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## **WAR WITHOUT END: THE DOMESTIC ECONOMIC FALLOUT OF EMPIRE**

**By Sheila D. Collins**

### **Abstract**

While the effects of the Bush doctrine on our relations in the world and our civil liberties at home have received widespread scrutiny, there has been relatively little attention paid to its effects on our domestic economy. This is surprising in light of Paul Kennedy's thesis that empires tend to overextend themselves militarily, depleting their revenue-generating and productive capacities at home and making them vulnerable to decline in relation to nations whose economies are rising. This article brings together the many threads of a discussion about the economic impacts of war that have been scattered across disciplines, buried in government documents, in the reports of government watchdog groups, or are just beginning to emerge in the press, and suggests some areas for investigation that are being ignored. Far from "protecting our American way of life," the garrison state the Bush administration is building may in fact be leading to our political and economic decline.

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I am indebted to my colleagues at the National Jobs for All Coalition, Helen Ginsburg, Mary Malloy, Chuck Bell and Trudy Goldberg who worked with me on an earlier version of this article and to the two reviewers who suggested modest modifications.

I'm a war president. I make decisions here in the Oval Office in foreign-policy matters with war on my mind. . . .

--George W Bush<sup>1</sup>

Those millions of Americans who bought into Bush's National Security Strategy, which was announced in the wake of September 11<sup>th</sup>, assumed that its purpose—as official rhetoric would have it--was to protect “our American way of life.” For them, this code phrase includes not only our physical safety from terrorist threats, but job and income security, protection from the vulnerabilities of ill health and old age, as well as safe food, clean air and water. Whether conducted to supply the home country's industries with natural resources and cheap labor, to assure control over the world's chief energy source, or to make the world safe for multinational capitalism, empires need vast military machines. They need, in effect, a permanent war economy.

While the effects of the Bush doctrine on our relations in the world and our civil liberties at home have received widespread scrutiny, there has been relatively little attention paid to its effects on our domestic economy. This is surprising in light of Paul Kennedy's thesis that empires inevitably overextend themselves militarily, depleting their revenue-generating and productive capacities at home and rendering them vulnerable to decline in relation to nations whose economies are rising.<sup>2</sup> The Washington press corps, which in recent years has become a lapdog for Republican administrations, has been almost silent about this aspect of the nation's commitment to permanent war. Always eager for the sexy scoop, American journalists are professionally uninterested in (or incapable of) the kind of slogging inquiry it takes to pull together disparate pieces into a

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<sup>1</sup> George W. Bush, interviewed by Tim Russert on NBC's “Meet the Press,” February 8, 2004.

<sup>2</sup> Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict From 1500 to 2000* (New York: Random House, 1987).

coherent analytical argument. Admittedly, the most secretive Administration in history has made it much harder for the few investigative journalists that are left in the industry to ferret out the information.<sup>3</sup> But surprisingly few academics have pursued this line of inquiry either, although more are beginning to do so.

For many years, Seymour Melman, Columbia Professor Emeritus of Industrial Engineering, was a lone voice, calling attention to our nation's overcommitment to militarism at the expense of our industrial capacity.<sup>4</sup> But Melman's work, which sought to show that Cold War military spending resulted in the hollowing out of our domestic industrial productive capacity, was often ignored or disputed by mainstream economists who held that military spending was an economic stimulus. Melman has been joined more recently by a number of analysts who have begun to examine the economic consequences of our new military commitments.<sup>5</sup> This article attempts to bring together

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<sup>3</sup> For a lengthy brief on the Bush administration's penchant for secrecy, see former Nixon counsel, John W. Dean's, *Worse Than Watergate: The Secret Presidency of George W. Bush* (Boston: Little Brown & Company, 2004).

<sup>4</sup> Among the most important of Melman's works on the military economy are the following: *Pentagon Capitalism: The Political Economy of War* (1970); *The Permanent War Economy: Capitalism in Decline* (1974); *The Military Economy* (1981); *Hidden Environmental Consequences of Preparing for War* (1998);

<sup>5</sup> Chalmers Johnson has published a passionate, though sometimes overstated, treatise on the "sorrows of empire," brought on by our military commitments. See Chalmers Johnson, *The Sorrows of Empire: Militarism, Secrecy, and the End of the Republic* (New York: Metropolitan Books/Henry Holt, 2004). Johnson has been criticized for slighting the real dangers of radical Islamic terrorism. In the run-up to the war Yale economist, William Nordhaus, Dean Baker and Mark Weisbrot of the Center for Economic and Policy Research, analysts at the Center for Strategic and International Studies and the Council on Foreign Relations all tried to estimate the long-term costs of the war in Iraq and other military commitments, while William Hartung of the World Policy Institute has tried to estimate the costs since the war began. See "The Economic Consequences of a War With Iraq" in Carl Kaysen, Steven E. Miller, Martin B. Malin, William D. Nordhaus and John D. Steinbrunner, *War With Iraq: Costs, Consequences and Alternatives* (Cambridge, MA: American Academy of Arts and Sciences, 2002), pp. 51-85; Dean Baker and Mark Weisbrot, "The Economic Costs of a War in Iraq: The Negative Scenario." Retrieved February 2, 2003 from <http://www.cepr.net/Costs%20of%20war.htm>; Center for Strategic and International Studies—for various estimates see their website: <http://csis.org/features/iraq.cfm>; Council on Foreign Relations—for various estimates see their website: <http://www.cfr.org/search.php>; William D. Hartung, "Iraq and the Costs of War," *Foreign Policy in Focus*, March 2004. Retrieved April 4, 2004 from <http://www.fpif.org>; The National Priorities Project has provided popular comparisons of military expenditures with foregone civilian spending on things like education and health care as well as estimating how much the war against Iraq may be costing selected cities and towns. See National Priorities Project, "The Cost of War for Selected States and Cities." Available at: <http://www.nationalpriorities.org>. Common Cause has taken up

the many threads of that discussion and to suggest some other areas for investigation that are being ignored. Far from “protecting our American way of life,” the national security state the Bush administration has built may be leading to our political and economic decline.

### **The Permanent War Economy: How Large Is It?**

No rational country goes to war to help its economy, but neither should any country wage war without weighing carefully the costs and benefits of going or not going to war, an analysis that brings in a consideration of all the relevant scenarios.

--Joseph E. Stiglitz<sup>6</sup>

At \$453.7 billion in outlays, the fiscal year 2004 military budget exceeds the combined expenditures of the next 30 largest military spenders in the world. It is 43 times more than the expenditures of Iran and 304 times more than North Korea, its two remaining nemeses in the so-called “Axis of Evil.” It now constitutes over half of the world’s total military spending.<sup>7</sup> This figure *does not* include the rapidly mounting costs of Iraq reconstruction, nor, according to the Pentagon’s former chief analyst, is the

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the fight to monitor government corruption in the handling of contracts for Iraq and Afghanistan. See “Eye on Iraq” at their website: <http://www.commoncause.org>. Economists David Gold and Robert Pollin have challenged the assumption that military spending is good for the economy by pointing to the long-term costs of military spending, and its weak stimulus effect in relation to civilian spending. See David Gold, “Fewer Jobs, Slower Growth: Military Spending Drains the Economy,” *Dollars & Sense* (July-August, 2002). Retrieved February 14, 2004 from

[http://articles.findarticles.com/p/articles/mi\\_m2548/is\\_2002\\_July-August/ai\\_90137618](http://articles.findarticles.com/p/articles/mi_m2548/is_2002_July-August/ai_90137618). Remarks made by David Gold and Robert Pollin on the panel on Military Keynesianism, Socialist Scholars’ Conference, NYC, March 13, 2004; Economists Allied for Arms Reduction have attempted to estimate the potential costs of our commitment to Missile Defense. See Richard F. Kaufman, ed. *The Full Costs of Ballistic Missile Defense* (Washington, DC: Center for Arms Control and Non-Proliferation, January 2003).

<sup>6</sup> Joseph E. Stiglitz, “Commentary: War Could Bomb Your Pocketbook,” syndicated column. *Los Angeles Times-Washington Post* News Service, February 27, 2003.

<sup>7</sup> Budgetary authority for FY 2004 was \$460.5. For military expenditures and comparisons with other countries, see: Center for Defense Information, “Highlights of the FY04 Budget Request,” <http://www.cdi.org/budget/2004/highlights.cfm>. Stephen E. Flynn, “Potential Strange Bedfellows? Homeland Security and Non-Proliferation in the Post 9-11 World,” (New York/Washington: The Council on Foreign Relations, September 2003). Retrieved October 29, 2003 from <http://www.cfr.org>.

money designed for the kind of terrorist threats we face. To the contrary, some of it may even be putting our soldiers at greater risk.<sup>8</sup>

The extent of the U.S. military presence around the world and the overkill capacity of our current weapons arsenal are enormous, but the extent to which the preparation for and conduct of war has become the dominating theme of the state is staggering. Two examples out of the many that could be cited are the 13.7 to 1 ratio of military to reconstruction spending in the supplemental appropriations requested for Afghanistan in the FY 2004 budget and the fact that ongoing military operations in Iraq and Afghanistan amount to \$5 billion a month compared with \$600 million for international peacekeeping for the entire year.<sup>9</sup> According to William Hartung, the costs of war “could become the biggest ‘wild card’ in the federal budget over the next decade.”<sup>10</sup> Whether or not we engage in more misadventures like Iraq, the Administration has used the terrorist threat to call for an estimated \$5 trillion to be spent over the next ten years on the military. According to the Center for Strategic and Budgetary Assessments, this could add a whopping \$885 billion to our already outsized deficit if the administration’s plan experiences the same rates of cost growth as previous

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<sup>8</sup> Most of the money in the military budget is devoted to the production of high tech weapons that are the legacy of the Cold War, and some, like Missile Defense technology, may not even work at all. Such weapons are useless against the kind of terrorist threat posed by 9/11. Comments of Bill Moyers and Franklin (Chuck) Spinney in interview on Bill Moyers’ show, NOW, PBS. Aired on December 5, 2003.

