

PeaceEconomyNews

Winter 2008-2009



PEP researches, educates and advocates for conversion of our society from a military to a peace-based economy

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Congratulations, Mr. President!

Needless to say we at the Peace Economy Project are very excited at the prospect of your leadership. During the past two years you have argued for many positions that we endorse, certainly in comparison with Senator McCain. We believe that we finally have an ally in the White House. At the same time we are worried. You will face many pressures from the Military- Congressional-Industrial complex that want to continue military spending as usual. There will also be many critics on the look out for any signs of alleged "weakness" when it comes to national security.

Here are our hopes for your administration.

a) **Iraq.** We trust you will honor your pledge to bring out our troops in a responsible but expeditious manner. Iraq has to learn to stand on its own, and our \$10 billion a month is needed elsewhere.

b) **Afghanistan.** We hope you will think carefully about increasing US troops in this troubled country. The British and the Russians learned the hard way that securing lasting peace in this nation of complex tribal alliances is almost impossible. We pray that, unlike LBJ in Vietnam, you will not allow

America to get bogged down in a long war that we cannot win.

c) **Iran.** We believe that you have a better chance than your predecessors to find a path to peace in the Middle East. Despite the frustrations posed by Iran and several other countries in that part of the world, we think an overly aggressive position on the part of the USA will only make things worse, particularly since they will be hosting their own presidential elections in 2009.

d) **Weapon Systems.** As you know, the GAO has documented around \$300 billion in cost overruns for the country's top 75 weapons systems. With the military budget making up half the nation's discretionary budget, you appreciate that we cannot afford everything that the military, the defense industry and their friends in Congress want.

e) **Missile Defense.** The Bush Administration has spent billions of dollars trying to deploy anti-missile defense systems that have not been shown to work, and that aggravate tension with countries like Russia and China. We strongly encourage you to cease this foolish, wasteful policy of deployment, especially in the absence of honest, scientific research proving the efficacy of these weapons.

f) **Energy Conversion.** We are uneasy about some of the elements of your energy agenda, particularly "clean coal" and nuclear power, but we fully endorse your commitment to promoting renewable energy sources. Putting government funds into

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Boeing supports the Johnstown Pennsylvania Symphony Orchestra. Who knew? Boeing, General Dynamics, Northrop Grumman, Lockheed Martin and others have given large amounts to the Johnstown Symphony Orchestra. Need a hint as to why? Congressman John Murtha's wife Joyce is a promoter of the Johnstown Symphony, and John Murtha is, of course, Chair of the Subcommittee on Defense on the House Appropriations Committee. But it is not just Johnstown; the New York Times found that lobbyists, corporations and interest groups had given \$13 million to charities and non-profits in honor of more than 200 members of the House and Senate. (NYT, October 19, 2008)

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energy research and development, instead of weapons, will be an important ingredient in the creation of a Peace Economy.

g) **Infrastructure.** Similarly, we would encourage you to allocate a larger portion of the national budget to the reconstruction and new building of roads, bridges, public transit, schools, parks, and all the other infrastructure needs that has been so neglected in communities across the country. It will be good for the communities and for the overall economy.

h) **Nuclear Proliferation.** You, Senator Lugar and others have recognized the importance of reducing the number of nations that possess nuclear weapons, improving the control of such weapons, and dramatically reducing the number of weapons in the USA and Russian inventories. We trust that you recognize the destabilizing action inherent in the Bush Administration's program to build a "new generation" of nuclear bombs.

In closing we wish you well in dealing with this unfair and dangerous world. You can be sure that we will applaud your performance as you work towards a "Peace Economy" but will speak out when we think you and your administration are getting off the tracks.

Seymour Melman's 35-year-old Recipe for Economic Strength

By B.R. Reece

Several months ago I was at a library sale, riffling through a large cardboard box filled with books, when my hand randomly fell upon a paperback called The Permanent War Economy: American Capitalism in Decline. The book, published in 1974, was written by industrial engineer and political gadfly Seymour Melman.

I've been eager to better understand the military economy ever since I learned that our government spends more than 50% of its

budget on defense, and the book came home with me.

Ironically, I was about halfway through when the markets started crashing this past September. Melman isn't with us to comment on the causes of our current recession, and if he were, I don't think he would cite the military industrial complex as the primary and immediate cause. Rather, I think he would remind us that the underpinnings, the fundamentals, of the economy have long been rickety as a result of many decades of neglectful and unwise administration of government funds: that is, the unprecedented investment in the military economy ever since WWII to the detriment of all other forms of industry and social needs.

