

Warring on the Economy

BY MARK GERZON

War and peace. Jimmy Carter's aides called it "the Tolstoi issue." The incumbent hammered at it endlessly. The differences between the candidates were "stark," he said. Trigger-happy Ronald Reagan would lead America into war; he, the president, would be prudent and safeguard the peace.

The economy. Ronald Reagan blamed the Carter administration for rising unemployment and record-setting inflation. The free-spending Democrats would lead us into a depression, Reagan warned; the thrifty Republicans would stop inflation and "put America back to work."

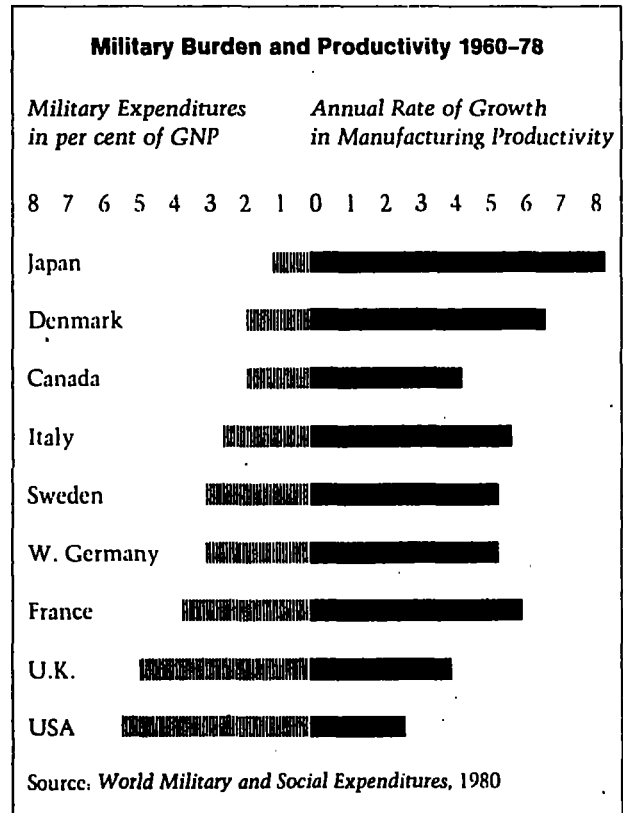
Yet not once during the long campaign did either of the main candidates mention the link between the two. Not once did they discuss how the military budget affects the civilian economy. The American electorate was offered a choice between spending a little more on the arms race or spending a lot more. Carter and Reagan were as one, though, in assuming that military arms equal national security and that arms spending equals a strong economy. In fact, both assumptions are wrong.

As the chart indicates, where the major industrial nations are concerned, the higher the military spending the lower the growth in productivity. Any thoughtful debate about inflation and unemployment—both of them consequences of declining productivity—must address the connection between the pace of the arms race and the growth of the economy. Many business and labor leaders, as well as scientists in the high-technology arms industry, are aware that the arteries of technological innovation are hardening, and there is mounting fear that America will soon suffer an economic heart attack. To understand these fears we must take a closer look at the rules behind the arms lottery.

Does arms spending equal security? Not even military analysts think so. Most national security experts will tell you that America's greatest vulnerability is its dependence on foreign oil. As our edginess about the otherwise minor conflagration between Iran and Iraq illustrates, we are prepared to go to war—to risk nuclear annihilation—to keep open the Strait of Hormuz. The fundamental cause of that war would not be military but economic. Mightn't we be more secure if our tax dollars were spent on alternative energy sources than if

they were spent on battleships to patrol the Persian Gulf? Isn't economic weakness just as dangerous as military weakness?

Similarly, most experts on the Soviet Union will tell you that the USSR's greatest vulnerability is the questionable loyalty of the Eastern European bloc. From Poland to Bulgaria, Warsaw Pact nations have watched their Western neighbors grow fat and sleek while they continue to inhabit a consumer wasteland. The Polish workers' strikes speak volumes: If Soviet-style communism does not improve their standard of living, they will look for something else.



For both superpowers, then, security is not merely a military matter. To measure security simply in terms of megatonnage is like calculating nutrition solely in terms of calories. Long-term security depends on the

Mark Gerzon, Associate Editor of *WorldPaper*, is working on a book about politics and masculinity.