Transcript available at: [http://www.pbs.org/now/transcript/transcript245\\_full.html](http://www.pbs.org/now/transcript/transcript245_full.html).

<sup>9</sup> Colonel Dan Smith (ret.), “Truth in Spending,” *Foreign Policy in Focus*, October 7, 2003, pp. 1, 3. Retrieved October 23, 2003 from <http://www.fpif.org>.

<sup>10</sup> William D. Hartung, “War Without End? The Cost of the New Military Buildup,” p. 1. Fourth Freedom Forum at: Retrieved April 4, 2004 from <http://www.fourthfreedom.org>.

plans have. Unless these deficits are offset by taxes or cuts in entitlements or discretionary programs, interest payments on the debt could grow by about \$185 billion.<sup>11</sup>

Mainstream economists downplay the costs of our military commitment citing the fact that the defense budget is only 3.4 percent of GDP (FY 2004), down from a high of 25 percent during World War II and 5 percent during the Korean War. But the defense budget is just the tip of the ice berg. For one thing, because defense department budgets have to be set two to three years in advance, they really don't include the costs of war, as we learned when Congress was asked to fund the Iraq and Afghanistan wars with several supplemental appropriations.<sup>12</sup> This, in itself, is not all that surprising. Wars are notoriously hard to predict and history tells us that the costs of past wars have always been underestimated.<sup>13</sup> But the Bush administration has been particularly adept at mystifying the real costs of its policies, and flagrantly cavalier in its attitude toward the public's representatives. When grilled by members of Congress on the costs of the Iraq war, Wolfowitz glibly replied that it would be covered by Iraqi oil revenues, "recovered assets" and support from other countries, most of which, as of this writing, have been non-existent. In the weeks leading up to the war, the Bush administration refused to give Congress estimates of the likely costs and fired its own economic advisor when he gave

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<sup>11</sup> Steven M. Kosiak, "Cost Growth in Defense Plans, Occupation of Iraq and War on Terrorism Could Add Nearly \$900 Billion to Projected Deficits" (Washington, DC: Center for Strategic and Budgetary Assessments, March 9, 2004), p. 2. Retrieved April 14, 2004 from <http://www.cbsaonline.org>.

<sup>12</sup> Christopher Hellman, "The Pentagon's Fiscal Year 2004 Budget Request: Still Growing," *Defense Monitor* XXXII, No. 2 (April/May 2003), p. 2. Supplemental spending on the Iraq and Afghanistan wars has already reached \$165 billion and Bush is expected to request an additional amount later this year. *FY 2004 Supplemental Appropriations for Iraq, Afghanistan and the Global War on Terrorism: Military Operations and Reconstruction Assistance*. Congressional Research Service Report for Congress, updated October 15, 2003. Retrieved on May 5, 2004 <http://fpc.state.gov>. Dave Moniz, "Monthly Costs of Iraq, Afghan Wars Approach That of Vietnam," *USA Today*, May 5, 2004. Retrieved May 6, 2004 from <http://usatoday>.

<sup>13</sup> Lincoln originally thought the civil war could last 90 days. His Treasury told him it would cost \$250 million. It lasted four years and cost \$3.3 billion. The First World War was originally forecast to be short and inexpensive. The Vietnam war cost 90% more than forecast. Robert Hormats, "America Must Find the Money to Afford a War," *Financial Times*, January 28, 2003, quoted in William D. Hartung, *op. cit.*

an estimate that may turn out to be quite modest. This year Bush is again relying on supplemental requests but is waiting until after the election to spring the amount on Congress.<sup>14</sup> Even the Comptroller General—careful to say that he was not making a partisan judgment—acknowledged that what we are getting from the Bush administration is “an incomplete and misleading picture of the federal government’s current financial condition and future fiscal outlook.”<sup>15</sup>

Nomi Prins, a former investment banker turned financial crusader, attempted last year to track down just the total costs of the war in Iraq by interviewing Washington officials who were supposed to be keeping track of the books. What she found is a government engaged in an accounting shell-game comparable to the games played by corporate outlaws like Enron and WorldCom; but according to Prins, “the murkiness of Iraq finances goes beyond a mere jiggering of the books. In the case of Iraq, there are no books.”<sup>16</sup>

No one, it seems, is analyzing “all the relevant scenarios” of our commitment to permanent war, and the Republican dominated Congress has been egregiously irresponsible in its management of the public purse.<sup>17</sup> If Congress can’t keep its eyes on

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<sup>14</sup> The administration’s reliance on supplemental or “emergency” requests to fund the war may not only be because it doesn’t have the estimates. Decision making for “emergency” requests are left entirely up to the President, unlike regular appropriations over which Congress has control.

<sup>15</sup> David M. Walker, “Truth and Transparency: The Federal Government’s Financial Condition and Future Fiscal Outlook,” speech given at the National Press Club, Washington, DC, September 17, 2003. (Washington, DC: General Accounting Office). Retrieved October 5, 2003 from <http://www.gao.org>.

<sup>16</sup> Nomi Prins, “Iraq Could Produce Another Enron,” *Newsday*, December 2, 2003, p. A33. Also, remarks delivered at the panel on Military Keynesianism, the Socialist Scholars’ Conference, New York City, March 14, 2004.

<sup>17</sup> For example, in voting for the supplemental appropriation for the Iraq war in 2003, the Senate defeated an amendment by Senator Biden that had called for temporarily rescinding the tax cuts for the richest one percent in order to pay for the war. *Supplemental Appropriations for Iraq*, Congressional Research Report, *op. cit.* In a subsequent conference committee conferees stripped a provision from the funding bill that had required GAO audits of the Iraqi Coalitional Authority and a provision that would have required competitive bidding on Iraq contracts. They also refused to include a Senate measure to penalize war

the ball, how much less are the American people equipped to comprehend, let alone challenge, trends that are hidden away in Defense Department procurement requests--like the fact that Defense Secretary Rumsfeld exempted the so-called Missile Defense system from the Defense Department's normal procurement rules, which require not only strict schedule, cost and performance goals but congressional oversight. The result is that the Missile Defense system is spiraling beyond Congress's financial control. The end result, say analysts at the Center for Defense Information, could be tens if not hundreds of billions of dollars spent on a system that has been notorious for its technical failures.<sup>18</sup>

No one in the government, it seems—neither the White House *nor Congress*--is adding up the total costs of the military-related expenditures that are channeled not only through Defense, but through a variety of other government departments—State (think of the costs of building our embassies around the world as virtual fortresses, or the sweeteners); Energy (a significant part of the energy needed for war making is handled in this agency); Homeland Security, our various intelligence agencies, Veterans' Affairs (see the health effects of the first Gulf War below); Treasury (incentives for companies to invest in Iraq); and Commerce (arms sales, for example); the Environmental Protection Agency (cleaning up the costs of war); and international agencies like the World Bank and the United Nations.

One unnoticed cost, for example, is the \$10 billion the government has committed to a modern-day Manhattan Project—a massive new biodefense research effort that has been characterized as “a spending spree so vast and rapid that it might change the face of

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profiteers for defrauding American taxpayers. Common Cause email alert, “Eye on Iraq: An Expensive Bill, Cheap Talk.” Retrieved November 6, 2003 from <http://www.causenet.org>.

<sup>18</sup> Victoria Samson, “Missile Defense is Spiraling Out of Congress's Control.” (Washington, DC: Center for Defense Information, December 18, 2003). Retrieved March 5, 2004 from <http://www.cdi.org>.

biological science.” Other secretive or “black box” research is being conducted through various intelligence agencies. The National Academy of Sciences warned last fall that the government has no mechanism to prevent the “misuse of the tools, technology, or knowledge base of this research enterprise for offensive military or terrorist purposes.”<sup>19</sup>

A commitment to permanent war inevitably means increased arms sales both because the military has now become, in effect, our industrial policy, and because arms sales are needed to bribe reluctant countries into joining our “coalition of the willing.” The U.S. is now responsible for almost 50 percent of world arms sales.<sup>20</sup> According to William Hartung,

Once all major factors are taken into account, including the cost of taxpayer subsidies for arms exports, the impact of industrial offset programs, the role of arms transfers in fostering regional arms races that can result in additional U.S. defense expenditures, and the opportunity costs for the U.S. and international economies that result from promoting weapons exports instead of commercial activities, promoting arms exports results in a long-term net cost to the U.S. economy.<sup>21</sup>

Any true accounting of our total military effort, of course, includes the costs of building and maintaining some 725 (officially acknowledged) bases in over 140 countries. But Chalmers Johnson has pointed out that since so many of our military operations around the world are kept secret, no one, not even the Secretary of Defense, could give an accurate account of their scope and costs if put to the question.<sup>22</sup>

Rumsfeld’s reorganized military is moving from planning for the capacity to fight two wars simultaneously to a strategy of “projecting power on a global scale.” (Translation:

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<sup>19</sup> Michael Scherer, “The Next Worst Thing,” *Mother Jones* (March/April 2004), p. 17.