In his book, Melman argues in sharp and convincing terms that military production (beyond a certain threshold: he does believe in a certain basic level of defense spending) produces no useful goods or services. Still, as military production is counted as a part of GDP, we have long failed to recognize the real decline in the U.S. economy as it would be measured in terms of technological advances, quality of living, education, infrastructure, etc. When speaking of these failings, Melman paints a terrible, and occasionally apocalyptic, picture of the deterioration of US quality of life as it ravages on in ignored pockets of the country. The creation of jobs is an insufficient marker of wealth creation: we need useful products and services. I'm waiting for them to make it easier for me to catch an F-22 to work.

Not only is the military economy unable to produce useful goods and services, but the way in which the firms operate make them highly inefficient. Melman criticizes the fact that military contracting firms operate entirely outside of a free market setting. Military items have only one legal buyer, the government, and once a defense contracting firm has won a bid, it has no incentive to worry about limiting costs in order to remain competitive on the market. As a result, prices are inflated and production is inefficient at all levels. The

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contracting system creates a strong incentive for inefficiencies that, on the civilian market, would lead to insolvency.

An example of the disparity between the efficiencies in the military contracting sector and the private sector can be found in the pressing plight of the domestic auto industry. For decades GM, Chrysler, and Ford have failed to keep pace with the international auto industry. They have battled fuel efficiency standards, ignored international competition, and the corporate structures themselves are costly and inefficient. When they started to lose money, rather than reorganize, they appealed to the government to erect trade barriers and relax mileage standards. Through all of this, our auto makers have sought to maximize their own profit through the promulgation of inefficiencies, costs passed along to the consumer (in the form of high prices, fuel inefficiency, repair work, and the rapid devaluation of vehicles that age poorly) and society (in the form of pollution).

This is similar to the way that the defense industry profits through inefficiency at the expense of the general population. The difference is that consumers are free to purchase vehicles that are price competitive, efficient, have high technical standards and low failure rates, and so the inability of domestic auto makers to produce competitive vehicles has resulted in lost sales. No such situation exists in defense contracting: inefficiencies and losses are absorbed by the taxpayer, not by the producer. The contractors thus have an incentive not only to ignore the hemorrhaging created by inefficiencies, but to build in greater inefficiencies in the form of huge bureaucracies, inefficient production and innovation practices, and pricing methods designed to *maximize* cost to the final purchaser (a practice that would be impossible to sustain if the company had to compete for buyers).

Melman debunks many myths, beginning with the longtime claim that war spending is good for the economy. Such spending is not only unnecessary for the good of the economy (never mind your ideological stance), but in the long run takes money away from

public works and infrastructure maintenance (remember the I-35W Minneapolis bridge collapse in 2007?) without creating anything useful in exchange.

Even though the defense industry has long been credited with the creation of jobs and the stimulation of technological development, this argument doesn't withstand closer scrutiny. I interpret it in this way: just as the money being spent on defense represents money not being spent on other projects, the jobs created in the defense sector represent people who, if the money were otherwise allocated, would seek employment in those other sectors.

As for technology, while some technology may occasionally be adapted for the civilian sector, we have only to look at the way the U.S. commercial sector has been left behind by the world to see that our heavy military spending has not aided us in keeping abreast in the sectors in which we used to excel, such as the auto, energy, and communications industries. And this book was written over 30 years ago! Melman's writing presents the question: *what could have been if we had invested our capital (financial, educational, and human) in industrial advancements outside of the defense sector? What could be?!*

We are now at a crucial moment: we have run out of money. For as many people who seem to feel blindsided, this situation was predictable. To use an old metaphor: we're a bunch of frogs in a pot, brought to a slow simmer over the last fifty years, but the indicators were there and we should have known better.

There was a time when, had the political and social will been there, we could have averted all of this by reallocating funds. Right now there aren't enough funds to reallocate. But at least *now* the will is there, reminding me of the Winston Churchill remark that Americans can always be trusted to do the right thing after they have tried all other possible alternatives.

After reading the book, a friend asked if I now wanted to start hammering swords into plowshares. And, I think we should let the anvils ring a new tune. Let's embrace and even modernize Seymour Melman's idea; instead of weaponry and fighter-planes, we ought to develop green technology, mass transit, and communications technology. The factories and personnel currently devoted to defense contracting are ready to get the job done: we just need to give them a new mandate. The economy will thank us for it.

Reece received her MFA in English Composition from Washington University in St. Louis where she continues to work as the English Department Fellow in fiction writing.





