peace dividend it is essential to give close attention to the proposed Defense Economic Adjustment Act (H.R. 101) sponsored by Representative Ted Weiss, Democrat of New York. This bill mandates a decentralized planning process in every large defense base and in our national laboratories and factories as well. It also includes the retraining of military engineers and managers to insure a competent changeover to civilian production. The bill encourages the preparation of concrete plans to implement a peace dividend. A serious peace-dividend program will raise Government revenues as a by-product of economic rebuilding.

Some voice the opinion that whatever savings accrue from a military wind-down should be used only to reduce the size of the Federal debt. That is a sure vote for a third-rate economy.

The military gets 70 percent of all Federal research dollars.

rebuild nearly everything that is manmade in the United States.

The military budget represents an enormous capital fund that could be put to productive civilian use. Military spending is 6 percent of G.N.P., but it pays for the services of 25 to 30 percent of all our nation's engineers and scientists and accounts for 70 percent of all Federal research and development money, \$41 billion in 1988. These are resources that can be far more productive if used in the civilian sectors of the economy.

As a result of our military expenditures, by the close of the 1970's, the United States was no longer a first-