<sup>20</sup> Smith, *op. cit.*, p. 3.

<sup>21</sup> William D. Hartung, “Welfare for Weapons Dealers: The Hidden Costs of Arms Trade” (New York: World Policy Institute/Arms Trade Resource Center, n.d. Retrieved May 6, 2004 from: <http://www.worldpolicy.org/projects/arms/reports/cvdrhc.html#government>.

<sup>22</sup> Johnson, *op. cit.*, pp. 152-153.

the plan envisions what it labels a "1-4-2-1 defense strategy." War planners must be prepared to fully defend the United States, maintain forces capable of "detering aggression and coercion" in four "critical regions" --Europe, Northeast Asia, East Asia, the Middle East and Southwest Asia--maintain the ability to defeat aggression in two of these regions simultaneously, and be able to "win decisively" — up to and including forcing regime change and occupying a country — in one of those conflicts "at a time and place of our choosing."<sup>23</sup> If it is currently impossible to track the costs of our current military bases, how much less will we know when the military's new forward basing strategy becomes fully operational?<sup>24</sup>

The costs of the American empire's military commitments would also have to include the open-ended, cost-plus contracts parceled out to private companies like Halliburton, which has engaged in overcharges, kickbacks, and overbilling practices. The grizzly public lynching of four employees of Blackwater, U.S.A., a private security firm in Fallujah in April 2004 and involvement of private security personnel in the torture of Iraqi prisoners in May brought media attention to another hidden cost of war. The Pentagon now employs one-third fewer troops than it did fifteen years ago. A growing percentage of the work formerly done by the military is outsourced to private firms that are estimated to be doing \$100 billion worth of work for the Pentagon.<sup>25</sup> Not only are such companies providing security for other private contractors, NGOs, journalists and members of the Iraqi Governing Council, but they have even been found to be providing

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<sup>23</sup> William M. Arkin, "War Plans Meaner, Not Leaner," *Los Angeles Times*, March 21, 2004, Part M, p. 1.

<sup>24</sup> Statement of General James L. Jones, Jr., USMC, Commander United States European Command to the Senate Appropriations Subcommittee on Military Construction, April 29, 2003.

<sup>25</sup> Transcript, Adam Hochberg, "U.S. Victims in Fallujah Had Security Role," National Public Radio Morning Edition, April 1, 2004. There has been a ten-fold increase in the growth of private military firms since 1991. Interview with Barry Yeoman, "Blackwater USA, Building the 'Largest Private Army in the World,'" *Democracy Now!* WBAI-FM-Pacifica, April 1, 2004. For more on private military contractors see: Barry Yeoman, "Soldiers of Good Fortune," *Mother Jones* (May/June 2003), pp. 38-43; 92-3. .

security to the U.S. military.<sup>26</sup> Since these firms operate in the shadows while carrying out U.S. foreign policy for profit, it is difficult to hold them either politically or financially accountable. The CEO of one company admitted that the potential for quick profit in Iraq has drawn a “host of fly-by-night and disreputable companies.”<sup>27</sup> The GAO concluded in 2001 that the Pentagon, despite repeated requests by Congress to fix its cost accounting practices for service contracts, had failed to do so and that its efforts to reform had in fact subsided. “Without improving this situation, DOD’s report on the costs of contract services will still be inaccurate and likely understate what DOD is paying for certain types of services,” the report said. Two years later the Congress found little change despite the passage of legislation designed to fix the problem.<sup>28</sup> Bobby Harnage, president of the American Federation of Government Employees, observed: “It has been clear to anyone not on a contractor’s payroll that DoD’s service contracting crusade has nothing to do with efficiency and everything to do with showering countless tax dollars on politically well-connected contractors.”<sup>29</sup> Indeed, the scandal of such outsourcing may be glimpsed by the fact that while the average army combat private makes about \$19,000 a year or about \$52 a day, workers for private security firms (most of whom are former military men with close Pentagon ties) make anywhere from \$500-\$1,000 a day.<sup>30</sup>

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<sup>26</sup> Interview with Robert Fisk, *Democracy Now!* WBAI-FM-Pacific, April 1, 2004.

<sup>27</sup> James Glanz, “Modern Mercenaries on the Iraqi Frontier,” *New York Times*, April 4, 2004, Sec. 4, p. 5.

<sup>28</sup> *Contract Management: No DOD Proposal to Improve Contract Service Costs Reporting*, GAO-01-295, February 16, 2001 (Washington, DC: General Accounting Office.), p.4. By 2003, after passing legislation intended to force the Pentagon to shape up, the Congress reported that the Defense Department had begun a process, but concluded that “DOD’s management structure does not adequately promote a strategic orientation across the department by setting performance goals, including savings goals, and assuring accountability for achieving them.” *Contract Management: High-Level Attention Needed to Transform DOD Services Acquisition* GAO-03-935, September 2003 (Washington, DC: General Accounting Office), p. 2.

<sup>29</sup> Harnage quoted in Jason Peckenpaugh, “Report: Pentagon Not Tracking Costs of Service Contracts,” *GovExec.com.*, March 6, 2001. Retrieved April 24, 2004 <http://www.govexec.com>.

<sup>30</sup> Hochberg, *op. cit.*

But there may be a more sinister strategy behind military outsourcing. How else to explain the Pentagon's decision to outsource even more--as many as 300,000 support jobs--so that it can ostensibly concentrate on its "core mission?"<sup>31</sup> There are four possible explanations. By contracting out, the Pentagon can avoid, or at the very least, obscure its true girth from public scrutiny. It can also hide the real number of casualties from a risk-averse public still smarting from the Vietnam experience: private casualties don't show up in Pentagon statistics. It can also use private contractors to do the dirty work (like torturing Iraqi prisoners) that the military is prevented from doing by international law. Alternatively, as more members of the military are lured away to private firms by lucrative contracts, the military brass may use this as a rationale to ratchet up its demand for even bigger military budgets in order to compete with the private sector.<sup>32</sup>

Another unacknowledged cost of the war is the lost opportunity costs from national guard troops who have been pulled from civilian jobs for extended tours of duty, as well as the dead and wounded who have been withdrawn from civilian work.<sup>33</sup> As of this writing, over 700 American soldiers have died since the war began, and although figures on the number of wounded have been hard to come by, the Pentagon finally admitted that in the first year of war in Iraq, the U.S. military may have had 11,700 casualties.<sup>34</sup> Then there are the estimated 10,000 Iraqis who have been killed since the war began, many of them killed or seriously wounded by U.S. troops for no apparent

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<sup>31</sup> George Cahlink, "Pentagon Sets Plan to Convert, Outsource Military Jobs," *GovExec.com.*, February 2, 2004, p. 1. Retrieved April 24, 2004 from <http://www.govexec.com>.

<sup>32</sup> Eric Schmitt and Thom Shanker, "Big Pay Luring Military's Elite to Private Jobs," *New York Times*, March 30, 2004, p. 1.

<sup>33</sup> Seymour Melman, "The Price of War," *Earth Island Journal* 6:1 (Winter 1991).

<sup>34</sup> Interview with UPI reporter Mark Benjamin, *Democracy Now!* WBAI-FM/Pacifica, April 2, 2004.

cause or because some soldiers became trigger-happy. In November 2003 the US military said it had paid out \$1.5 million to Iraqi civilians to settle claims by victims or relatives of victims for personal injury, death or damage to property.<sup>35</sup>

Added to all of this is the fact that most wars have long term consequences that are not included in formal defense budgets. U.S. taxpayers, for example, are still paying for service-related injuries and disabilities for over 206,000 veterans of the first Gulf War.<sup>36</sup> And what about the approximately 765 Arab American and Muslim immigrants detained and some deported since 9/11<sup>37</sup> and the more than 650 prisoners held on Guantánamo in what appears to be a permanent U.S. gulag?<sup>38</sup> Or the estimated 10,000-15,000 people we have imprisoned in Iraq?<sup>39</sup> To which accounts are the costs of their incarceration being charged?

No one is counting the long-term environmental and health costs of our use of depleted uranium and cluster bombs in Kosovo and the two Gulf wars, not to mention exposure to smoke from chemical and oil fires, sarin and other chemical agents.<sup>40</sup> Despite the low number of casualties immediately affected by the first Gulf war, 221 times as many servicemen and women have succumbed to service-related death or illness

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<sup>35</sup> "Iraq One Year On the Human Rights Situation Remains Dire," Amnesty International, March 2004.