KBR is guilty of “serious contractual noncompliance.” The Defense Contract Management Agency is considering “serious financial penalties” to be applied against KBR, formerly a subsidiary of Haliburton, and a company that has received, according to the New York Times, \$24 billion in Iraq war business. Among the alleged KBR shortcomings is the charge of faulty electrical work – 18 people are said to have died from electrocutions in barracks that have been wired by KBR. (NYT, October 25, 2008)

Going Green Means A Sustainable Economy

By Andrew Heaslet and Sonya Carlson

Boeing’s machinists in Washington, Oregon and Kansas struck for nearly two months this fall, calling for, among other things, greater job security. While this strike ultimately ended on seemingly amicable grounds, there may be, with help from government investments, a way for Boeing to avoid future conflicts over job security, make a profit and win contracts that are not dependent on defense contracts or fuel-hungry planes:

In short, Boeing can go green.

The [Political Economy Research Institute](#) at the University of Massachusetts at Amherst recently released a report on the benefits of a proposed, government-initiated \$100 billion, two-year “green economic recovery program.” This price tag seems staggering at first glance, but when compared to the cost of corporate bailouts, Congress’ springtime economic stimulus package and the Iraq war spending bills, the numbers do not seem so outrageous — especially considering the value that would be generated by such an investment and the longer-term costs of not investing immediately in environmental sustainability.

The study recommends investments in:

- Retrofitting buildings to improve energy efficiency.
- Expanding mass transit and freight rail.
- Constructing “smart” electrical grid transmission systems.
- Wind power.
- Solar power.
- Next-generation biofuels.

These investments would create some 2 million new jobs, stabilize oil costs by reducing overall demand, reduce energy costs for homeowners, increase energy security and provide a sustainable boost to our nation’s economy and infrastructure.

In addition to human, environmental and community benefits, there’s also a lot of profit potential in going green. Earlier this year, the research firm [Clean Edge](#) projected revenue

growth in wind, solar, biofuels and fuel cells of “\$55.4 billion in 2006 and expanded 40 percent to \$77.3 billion in 2007 to grow to \$254.5 billion within a decade.” Some of the skilled professionals required to make this ambitious program work are electricians, welders, machinists, sheet metal workers and mechanics — not to mention civil, environmental, electrical and chemical engineers.

That brings us back to Boeing, which employs large numbers of skilled workers in all these areas. Boeing’s experience with jet turbines could translate into unimaginable advances in windmill technology. Large-scale production facilities could be converted into manufacturing sites for public transportation hardware. Boeing also has experience in producing solar cells, and its unprecedented expertise in networking operations could prove invaluable to connecting new power sources to electric grids.

There is a real opportunity to transfer Boeing’s strengths into a force for environmental reform, and it’s worth noting that Boeing’s defense sales are not exactly running at full stride right now. Although it made some \$32 billion last year on defense systems, production is winding down on the F-15, the C-17 and the Delta IV Rocket, while the Homeland Security “virtual fence” project has been set back at least another two years. There was a reduction in spending for the airborne laser, and now there are further delays and uncertainties regarding the Air Force tanker contract. Combine this with President-Elect Obama’s pledge to reduce spending on future combat systems and it seems that the next several might not generate the level of defense-based profits to which Boeing has become accustomed.

For Boeing to get the most out of going green, it is crucial that our government commit to investing in green technologies. We need to continue to push our leaders to understand that we are ready for green jobs that can lead to job security, healthy profits and, best of all, clean energy for our nation. Everybody wins.

Andy Heaslet is the Peace Economy Project coordinator. Sonya Carlson is the St. Louis field organizer for the 1-Sky campaign, which advocates scientific solutions for climate change and sustainable economic security.