THE HUMAN FACTOR: TWO VIEWS

They could not be more different.

Hank Shumacher has been designing weapons for over thirty years, is politically conservative, and does not dwell on the moral issues raised by his profession. Morris Downing has worked in the arms industry for only a few years. He is a political liberal and finds himself in a moral dilemma.

Earlier this year I interviewed these men, both of whom work on "Technology Row"—the high-technology corporations that ring Boston on Route 128. But different as they are, they agree on one thing. While their skills are being devoted to military projects, the rest of the American economy—which sorely needs those skills—is sick and getting worse. Here are excerpts from our conversations.

"The Navy is funding my current project," Shumacher began, "because they wanted an antisubmarine weapon that could see more—find smaller targets more quickly and more accurately. When you track something, you have to be faster and smarter than your target. That's why the Navy called me."

His voice is resonant with pride. In a world of unimaginative bureaucrats, he sees himself as a craftsman, a maverick. He identifies a good idea, takes the initiative, and makes it happen.

"I've never been involved in kill mechanisms," Shumacher explained, referring to the explosive component, or "payload." "Others might be turned on by seeing how big a hole they can make in a steel

plate. But not me. In a world of tactical weapons, kill mechanisms are intellectually boring. And in a nuclear world, it's hopeless."

What challenged Shumacher was information systems, enabling a weapon to hear more (sonar) or see more (radar). According to him, few people leave military work for reasons of conscience. "If someone feels strongly about being involved with military-related research, they wouldn't start in the first place. The truth is: Once they're in it, very few people think much about it."

Did he avoid working on kill mechanisms for moral reasons?

"No, I just don't find it interesting." He sounded impatient. "Look, if you are working on a search radar or communications systems, you're not killing anybody. If you are working on tactical weapons systems, what you are trying to hit is just as obnoxious as what you are designing, probably more so."

"My colleagues who work on nuclear devices don't do it for a reason. They do it because they are nuclear physicists. And that's where the funds are."

The interruption triggers a new subject—economics—about which Shumacher feels strongly.

"Any of us in analytical work could make important contributions in other fields. I know we could. But the money isn't there. Our country is behind in all heavy industry. We're losing ground because corporations are fat and have made stupid decisions. I couldn't get a job, say, in energy research or informa-

overall health of society, not just on the size of its weapons arsenal. As evidenced by the increasingly heated debates about "declining productivity," "reindustrialization," "zero-sum society," "entropy," or the more alarmist "Is America Still Number One?" we are worried about our economic health. Americans are trying to explain the very unpleasant fact that our rate of economic growth, which in the past supported the arms race *and* the consumer economy, has dropped and shows no signs of recovery.

Which brings us to the second question: *Does* arms spending strengthen the economy? Until recently, most Americans believed the two went hand in hand. Military research and development (R&D), it was said, trigger technological advances that have a "spin-off effect" throughout the economy. (Remember how the space race was going to revitalize American technology?) And then there is government spending for arms, which allegedly acts as a stimulus to a sluggish economy, assuring continued and steady expansion. (Nothing like war to end a depression, the economists said, and nothing like preparation for war to prevent recession.) The guns-versus-butter debate was settled, in effect, by the compelling argument that spending for guns ultimately put more butter on the table. We got advanced weapons *plus* more jobs in a high-growth economy. We could have our ICBM and eat it too.

THE INFLATION MACHINE

This perception of reality has to change. And it is changing. The American people are beginning to recognize the limits to the expansion of the economic pie. For at least four reasons we are reluctantly acknowledging this new reality.

► The environment has demonstrated the limits to its endurance before pollution and waste destroy the resource base of our industrial society.

► Energy resources have been shown to be limited and must therefore be used with prudence, and their cost will be higher.

► The developing nations have indicated their unwillingness to provide raw materials without greater remuneration.

► The technologically proficient nations, growing in number, have begun to assert themselves with increasing force in the world market.

Thus environment, resources, and geopolitics converge on one central fact: scarcity. If citizens in developed societies want to maintain the level of material comfort to which they feel entitled, their societies must learn to make more out of less—to be more productive, more efficient, more innovative. Any resource, natural or human, that is misdirected or otherwise squandered will adversely affect the living standards of the population. The politics of an arms race may force some to

tion systems that was as interesting as mine even by taking a drop in salary. All corporations look at is the short term."