<sup>36</sup> William D. Hartung, "Iraq and the Costs of War," *Foreign Policy in Focus* (March 2004), p. 1. Retrieved April 5, 2004 from <http://www.fpip.org/papers/2004cost.html>.

<sup>37</sup> Press Release, "New Report on America's 'Disappeared' Details Devastating Effects of Bush Administration's Arbitrary Policies," American Civil Liberties Union, January 27, 2004.

<sup>38</sup> Neil A. Lewis, "U.S. Will Free 5 Britons Held at Cuba Base," *New York Times*, February 24, 2004, p. A20.

<sup>39</sup> Jeffrey Gettleman, "The Struggle for Iraq: The Detainees, U.S. Detains Iraqis, and Families Plead for News," *New York Times*, March 7, 2004, p. A1. Amnesty International indicates that the Provisional Authority of the United States-led coalition "acknowledges detaining 8,500 people, but an Iraqi human rights organization estimates the number of prisoners at 15,000; "10,000 Civilians Killed in Iraq in a Year," *Le Nouvel Observateur*, March 18, 2004. See also Iraq Body Count, an attempt to piece together the numbers that appear in news accounts at <http://www.iraqbodycount.net>.

<sup>40</sup> The Veterans' Administration admits that nearly 100,000 soldiers may have been exposed to the nerve gas sarin, as a result of demolishing an ammunition depot in southern Iraq. "DoD/CIA: Nearly 100,000 Troops May Have Been Exposed to Chemical Agent in Gulf War," *Persian Gulf War Review*, Vol. 6, No. 4 (September 1997), p. 2.

since the war ended,<sup>41</sup> and new casualties are still being discovered. Added to the known incidences of chronic fatigue syndrome, musculoskeletal problems, asthma, post-traumatic stress disorder, depression, memory loss, and poor concentration among Gulf war veterans, a study completed in 2003 found that twice as many soldiers who were deployed to the Gulf War contracted ALS (Lou Gehrig's disease) as soldiers sent elsewhere.<sup>42</sup> Since ALS is a fatal wasting disease, the cost of care for its victims is likely to be considerable.

Nor has the legacy of our Cold War atomic commitments--currently estimated to cost \$230 billion over the next 70 years--been fully recognized.<sup>43</sup> The costs of cleanup at places like Hanford and Savannah may be just the tip of the ice berg. The residents of Concord, Massachusetts, for example, suffer from higher than average cancer rates as a result of the recent discovery that they are sitting on top of 3,800 barrels of radioactive and toxic waste, the legacy of a company that produced depleted uranium slugs for our latest wars. Since the company went bankrupt, the public is now stuck with the cleanup bill that is estimated will cost upwards of \$50 million and take 10 years to complete.<sup>44</sup>

The greenhouse effects of flying thousands of sorties and transporting thousands of soldiers for the foreseeable future to bases and hot spots in every part of the

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<sup>41</sup> Total casualties from the first Gulf war were 760. Since then, the Veterans Administration has reported 8,306 dead and 159,705 ill or injured as a result of service-related exposures. Chalmers Johnson, "Sorrows of Empire" *Foreign Policy in Focus*, November 2003. <http://www.fpif.org>.

<sup>42</sup> "New VA Study Supports Gulf War-ALS Link," *Gulf War Review*, Vol. 12, No. 1 (November 2003), p. 1.

<sup>43</sup> A Review of the Department of Energy's High-Level Radioactive Waste Cleanup Programs, Hearing Before the Subcommittee on Oversight and Investigations, of the Committee on Energy and Commerce, House of Representatives, 108<sup>th</sup> Congress, July 17, 2003, Serial No. 108-42 (Washington, DC: U.S. Government Printing Office, 2003).

<sup>44</sup> Ed Erickson, "Dumping on History: A Radioactive Nightmare in Concord, Massachusetts," *E/The Environmental Magazine* XV, No. 1 (January/February 2004). Retrieved March 5, 2004 from <http://www.emagazine.com/view/?1177>.

globe is a cost that has been particularly neglected. And what about the costs of environmental degradation that flow from abandoning the large fixed bases that served during the Cold War, or the thousands of tons of explosives that are detonated every day, leaving polluted rivers and aquifers, toxic air, destroyed infrastructures and maimed bodies. The Pentagon's own study of the possible catastrophic effects of climate change—suppressed by the Pentagon but obtained by the London *Observer*—suggests that global warming is at least as large a security threat and probably far more catastrophic than terrorist attacks. According to the *Observer*, “the document predicts that abrupt climate change could bring the planet to the edge of anarchy as countries develop a nuclear threat to defend and secure dwindling food, water and energy supplies.”<sup>45</sup> Jared Diamond has written, “One of the disturbing facts of history is that so many civilizations collapse. Few people, however, least of all our politicians, realize that a primary cause of the collapse of those societies has been the destruction of the environmental resources on which they depended.”<sup>46</sup>

Unless all of these costs are added up, there can be no adequate accounting of the total, nor can we tell whether our money is being spent wisely or fraudulently. Because of its command economy and secrecy, the Pentagon has been a notoriously wasteful spender. Since 1995, the General Accounting Office has ranked the Pentagon's financial management as one of the worst in government. In FY 2000, for example, the Pentagon's own Inspector General noted that \$1.1 trillion couldn't be accounted for.<sup>47</sup>

The revelations of Halliburton's overcharging for gas deliveries and food for our troops

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<sup>45</sup> Mark Townsend and Paul Harris, “Now the Pentagon Tells Bush: Climate Change Will Destroy Us,” *The Observer*, February 2, 2004, p. 3.

<sup>46</sup> Jared Diamond, “The Last Americans: Environmental Collapse and the End of Civilization” 306 (June 2003): 43.

<sup>47</sup> Bill Moyers interview with Franklin Spinney, *op. cit.*

in Iraq are a small indication of the problem. Ms. Prins's call for an independent, international auditing body "with full authority and ability to compel all the information regarding the Iraq balance sheet" may be voice crying in the wilderness.<sup>48</sup> With the administration now lusting to set up house on the moon, send humans to Mars (though that trial balloon seems to have fizzled as quickly as it was inflated), develop a whole new generation of low-yield "bunker busting" nuclear weapons, and weaponize space, the road to economic, political and cultural perdition has been set.<sup>49</sup>

### **The Permanent War Economy and Homeland Security**

I will send you a budget that funds the war, protects the homeland and meets important domestic needs, while limiting the growth in discretionary spending to less than 4 percent. . . By doing so we can cut the deficit in half over the next five years.

-- George W. Bush<sup>50</sup>

At \$453 billion and growing, the FY 2004 military budget already eats up over half of all federal discretionary spending. If, as calculated by the Center for Strategic and Budgetary Assessments, the ten year commitment grows to \$5 trillion, Americans will have to tighten their belts even further.<sup>51</sup> Such lopsided budget priorities mean that vital domestic needs, not the least of which is homeland security, are crowded out.

Despite the fact that many experts on terrorism suggest that diligent police work and intelligence are the best ways to combat terrorism, only about 11 percent of the \$407 billion in additional spending related to the events of 9/11 went to such investigative

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<sup>48</sup> Prins, *op. cit.*

<sup>49</sup> "Arms Race in Space? U.S. Airforce Quietly Focuses on Space Control," *Defense Monitor* Vol. XXXII, No. 4 (September/October 2003), p. 6.

<sup>50</sup> George W. Bush, "State of the Union," January 20, 2004.

<sup>51</sup> Steven M. Kosiak, "Cost Growth in Defense Plans, Occupation of Iraq and War on Terrorism Could Add Nearly \$900 Billion to Projected Deficits" (Washington, DC: Center for Strategic and Budgetary Assessments, March 9, 2004), p. 1. Retrieved April 4, 2002 from <http://www.csbaonline.org>.

activities.<sup>52</sup> Though “getting homeland security right” has a potentially important support role in countering the motivation of foreign states and terrorists for acquiring weapons of mass destruction, it received an even smaller—5 percent—of the increased spending.<sup>53</sup> According to the Center for Strategic and Budgetary Assessments, it does not appear that homeland security is going to get anywhere near the funding increases that will go to the military over the next decade.<sup>54</sup>

The result is that first responders in the nation’s most vulnerable areas complain they don’t have the money to cope with potential emergencies. Among the findings in a special report written for the Council on Foreign Relations were the following: only 10 percent of fire departments across the country have the personnel and equipment to respond to a building collapse; fire departments have only enough radios to equip half their personnel, and breathing equipment for only a third; police departments do not have the protective gear to safely secure a site following an attack with weapons of mass destruction; and most cities do not have the necessary equipment to determine what kind of hazardous materials emergency responders may be facing.<sup>55</sup> Against this background of deficits, President Bush's 2005 budget would cut by one-third the money that thousands of fire departments rely on to keep their communities safe, outraging the

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<sup>52</sup> The \$407 billion includes funding for defense, military operations in Afghanistan and Iraq, combating terrorism, homeland security and related issues. Steven M. Kosiak, “Funding for Defense, Military Operations, Homeland Security, and Related Activities Since 9-11” (Washington, DC: Center for Strategic and Budgetary Assessments, January 21, 2004), p. 1. Retrieved March 14, 2004. <http://www.csbaonline.org>.