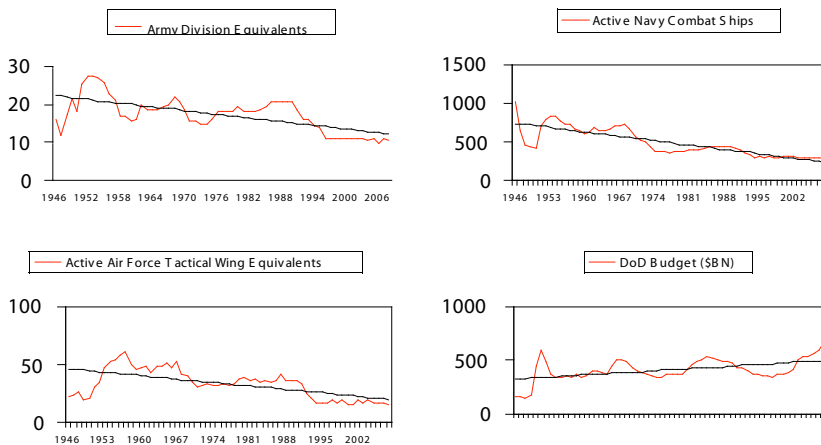
The Other Meltdown: Our Defenses

Winslow T. Wheeler

With the profound problems the new president will face next year in the economy, health care, energy, social security, gridlock in Washington, and the wars in Iraq and Afghanistan, some might be tempted to take solace that our defenses, while costly, are sound. Sorry, Mr. President-Elect; that's not the case. You have a real mess on your hands in the Pentagon. You have addressed the other crises in your election campaign, but you have completely ignored the meltdown in the Pentagon.

Perhaps you need a short review.

More Money = Fewer Forces



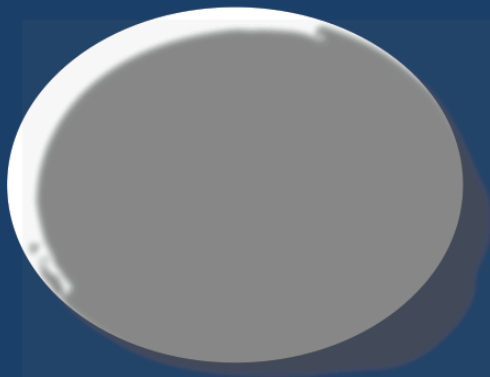
America's defense budget is now larger in inflation adjusted dollars than at any point since the end of World War II. However, our Army has fewer combat divisions than at any point in that period; our Navy has fewer combat ships, and the Air Force has fewer combat aircraft. The graphs below depict this grim, decades-old deterioration - and the increasing cost.

It gets worse. According to data collected by the Congressional Budget Office (CBO), and many others, major categories of military hardware are, on average, aging dramatically. In some cases, our equipment is older than it has ever been. CBO also shows us that the current, officially approved plan in each of the military services is for this problem to get worse.

AMERICA'S DEFENSE MELTDOWN



Pentagon Reform for President Obama and the New Congress



13 non-partisan Pentagon insiders, retired military officers
& defense specialists speak out

Other data from the Pentagon show that significant elements of our armed forces are less ready for combat than they should be. Air Force and Navy combat pilots get one-half to one-third of the in-air training time they had, for example, in the early 1970s. Army units are sent into Iraq and Afghanistan without the months of training, and re-training, they need with all the equipment and people they will take with them into combat.

The emphasis that we, as Americans, give to technology does not rescue us. As was the case in Vietnam, the immeasurable technological advantage we hold over our enemies in Iraq and Afghanistan means little to nothing in winning the form of conflict we find ourselves in.

For waging conventional war, we are burdened by technological failures at extraordinary cost. The Air Force's newest fighter, the F-35, can be regarded as only a technical failure, and it will cost multiples of the aircraft it replaces, the aging, over-weight F-16. The Navy's newest - ultra-expensive - destroyer cannot protect itself effectively against aircraft and missiles, and the Army's newest armored vehicles, which

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Pork-Barrel Insider Drained Missile-Defense Millions. Mike Cantwell and Doug Ennis collected more than \$1.6 million in defense industry kickbacks from 2000 to 2006. The story of these employees at the Army Space and Missile Defense Command is truly outrageous. Though they were civil servants, and hence prohibited from lobbying, these individuals concluded that they should work with defense contractors, and Congressmen, rather than their own bosses in the Defense Department. The scary part was that they convinced selected Congressmen to demand some \$350 million in projects that were good for certain constituents, but not desired by the DOD. A former boss, Dr. J. Richard Fisher, is quoted as saying: "The system needs to change. But it is not likely to do that. There is just too much inertia – and too much self interest." (NYT, October 12, 2008)

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cost several million each, can be and have been destroyed by a simple anti-armor rocket that was first designed in the 1940s.

Despite decades of acquisition reform from Washington's best minds in Congress, the Pentagon, and the think tanks, the Government Accountability Office (GAO) tells us that cost overruns in weapon systems are higher today, in inflation adjusted dollars, than any time since they have been measured. Not a single current major weapon has been delivered on time, on cost and as promised for performance.

The Pentagon refuses to tell Congress and the public exactly how it spends the hundreds of billions of dollars appropriated to it each year. The reason is simple; it doesn't know how the money is spent. In a strict financial accountability sense, it doesn't even know *if* the money is spent. Decades of reports from the Department of Defense Inspector General and GAO make this problem painfully clear.