Economics is also foremost in Morris Downing's mind. "As the 'chip' revolutionized computers, so fiber optics could revolutionize communications," he said about his field. Fiber optics research focuses on transmitting information through glass filaments which, though thinner and lighter than copper wires, can carry far more data.

"The governments of England, France, Germany, and Canada are all trying to cash in on recent breakthroughs. The technology is here. The only question is: Who will get the biggest share of the market?"

Thanks to fiber optics, for example, telephone equipment can be vastly more efficient; the Japanese, in fact, are already installing such innovative equipment in the United States. Fiber optics is also used in the new "wired cities" projects, information retrieval systems hooked up to televisions and telephones. Both Canada and Japan are funding prototypes.

And the United States?

"To my knowledge," says Downing, "there is no government nonmilitary funding for fiber optics. Washington is backing only military applications of the new telecommunications technology. The big money for fiber optics research in this area is coming from the Air Force for the new MX missile system. They've been hiring over at GTE. If I took a job there, I could earn 20 per cent more than I do now."

Anyone who reads the Boston papers would have seen the enormous two-page GTE recruitment ads. They encouraged scientists to attend a free luncheon to explore "exciting career opportunities." They attracted thousands of job-seekers, including one of Downing's most talented co-workers.

"GTE told him, 'Come on, we'll give you your own department; you can hire who you want; there's plenty of money.' He asked me if I wanted to join him. But I said no, I'm against the MX."

But if he has moral qualms, what about his own work for the military?

"My work is applying fiber optics to improve tactical command control. That means helping our armed forces communicate better among themselves. The way I see it, since we have a military establishment, the best we can hope for is that no one will go off crazy and start a war. By improving communications, I hope the president will be better able to keep the military leashed. So the way I am using it, fiber optics is essentially a defensive technology."

But Downing admits that he is the exception, not the rule, regarding his moral reservations.

"I'd say only about 10 per cent of my colleagues share my concerns. Maybe another 10 per cent are at the other extreme—they'd do *anything* that would give us military superiority. And the other 80 per cent, well, I doubt they think much about it. To them, it's just a job."

—M.G.

sacrifice more than others, but sacrifice—not growth—will be the byword in the debate.

Productivity, efficiency, innovation—the key, as any high-technology company knows, is research and development. R&D becomes the most critical sector of modern society in an age of limits. The most economically secure nations will be those with the largest resources for R&D, the most productive yield from those expenditures, and the most rapid and extensive application of new technology for commercial purposes.

In a highly competitive international market, nations that forfeit technological leadership in key growth industries will face smaller pieces of a fixed economic pie. More than ever before they will have to choose between guns and butter—between vast and unproductive expenditures on military-related R&D or long-term, intensive investment on new technology for energy, communications, transportation, and other productive fields. If a nation invests in its civilian economy, the rate of economic growth will remain healthy. If it invests too heavily in the military, it will be afflicted by the debilitating disease called stagflation, whose symptoms are unemployment and inflation.

Spending on new weapons systems creates fewer jobs per dollar than almost any other kind of spending. Studies by the International Association of Machinists indicate that a billion dollars spent for weapons production

results in employment for far fewer people than does a similar amount invested in waste disposal, public housing, conservation, education, or the like. For good reason has wasteful military spending been called an "inflation machine." Like other forms of waste, it increases cost while yielding no additional value. For both business and labor it is a long-term boondoggle. Since mid-century—thirty years go—the Pentagon's budget has been larger than the net profit of all American corporations. A sum greater than the total capital fund available to corporations has been disbursed by the military for objectives that (1) yield relatively few jobs, (2) intensify inflation, (3) reduce productivity, (4) undermine balance of trade, and (5) retard innovation.

As the influential public—media, business and labor leaders, economists, university spokesmen—become aware of the increasingly severe economic penalty being paid to subsidize military-related projects, a backlash is likely. Should a coalition for conversion of capital to commercial objectives develop in the future, it will not be anything like a peace movement. Although initial conversion blueprints may be inherited from past antiwar movements, the new coalition will include many of those who believe in a strong defense and who fear Communist aggression. But they will recognize the absolute necessity of devising a minimal deterrent rather than, as now, settling for deterrence at any cost. 