<sup>53</sup> *Ibid*; Flynn, *op. cit.*

<sup>54</sup> James Jay Carafano and Steven M. Kosiak, “Homeland Security: Administration’s Plan Appears to Project Little Increase in Funding.” (Washington, DC: Center for Strategic and Budgetary Assessments, March 12, 2003), p. 3. Retrieved March 14, 2004. <http://www.csbaonline.org>.

<sup>55</sup> Philip Shenon, “Two Studies Cite Confusion on Terrorism,” *New York Times*, August 21, 2003, A14; “Emergency Responders: Drastically Underfunded, Dangerously Unprepared,” Report of an independent Task Force, Sponsored by the Council on Foreign Relations. Retrieved February 20, 2004 from <http://www.cfr.org>.

nation's firefighters and leaving states and cities, already burdened with budget cuts, to make up the difference or engage in programmatic triage.<sup>56</sup> Added to this crisis is a survey which found that 13 percent of cities have already laid off police due to tighter fiscal conditions, while a third of the cities anticipated possible police layoffs in the near future.<sup>57</sup>

In a chilling report, issued in March 2003, the GAO stated that the nation's 123 chemical factories that could each potentially expose more than a million people remain in a security limbo.

Ultimately no federal oversight or third-party verification insures that voluntary industry assessments of vulnerability are adequate and that security vulnerabilities are addressed. . . . Consequently, federal, state, and local entities lack comprehensive information on the vulnerabilities facing the industry.<sup>58</sup>

One year later, that assessment still held.<sup>59</sup>

Despite the federalizing of airport security personnel and other steps that were taken to secure our ports of entry, at the beginning of 2004, the nation's air and seaports remained vulnerable. According to New York's Senator Chuck Schumer, government budget cutbacks have resulted in baggage and passenger screeners at New York's airports working without required background checks, while baggage remains unscreened on 22 percent of passenger flights and virtually all cargo flights.<sup>60</sup> The Coast Guard had

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<sup>56</sup> Dana Wilkie and Joe Cantlupe, "Firefighters Outraged at Bush Budget Cuts," *San Diego Union-Tribune*, February 5, 2004. Retrieved May 2, 2004 from <http://www.signonsandiego.com/news/nation/20040205-1512-cnsfiremoney.html>.

<sup>57</sup> Press release, National League of Cities, "Budget Squeeze, Federal Cuts Hamper Public Safety Says NLC Curfew Survey," January 29, 2004.

<sup>58</sup> General Accounting Office, "Homeland Security: Voluntary Initiatives are Under Way at Chemical Facilities, But the Extent of Security Preparedness is Unknown," GAO-03-439, March 2003. Retrieved April 4, 2004 from <http://www.gao.gov>.

<sup>59</sup> "Highlights of GAO-04-482T, a testimony before the Committee on Government Reform, House of Representatives (Washington, DC: General Accounting Office, February 2004). Retrieved March 6, 2004 from <http://www.gao.gov>.

<sup>60</sup> News Releases, office of Senator Charles Schumer, "Schumer and Whistle Blowers Reveal: New TSA Budget Leaves Key Aspects of NY Airport Security at Pre-9/11 Levels," February 8, 2004; and "Unlocked

estimated that securing U.S. ports would require about a \$5.4 billion over ten years, but the Bush administration had spent in a three-year period less than 80 percent of what was required.<sup>61</sup> GAO researchers found that funding is the most pressing challenge to accomplishing this task. A GAO researcher told members of Congress that he was “concerned that the Department of Homeland Security (DHS) and the Transportation Security Administration (TSA) are dealing with our nation's pressing life and death security needs by playing shell games with critical resources.”<sup>62</sup>

September 11<sup>th</sup> brought home to those of us who must cross one of many of New York City's bridges to get to work just how fragile our daily routines really are. Immediately following the terrorist attacks on the World Trade Center, all of New York City's bridges were shut down and its many commuter rail tributaries halted. Yet these critical transportation beltways, as well as the country's dams, remain “so vulnerable that it practically invites terrorism,” according to the head of a Council on Foreign Relations task force on homeland security.<sup>63</sup> Not only is our infrastructure vulnerable to terrorist attacks, it is vulnerable to its own decay, as both federal and state governments have failed to put the money that is needed into repairing and maintaining this infrastructure.<sup>64</sup> Even more alarming is the fact that the government has taken only small incremental steps to protect the nation's nuclear power plants. According to the Union of Concerned

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Cockpit Doors on Cargo Planes—Domestic and Foreign—Leaves New York Vulnerable to a Second 9/11,” January 4, 2004.

<sup>61</sup> “Are We Safer?” *U.S. News and World Report*, Sept. 15, 2003, p. 26.

<sup>62</sup> Letter to the Honorable Earnest F. Hollings, Ranking Member, Committee on Commerce, Science and Transportation from Gerald L. Dillingham, Director, Civil Aviation Issues and Margaret Wrightson, Director Homeland Security and Justice Issues General Accounting Office, December 12, 2003.

<sup>63</sup> Stephen Flynn, quoted in “*Are We Safer?*” *op. cit.*, p. 29.

<sup>64</sup> According to Seymour Melman, the potential costs of renewing our infrastructure are enormous. Melman interviewed by S. Ross, *The Progressive* 56, No. 2 (February 1992). Retrieved from Academic Search Premier, February 15, 2004.

Scientists, the existing security regulations provide inadequate protection against known terrorist threat capabilities.<sup>65</sup>

As for public health preparedness, states whose public health programs had been allowed to deteriorate for two decades are, with the infusion of \$1.8 billion in federal post-9/11 funds, only modestly better prepared to respond to public health emergencies than they were before the terrorist attacks. Moreover, regional coordination between states is lacking and many lack surge capacity.<sup>66</sup> And one year after President Bush announced an unprecedented smallpox vaccination campaign, the program has all but ground to a halt. As we learned after the outbreak of Mad Cow disease last year, our nation's food inspection system is notoriously underfunded—unable to protect us from known toxins, let alone from terrorist threats. In March a report by the Department of Homeland Security's Inspector General admitted that despite progress, needed improvements in homeland security “will take years to develop and implement, and much remains to be done.” Representative Jim Turner (D) on the House Select Committee on Homeland Security maintains that the Bush administration has not directed enough money to domestic defense in his budget proposal.<sup>67</sup>

Finally, there is a growing consensus among terrorist experts and international relations specialists that, rather than reducing the terrorist threat, the Iraqi war appears to have destabilized many more parts of the world, generating a hydra-headed terrorist network that even CIA chief George Tenet was forced to admit is as strong or stronger

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<sup>65</sup> Union of Concerned Scientists, “Nuclear Reactor Security.” Retrieved March 6, 2004 from <http://www.ucusa.org>.

<sup>66</sup> GAO, *Ibid.*; *State and Local Bioterrorism Preparedness*, GAO-03-373 (Washington, DC: General Accounting Office, 2003); *Ready or Not? Protecting the Nation's Health in the Age of Bioterrorism* Washington, DC: Trust for America's Health, December 2003. The full study can be obtained at: <http://www.healthyamericans.org>

<sup>67</sup> Eric Lichtblau, “Domestic Security Gets Mixed Appraisal,” *New York Times*, March 25, 2004, p. A23.

than it was a year before, with the potential to inflict catastrophic effects on the scale of 9/11.<sup>68</sup>

### **Military Spending and Economic Security**

Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed.

---Dwight D. Eisenhower

Perhaps never in the years since he uttered it, has Dwight Eisenhower's warning about the tradeoff between military spending and social needs been so apt. In addition to crowding out funding for homeland security, our bloated military budget is crowding out many other vitally needed public goods and services, especially those that affect the most vulnerable in our population. Supplemental requests for Iraq and Afghanistan wars alone has amounted to more than the President's request for the Departments of Education, Homeland Security, Energy, Agriculture and Justice combined for all of 2005.<sup>69</sup> The Administration's 2005 budget proposal would result in domestic discretionary spending falling to 2.6 percent of GDP in 2009, its smallest share of the economy since 1963.<sup>70</sup> The proposed cuts would affect nearly every part of government, with the exception of defense and homeland security: environmental programs, education and job training, veterans' programs, health, transportation, and even modernization of the air traffic control system, to name a few.<sup>71</sup> The budget would also mandate binding discretionary

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<sup>68</sup> Brian Knowlton, "C.I.A. Chief Reports to Senate on Threats Facing U.S.," *New York Times*, February 24, 2004, p. 1.

<sup>69</sup> "Eye on Iraq," *op. cit.*

<sup>70</sup> Isaac Shapiro and David Kamin, "Concentrating on the Wrong Target: Bush Cuts Would Reduce Domestic Discretionary Spending, as a Share of GDP, to Its Lowest Level in 46 Years" (Washington, DC: Center on Budget and Policy Priorities, March 5, 2004), p. 1.