For solutions, some argue for even more money for a defense budget that already is at historic heights and that approximates what the entire rest of the world spends for military forces. We must stop throwing dollars at the Pentagon: the evidence - while counter-intuitive - is irrefutable that more money makes our problems worse. As the Army, Navy, and Air Force budgets have climbed, their forces have grown smaller, older, and less ready.

Others argue for "acquisition reform" but their proposals are riddled with loopholes, and they consistently refuse to cede control of decisions to any but those who have a track record of failure piled upon failure.

What then is to be done?

The road to real reform starts with three simple principles:

- No failed system can be fixed if it cannot be accurately measured. A crash program to make Pentagon spending accountable is essential. But that is also insufficient. DOD must also have an ability to predict much more accurately the cost, performance, and schedule of its future programs and policies. The current bias, based on advocacy, is the heart and core of business as usual.

- The basis for competence cannot just

be intelligence and hard work; it must also be objectivity and independence. The latter are impossible without ending a fundamentally corrupt incentive system. The currently iron-clad control of the Pentagon decision-making process by people (in and out of uniform) who are free to then collect salaries and other emoluments from defense contractors and their support structure in Washington must end - without compromise. The similar sham of members of Congress and - especially - their staff pretending to perform oversight and then accepting jobs from those they "oversee" (including the Pentagon) must also end.

- The money party in Washington for the defense budget must end. The global economic meltdown now confronts the Pentagon budget with a mandate to economize, and to do so in a very major way. The days when big Pentagon spenders can dream up new tricks to grow the DOD budget are over. Consider the fact that today's defense budget is more than three times the combined size of every single nation currently or potentially hostile to us (including China and Russia). National security "leaders" who can not find safety at a significantly different standard will bankrupt us and must be discarded.

While simple, these principles will be extremely difficult to implement. The paragons of cost, bias, and deceit will reveal themselves by their obstreperous rancor at the idea of accepting these principles and the tough minded actions they imply.

Such uncomplicated principles offer the promise of real reform to a system desperately in need of it. What is lacking is a president with the strength of character to acknowledge the depth of our problems, to embrace principles such as those stated here, and then to withstand the typhoon of acrimony that will ensue from those who seek to keep us fat and fading.

Winslow T. Wheeler is the director of the Straus Military Reform Project of the Center for Defense Information in Washington.

Wheeler and other authors elaborate on these and related issues in a new anthology entitled America's Defense Meltdown: Pentagon Reform for President Obama and the New Congress.

Please visit www.CDI.org to read more from Mr. Wheeler and his associates.

IN CASE YOU MISSED IT: MILITARY-INDUSTRIAL- CONGRESSIONAL COMPLEX IS STILL A SERIOUS PROBLEM.

For those who thought that possibly things might be getting better, throughout this newsletter are a few recent stories that have come to our attention. The collective message is a familiar, troubling narrative. Reflecting on this news, let us celebrate the election of a new president; but also resolve to continue the struggle to control the Military-Industrial-Congressional complex. There is much work to be done.

-Look for these blurbs in the gray sections of the newsletter-

Last Night I Had The Strangest Dream

by Ed McCurdy

*Last night I had the strangest dream
I'd ever dreamed before
I dreamed the world had all agreed
To put an end to war*

*I dreamed I saw a mighty room
Filled with women and men
And the paper they were signing said
They'd never fight again*

*And when the paper was all signed
And a million copies made
They all joined hands and bowed their
heads
And grateful pray'rs were prayed*

*And the people in the streets below
Were dancing 'round and 'round
While swords and guns and uniforms
Were scattered on the ground*

*Last night I had the strangest dream
I'd never dreamed before
I dreamed the world had all agreed
To put an end to war.*

Coming Events

- Jan. 1-19: Camp Hope

A presence Hyde Park, Chicago to offer congratulate President Elect Obama and to encourage him to take 8 progressive actions on day one to counteract 8 years of failed policies. Visit www.CampHope2009.org for more information!

- Jan. 26th: PEP Riddles Dinner

Look for a post-card in the mail and/or check www.PeaceEconomyProject.org for further details.

- Mar. 7th: Charlie King 30th Anniversary PEP Concert!

Save the date and stay tuned for more information.

For more PEP events details, please visit www.PeaceEconomyProject.org/site/events.php



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Justice and Peace Shares

PEP is a proud member of Justice and Peace Shares, a collaboration of seven local groups, all committed to nonviolent social change and justice for the poor.

JPS Shares (\$25/month) save these 7 organizations valuable time and energy otherwise spent fundraising so that they can focus on their important work for peace and justice.

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