<sup>71</sup> The President announced that 128 programs would either be cut or eliminated. While using the excuse that such savings would help reduce the deficit, analysts have said that their impact is miniscule. Edmund L. Andrews, "Bush Budget Cuts a Variety of Programs," *New York Times*, February 4, 2004, p. A14.

caps that would lock in place this level of reduction in domestic discretionary programs.<sup>72</sup>

Among the 65 federal programs slated for the chopping block in Bush's 2005 budget, over half are education programs, the sector with the greatest job multiplier effect.<sup>73</sup> Polls show that job loss and job insecurity are among the greatest concerns of the American voter. And no wonder. The Bush administration has presided over the net loss of over 2 million jobs, rivaling only Herbert Hoover in the dubious distinction of having lost more jobs on his watch than created them. With the end of the federal program to help the long-term unemployed, an estimated 1.1 million jobless workers have lost their income support. According to the Center on Budget and Policy Priorities, "in no other comparable period on record have so many individuals exhausted their regular benefits and gone without additional aid."<sup>74</sup>

The belief that wars and military expenditures stimulate the economy, create jobs and reduce unemployment, has been commonplace, and it is certainly what Pentagon planners would like us to believe. Whenever there has been talk of reducing the military budget, the specter of job loss is raised. The belief in the stimulus effect of the military serves a useful political purpose by assuring the American people that in the absence of either strong spending in the civilian sector or a bull market to stimulate aggregate demand there is still a source of job creation. The belief is not without proof. Some past

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<sup>72</sup> Since military and homeland defense spending are included in the across-the-board caps, any attempt by Congress to raise defense spending—as seems likely unless the U.S. decides to quit its empire building—would mean even deeper cuts in domestic civilian programs. "Administration's Budget Would Cut Heavily into Many Areas of Domestic Discretionary Spending After 2005" (Washington, DC: Center on Budget and Policy Priorities, March 5, 2004), p. 1. Retrieved April 4, 2004 from <http://www.cbpp.org>.

<sup>73</sup> Pollin, *op. cit.*

<sup>74</sup> Isaac Shapiro, "Over One Million of the Unemployed Have Now Been Denied Aid Due to End of Federal Program" (Washington, DC: Center on Budget and Policy Priorities, March 25, 2004), p. 1. Retrieved April 4, 2004 from : <http://www.cbpp.org>.

wars have served as economic engines. The most dramatic example, of course, is World War II, which finally ended the Great Depression. During the Cold War decades, large military budgets were also used to prop up the economy. Today, however, the connection between military spending and economic prosperity is not so certain.

For one thing, despite the size of our military budget, its relation to GDP has fallen from a high of 11.8 percent at the height of the Vietnam War to 3.6 percent in 2005, thus diminishing its significance in the overall economy.<sup>75</sup> Secondly, although military spending does create employment, it generates fewer jobs for the dollar than equivalent civilian expenditures. Among other reasons, it uses relatively less labor than other kinds of economic activity. A billion dollars spent on more labor-intensive domestic programs like education, health care, child and elder care, urban transportation, housing, environmental protection, or alternative energy technologies generates more jobs than a billion dollars of military spending.<sup>76</sup> The Apollo Project, a new coalition of labor and environmental groups has shown, for example, that investing \$300 billion over a ten year period in clean energy technologies (that's less than 7 percent of our annual military budget) could produce 3.3 million jobs, reduce our dependence on oil—a major source of our security problems around the world—rebuild our industrial base, stimulate

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<sup>75</sup> David Gold, "Fewer Jobs, *op. cit.* "U.S. Defense Budget Silent on Iraq War Costs," *Agence France Press*, February 2, 2004. Retrieved May 10, 2004 from Common Dreams News Center at <http://www.commondreams.org/headlines04/0202-07.htm>.

<sup>76</sup> David Gold, "Implications of Ballistic Missile Defense for National Security, Defense Industries, and Labor Markets," in Richard F. Kaufman, ed., *The Full Costs of Ballistic Missile Defense* (Washington, D.C.: Center for Arms Control and Non-Proliferation and Pearl River, NY: Economists Allied for arms Reduction, 2003, 96-97. Telephone interview with Jeff Gruenert, U.S. Department of Labor, Washington, DC by Helen Ginsburg, June 27, 2003.

\$1.4 trillion in new GDP, *and more than pay for itself in increased revenues to the federal treasury.*<sup>77</sup>

A large proportion of our military budget is devoted to Cold War-style weaponry that has little relevance to fighting a war against non-state terrorists. Yet even weapons production was more labor-intensive in the 1950s than it is today.<sup>78</sup> Even if an expanding military budget creates some jobs, it could still lead to a net loss of jobs in the overall U.S. economy if domestic programs--which generate more employment--are slashed by budget constraints. This is the present and likely future scenario unless a commitment to high military budgets is somehow reversed. Additionally, even if our new foreign policy does not lead to more wars, American bellicosity may result in job losses in industries like air travel and tourism because of the increased international uncertainty which makes business investors jittery.

Moreover, defense projects tend to employ a disproportionate number of high-wage workers in administrative, accounting, marketing and lobbying activities, in addition to the concentration in scientists, engineers and other technical specialists. High-wage or salaried workers tend to send more of their money abroad or to invest it in speculative ventures which do little to plow money back into the domestic economy.

The hollowing out of our consumer and capital goods industrial capacity due to the permanent war economy has been going on for some time. In illustration of this point, Seymour Melman recently pointed out that not one U.S. firm submitted a bid to build new subway cars for New York City. The contract winners were Japanese and

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<sup>77</sup> New Energy for America: The Apollo Jobs Report for Good Jobs and Energy Independence. A report to the Apollo Alliance produced by the Institute for America's Future, the Center on Wisconsin Strategy and the Perryman Group. January 2004. Available at: <http://www.apolloalliance.org>.

<sup>78</sup> Gold, "Fewer Jobs," *op. cit.*

Canadian. According to Melman, if this manufacturing work had been done in the U.S., it would have generated, directly and indirectly, about 32,000 jobs. Similarly, German manufacturing firms are producing new high-speed trains for China.<sup>79</sup>

When American workers complained about the flight of manufacturing jobs to cheaper labor zones abroad, they were told that our high-tech sector would save American jobs; but we are now beginning to see even those jobs outsourced to places like India, Ireland, and now China, leaving the U.S. with a trade deficit in the sector that just a few years ago we dominated,<sup>80</sup> a practice that the Bush administration says is good for the American economy. Despite the much touted claim that military R & D generates innovations like the Internet that have spinoff effects for the civilian economy, this was probably more true in the post World War II era than it is today because of the extreme complexity of contemporary military technology. According to David Gold, military spending may actually reduce the ability of the domestic economy to generate new products that can compete in the global marketplace.

Military requirements emphasize high-speed applications and products that can withstand extreme pressures and stresses, with little regard for cost control. Civilian products need low cost and standardized components, an area of electronics where the Japanese, in particular, excel. Because of these differences, several U.S. companies have left the Pentagon's R&D program, fearing they will be unable to keep up with civilian market developments if they follow the military's lead.<sup>81</sup>

### **The Permanent War Economy and Rising Inequality**

And the other thing that I think it's important for people who watch the expenditures side of the equation is to understand we're at war, . . . and any time you commit your

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<sup>79</sup> Seymour Melman, "In the Grip of a Permanent War Economy," *CounterPunch*, March 15, 2003. Retrieved March 25, 2004 from <http://www.counterpunch.org/malman03152003.html>.

<sup>80</sup> Economic Snapshot: "Soaring Increase in High-Tech Exports from China Erodes U.S. Employment." (Washington, DC: Economic Policy Institute, March 29, 2004), p. 1. Retrieved April 4, 2004 from <http://www.epinet.org>.

<sup>81</sup> *Ibid.*

troops into harm's way, they must have the best equipment, the best training, and the best possible pay. That's where we owe it to their loved ones.

--George W. Bush<sup>82</sup>

During World War II, President Franklin D. Roosevelt told the American people, "Not a single war millionaire will be created in the United States as a result of this world disaster,"<sup>83</sup> and he proposed a maximum wage to prevent it. But today, things are different. An unrestrained military budget coupled with tax "reforms" that bestow their benefits overwhelmingly on the wealthy, an obscenely low minimum wage, cut-backs in overtime for workers and Congress's refusal to extend unemployment insurance will almost certainly worsen the gross income and wealth inequalities that threaten to shatter the very core of our democracy—and that have become a permanent fixture of our economy. The Center on Budget and Policy Priorities, for example, found that the income gap in 2000—before the current tax cuts and military increases kicked in--was likely the widest it's been in 70 years.<sup>84</sup>

In his Farewell Address, President Dwight Eisenhower warned of a "military-industrial-complex" "that would cause military spending to be driven not by national security needs but by a network of weapons makers, lobbyists and elected officials." In 2002 and 2003, 90 percent of the difference in the size of defense contracts for 24 of the largest companies could be accounted for by the amount of their campaign contributions.<sup>85</sup> Since CEOs are rewarded for improving their corporation's bottom line,

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<sup>82</sup> Bush, interview with Russert, *op. cit.*

<sup>83</sup> Sidney Ratner, *American Taxation: Its History as a Social Force in Democracy* (NY: WW Norton, 1942, p. 35), quoted in Sam Pizzagati, *The Maximum Wage: A Commonsense Prescription for Revitalizing America-by Taxing the Very Rich* (Apex Press, 1992), p. 57. "A New Push Against Profiteering," *Too Much: A Quarterly Commentary on Capping Excessive Income and Wealth* (Fall 2003): 7.

<sup>84</sup> Robert Greenstein and Isaac Shapiro, "The New, Definitive, CBO Data on Income and Tax Trends" (Washington, DC: Center on Budget and Policy Priorities, September 23, 2003), p. 1.

<sup>85</sup> Chris Hartman, and David Martin, "More Bucks for the Bang: CEO Pay at Top Defense Contractors," (Boston: United for a Fair Economy, April 28, 2003). Retrieved February 2, 2004 from <http://www.inequality.org/bucksforbang.pdf>

it is not surprising that as defense contracts rose, the CEO pay of defense contractors shot ahead of typical CEO pay. From 2001 to 2002, overall CEO pay rose by six percent, while median total compensation of CEOs at the 37 largest publicly traded defense contractors leaped by nearly 79 percent. In 2002, defense CEOs raked in an average of \$11.3 million, 577 times as much as the annual earnings of an Army private risking his or her life in Iraq—about \$19,600 (including subsistence and extra combat pay).<sup>86</sup> Among the biggest winners in this high stakes game are the CEOs of a handful of firms like Lockheed Martin (whose CEO in 2002 made 2,000 times that of the average private) and Bechtel and Halliburton whose close ties to the Bush administration have won them lucrative no-bid contracts for the reconstruction of Iraq and Afghanistan.<sup>87</sup>

The revolving door between Pentagon officials and the defense industry is not new, but today's imperial imperatives may be making that relationship even more lucrative. Ex-generals can earn infinitely more as lobbyists for the defense industry or as CEOs of one of the legion of private "security firms" previously discussed. The obscenity of the pay differential between CEOs and enlisted personnel—and the disingenuousness of Bush's claim to be giving our troops "the best equipment, the best training, and the best possible pay"--is made even more egregious when we learn that combat soldiers and their families are having to pay for body armor, transportation home and other necessities of war that the administration has conveniently ignored. Moreover, despite Bush's claim that "veterans are a priority for this administration. . . and that priority is reflected in my

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<sup>86</sup> *Ibid.*

<sup>87</sup> Neela Banerjee, "New Information May Bolster Questions on Halliburton," *New York Times*, October 22, 2003. Retrieved February 2, 2004 from <http://www.nytimes.com/2003/10/22/business/worldbusiness/22hal.html>

budget,"<sup>88</sup> the American Legion estimates that his 2004 budget request for the Veterans Administration comes \$1.9 billion short of maintaining an already inadequate status quo.<sup>89</sup> By 2009, veterans' benefits will have fallen by 17 percent from their 2004 baseline.<sup>90</sup>

Defense expenditures not only create fewer jobs for the dollar than other government expenditures, but they produce a different mix of jobs--those concentrated in higher skilled and higher paying occupations requiring at least a college education. Thus, an expanded military budget will tend to widen the rising wage gap between more highly educated and less educated workers.<sup>91</sup> Low-wage workers, who also suffer from the highest unemployment rates, will not be high on the list of military job winners—except as cannon fodder. Enlisted men and women come disproportionately from groups with limited economic opportunities. Nor will unlucky reservists benefit financially from the war economy. As our overstretched military attempts to police the world, their weekend training stints have turned into long months of active overseas duty—and redeployment—at a fraction of the pay they received from their regular work. Even well-paid blue collar workers will not gain as much from the military budget as in the past. Anti-war trade union leaders have pointed out that military spending once created good jobs for organized labor, but today military contractors also send jobs overseas.<sup>92</sup> Defense related jobs are geographically concentrated (disproportionately in the South)

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<sup>88</sup> Remarks by President Bush to the Veterans of Foreign Wars, August 20, 2001.

<sup>89</sup> "A System Worth Saving," *American Legion Magazine* (May 2003). From Committee on Government Reform, Minority Staff Report, May 2003.

<sup>90</sup> "Administration's Budget Would Cut Heavily into Many Areas of Domestic Discretionary Spending," CBPP, *op. cit.*, p. 2.

<sup>91</sup> Only in the last years of the late 90s boom did wages for those at the lowest end of the economic ladder begin to rise. That curve has now begun to reverse itself.

<sup>92</sup> Bob Muhlenkamp, "Guns or Butter," *The Nation*, May 28, 2003 <http://www.thenation.org>; Leslie Wayne, "Butting Heads With the Pentagon," *New York Times*, July 23, 2003, C1.

and consequently, not all areas come out winners. By contrast, state and local government expenditures and the jobs they generate are more evenly distributed across the nation.

### **Military Spending Plus Tax Cuts for the Rich = the Federal Deficit**

The inequitable impacts of military spending are exacerbated by the large and grossly disproportionate tax “reforms” enacted by Congress. If the goal was immediate job creation, then tax cuts and refundable tax credits targeted to lower income and working people would have been more effective because poorer people spend a larger share of their income. The main purpose of the tax cuts--some of the largest in history--was not to create jobs and boost economic growth, as Bush ingenuously claims, but to permanently change the tax structure and reduce social spending.<sup>93</sup> There may be another reason as well. Lucrative sweeteners are needed in order to get the non-military sectors of the capitalist class to go along with a policy that risks world economic stability. It is telling sign that the administration downplayed the costs of reconstruction in Iraq and withheld from Congress its request for supplemental appropriations in 2003 to fund the war until after the tax cuts were passed.

The result of Bush’s tax “reform” is a massive redistribution of wealth. Besides lowering the top personal tax rate, the 2001 tax cuts phase out the inheritance tax that applied only to estates worth more than \$2 million.<sup>94</sup> Likewise, the 2003 tax cuts sharply reduced the taxation of dividends, a source of income overwhelmingly concentrated in

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<sup>93</sup> “Ten Nobel Laureates Say the Bush Tax Cuts Are the Wrong Approach,” published in the *NY Times* February 1, 2003. Available from [http://www.epinet.org/stmt/2003/nyt\\_economists\\_final.pdf](http://www.epinet.org/stmt/2003/nyt_economists_final.pdf).

<sup>94</sup> The 2001 tax-cut legislation lowers the top estate tax rate to 45 percent by 2007, increases the estate tax exemption to \$3.5 million (\$7 million for a couple) by 2009 and then repeals the estate tax altogether in 2010. The repeal expires at the end of 2010, as part of the general expiration of all provisions of the 2001 tax law

the top 1% of the income pyramid. With the 2003 cuts, 50 million taxpayers got no tax cut at all while about half of all American families received less than \$100.<sup>95</sup> By the end of the decade taxes on the richest 1% of Americans will fall 17% while the remaining taxpayers will have an average reduction of 5%.<sup>96</sup>

Escalating military budgets, combined with deep tax cuts have turned federal surpluses into huge deficits—an estimated \$521 billion for 2004, pushing the federal debt to over \$7 trillion as of this writing, or 62 percent of GDP—a sum almost unprecedented since the end of World War II.<sup>97</sup> The congressional budget resolutions adopted in 2004 (including a Medicare drug prescription bonanza for the pharmaceuticals) threaten to push the deficits even higher. Federal deficits are not necessarily bad. In fact, they can and should be used to stimulate a lagging economy. But the kind and size of the deficits we are now facing are potentially disastrous. Military spending, as we have seen, is a weak economic stimulus, and tax cuts for the rich do little to stimulate the economy, as the wealthy tend to send their money abroad or to speculate with it on the stock market. Moreover, unlike the post World War II period when our large debt was owed mostly to ourselves, today's debt is owed largely to foreign creditors who at some point could decide the U.S. is no longer a sound investment and withdraw their money, leading to an economic collapse. The trouble is, if the U.S. goes under, so does much of the rest of the

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<sup>95</sup> Paul Krugman, "The Tax-Cut Con," *New York Times*, November 14, 2003; Citizens for Tax Justice, "Final Tax Plan Tilts Even More Toward Richest," June 5, 2003. Retrieved September 9, 2003 from <http://www.ctj.org/pdt/sen0522.pdf>.

<sup>96</sup> "Effects of the First Three Bush Tax Cuts Charted," Citizens for Tax Justice, June 4, 2003. Retrieved September 9, 2003 from <http://www.ctj.org/pdt/sen0522.pdf>.

<sup>97</sup> These figures, however, are artificially low, as the government included the Social Security fund surplus as part of the budget, masking what would otherwise have been a \$675 billion deficit. House Budget Committee Democratic Caucus, "The Fiscal Year 2005 Budget: Unfair and Unbalanced," February 2, 2004, p. 3. Available at: [http://www.house.gov/budget\\_democrats](http://www.house.gov/budget_democrats). For up-to-date figures on the federal debt, see: Federal Treasury, Bureau of the Public Debt online at: <http://www.publicdebt.treas.gov/opd/opdpenny.htm>. See also: OMB Watch at: <http://www.ombwatch.org>.

world. But the deficit is even worse than it appears. As the Comptroller General pointed out, the accumulated deficit does not include a number of very large items such as future promised Social Security and Medicare benefits.<sup>98</sup>

The cuts have already led to a net job loss, with the percentage of chronically unemployed at its highest level in more than 10 years.<sup>99</sup> Over the long run they will destroy more jobs than they will create while ensuring a policy straitjacket for future generations.<sup>100</sup> Destroying the ability of the government to fund almost everything but defense has, of course, long been the aim of conservative Republicans, as a former chairman of Bush's Council of Economic Advisers recently acknowledged.<sup>101</sup> It is interesting to see these same conservatives, who just a few years ago railed against budget deficits under Democratic administrations, now embracing them, although even some of the administration's most ardent congressional supporters have expressed alarm over the size of the deficits.

In addition to the soaring deficits and debt, The United States has had for the last 15 years the largest trade deficits ever recorded in economic history, a result of the free trade policies followed by several administrations and government support for

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<sup>98</sup> Walker, *op. cit.*, p. 1. As of September 2002, that accumulated deficit amounted to a burden of \$124,000 for every person in the U.S.

<sup>99</sup> Even during what is described as an economic "recovery," four million fewer jobs have been created than were needed to keep up with working age population growth since November 2001. Most states are facing troubled job markets. In every state the unemployment rate is still higher than it was when the recession started. In 32 states across the country, at least a full percentage point more of the labor force cannot find work than at the official start of the recession in March 2001. Eight states have seen at least a two percentage point increase in the unemployment rate. Economic Policy Institute, "Job Watch," for November and December 2003. Retrieved January 10, 2004 from <http://www.jobwatch.org>.

<sup>100</sup> Joseph E. Stiglitz, "Rumors of War," syndicated column. Available from: [http://www.project-syndicate.org/commentaries/commentary\\_text.php?id=1083&m=series](http://www.project-syndicate.org/commentaries/commentary_text.php?id=1083&m=series); Paul Krugman, "Jobs, Jobs, Jobs," *New York Times* April 22, 2003, p. A25.

<sup>101</sup> David Firestone, "Conservatives Now See Deficits as a Tool to Fight Spending," *New York Times*, February 11, 2003, p. A24. Conservatives *have* increased spending on education and Medicare. But in the case of Medicare, it is for a prescription drug benefit that is a boondoggle for pharmaceutical companies as well as a Trojan Horse, designed to lead to the program's eventual privatization.

outsourcing. Today they are running at around 5 percent of GDP. By way of contrast, the British Empire, on the eve of the First World War, had trade surpluses in the neighborhood of 7 percent of GDP. “They were,” notes Chalmers Johnson, “a rich country and could afford to do what they wanted to do, even make mistakes, like the Boer War in South Africa.”

### **The Military Budget +Tax Cuts = the Fiscal Crisis of the States and Cities**

Reduced federal spending has meant a greater burden on state governments to fund domestic needs. Yet while states are required to pick up the tab, they have faced their greatest fiscal crisis since the end of World War II.<sup>102</sup> The National Conference of State Legislatures estimated that between 2001 and 2003 states had to close a cumulative budget gap approaching \$200 billion.<sup>103</sup> The fiscal crisis of the states was caused by reduced federal grants, increased costs for homeland security, the general economic downturn, and federal and state tax cuts.<sup>104</sup> The weak stimulus effect of the military budget can hardly offset the combined burden of these policies. Unlike the federal government which can run large deficits, virtually all states are required either by their constitutions or laws to have balanced budgets. Thus, to make up for the shortfalls, states have been forced to dip into reserve funds, slash basic services and/or raise taxes and user fees. Typically, states have cut services and shifted the burden onto cities and towns.

For example:

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<sup>102</sup> From 1994 to 2001, some 44 states enacted significant tax cuts. The economic boom of the late 1990s, and in particular the large increase in capital gains during those years, temporarily offset the revenue loss resulting from those tax cuts. Those temporary economic conditions have ended. Yet most of the tax cuts of the 1990s remain in place and are costing states some \$40 billion or more per year. Center on Budget and Policy Priorities, “A Brief Overview of State Fiscal Conditions and the Effects of Federal Policies on State Budgets,” October 23, 2003. Retrieved October 30, 2003 from <http://www.cbpp.org>.

<sup>103</sup> *Ibid.*

<sup>104</sup> Because many state income tax rates are linked to federal rates, state revenues fell in tandem with the federal cuts.

**Public Health Insurance.** 18 states cut eligibility for fiscal year 2004; 25 states did so for FY 2003. 21 states imposed new or higher copayments for FY 2004; 17 states did so for FY 2003.

**Child Care Subsidies.** At least 32 states have cut eligibility for or otherwise limited access to child care.

**K-12 Education.** 11 states made cuts in for FY 2004; nine did so in FY 2003. The effects include new or higher fees for textbooks and courses, shorter school days, reduced personnel, and reduced transportation.

**Higher Education.** States throughout the country are cutting funding for higher education, the only way out of poverty for millions of poor families. This has led to double-digit increases in college and university tuition and reduced course offerings.<sup>105</sup>

The 2004 *State of America's Cities* report by National League of Cities cites worsening overall economic and fiscal conditions in a major segment of the 345 cities surveyed. Forty-five percent reported worsening unemployment; 60 percent reported worsening health care costs; and 65 percent reported worsening effects from unfunded federal mandates. The U.S. Conference of Mayors reported that requests for emergency food assistance increased by an average of 17 percent over the past year, and requests for emergency shelter assistance increased by an average of 13 percent in the 25 cities they

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<sup>105</sup> Center on Budget and Policy Priorities, "A Brief Overview," *op. cit.*

surveyed.<sup>106</sup> Over half of the cities are responding by raising user fees for services, drawing down reserves, and dramatically cutting investment in infrastructure and maintenance; many are laying off city staff, including police and firefighters.<sup>107</sup>

Cuts in state and city services hit the most vulnerable populations hardest: families with disabled members; single mothers and their children; the working poor; and the precarious middle class that is one paycheck or unpaid hospital bill away from poverty. Moreover, when state and local budgets are cut, not only are vital programs affected, but a major source of employment is too. State governments employ one in seven U.S. workers and are a major source of job growth.<sup>108</sup> Blacks and women are hurt disproportionately, since they are more likely than others to be government workers. Indeed, state service cuts are likely to undermine the government's much touted welfare-to-work strategy which depends for its success on government as both a source of employment for women leaving welfare and as a provider of the services they need to continue in the workforce--childcare, medical care, job training, etc.

Beyond the suffering they inflict, these cuts also constitute a drag on the weak economy. Many state programs that are funded by the federal government assist families that have lost jobs or income, and this added spending helps cushion the drop in overall demand. Cuts in state spending also have serious ripple effects on local economies.

Cutting education or health care means personnel layoffs that affect the local tax base.

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<sup>106</sup> *U.S. Conference of Mayors – Sodexo Hunger and Homelessness Survey 2003*. (Washington, DC: U.S. Conference of Mayors, December 18, 2003. Retrieved May 5, 2004 from [http://www.usmayors.org/uscm/us\\_mayor\\_newspaper/documents/01\\_12\\_04/hunger\\_homeless.asp](http://www.usmayors.org/uscm/us_mayor_newspaper/documents/01_12_04/hunger_homeless.asp).

<sup>107</sup> *State of America's Cities*. (Washington, DC: National League of Cities, March 4, 2004).

<sup>108</sup> For example, in 1979, 8 million more people worked in manufacturing than for state and local governments. By 2002 manufacturing had shed 5 million jobs, while state and local governments gained 5.5 million and employed 18.5 million people, compared to 16.7 million in manufacturing. Conversation with economist Helen Ginsburg.

Cutting funds for poverty relief or child care means more homelessness, increased crime and social dysfunction causing cities to spend more money on policing, homeless shelters and child welfare. Moreover, rising military expenditures and reduced federal investment in civilian research and technology, education, training, health and physical infrastructure not only have an immediate, negative impact on employment and living standards but threaten future economic and social security as well.

### **The Consequences of Empire**

In 1944, toward the end of a devastating world war that followed a decade of deep depression, President Franklin Roosevelt called for an “Economic Bill of Rights” to guarantee economic security for all Americans. Linking economic security and freedom, Roosevelt declared: “Necessitous men are not free men. People who are hungry and out of a job are the stuff of which dictatorships are made.” Roosevelt’s Economic Bill of Rights was never enacted. The emergence of the U.S. from World War II as the world’s most powerful nation and the engine for recovery in both Europe and Japan made the radical Economic Bill of Rights politically infeasible; nevertheless, over the years, legislative reforms moved at least partially in that direction. But the truth of that connection between deprivation and dictatorship remains. Even as we go to war in the name of “bringing democracy” to countries like Iraq, our own security—and with it, our democracy—is being eroded by massive tax cuts for the rich and a military budget that has no end in sight, fueling escalating deficits for which our children and grandchildren will be paying. It is ironic that at the very moment chatter about “empire” is finally emerging in American public discourse, the U.S. may already be on the downward slide

to oblivion.<sup>109</sup> Barring a political turnaround so radical it would defy history, some future Democratic president may find himself, like Shelley's narrator in *Ozymandius*, looking upon a "colossal wreck, boundless and bare."

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<sup>109</sup> Chalmers Johnson is not alone in concluding that U.S. decline has already begun. Chalmers, "The Sorrows of Empire," *op. cit.*, p. 7.