

# The Military-Industrial Complex is Ruining the Economy

By [Washington's Blog](#)

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Everyone knows that the too big to fails and their dishonest and footsy-playing regulators and politicians are largely responsible for trashing the economy.

But the military-industrial complex shares much of the blame.

Nobel prize winning economist Joseph Stiglitz says that the Iraq war will cost [\\$3-5 trillion dollars](#).

Sure, experts say that the Iraq war has increased the threat of terrorism. See [this](#), [this](#), [this](#), [this](#), [this](#), [this](#) and [this](#). And we launched the Iraq war based on the [false linkage of Saddam and 9/11](#), and [knowingly false claims](#) that Saddam had WMDs. And [top British officials](#), former [CIA director George Tenet](#), former [Treasury Secretary Paul O'Neill](#) and many others say that the Iraq war was planned before 9/11. But this essay is about dollars and cents.

America is also spending a pretty penny in Afghanistan. The U.S. admits there are only a small handful of Al Qaeda in Afghanistan. As ABC [notes](#):

U.S. intelligence officials have concluded there are only about **100** al Qaeda fighters in the entire country.

With 100,000 troops in Afghanistan at an estimated yearly cost of \$30 billion, it means that for every one al Qaeda fighter, the U.S. will commit 1,000 troops and \$300 million a year.

Sure, the government apparently planned the Afghanistan war before 9/11 (see [this](#) and [this](#)). And the Taliban offered to turn over Bin Laden (see [this](#) and [this](#)). And we could have [easily killed Bin Laden in 2001 and again in 2007](#), but chose not to, even though that would have saved the U.S. hundreds of billions of dollars in costs in prosecuting the Afghanistan war. But this essay is about dollars and cents.

## Increasing the Debt Burden of a Nation Sinking In Debt

All of the spending on unnecessary wars adds up.

The U.S. is adding trillions to its debt burden to finance its multiple wars in Iraq, Afghanistan, Yemen, etc.

Two top American economists – Carmen Reinhart and Kenneth Rogoff – show that the more indebted a country is, with a government debt/GDP ratio of 0.9, and external debt/GDP of

0.6 being critical thresholds, the more GDP growth drops materially.

Specifically, Reinhart and Rogoff [write](#):

The relationship between government debt and real GDP growth is weak for debt/GDP ratios below a threshold of 90 percent of GDP. Above 90 percent, median growth rates fall by one percent, and average growth falls considerably more. We find that the threshold for public debt is similar in advanced and emerging economies...

Indeed, it should be obvious to anyone who looks at the issue that [deficits do matter](#).

A PhD economist told me:

War always causes recession. Well, if it is a very short war, then it may stimulate the economy in the short-run. But if there is not a quick victory and it drags on, then wars always put the nation waging war into a recession and hurt its economy.

You know about America's unemployment problem. You may have even heard that the U.S. may very well have suffered a [permanent destruction of jobs](#).

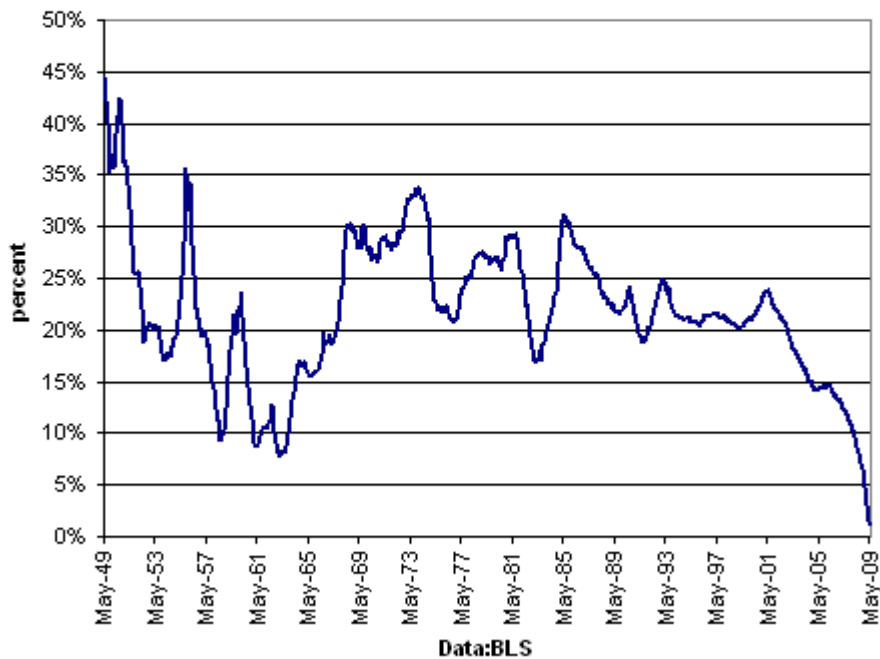
But did you know that the defense employment sector is booming?

As I [pointed out](#) in August, public sector spending - and mainly defense spending - has accounted for virtually all of the new job creation in the past 10 years:

The U.S. has largely been financing job creation for ten years. Specifically, as the chief economist for Business Week, Michael Mandel, points out, public spending has accounted for virtually all new job creation in the past 10 years:

Private sector job growth was almost non-existent over the past ten years. Take a look at this horrifying chart:

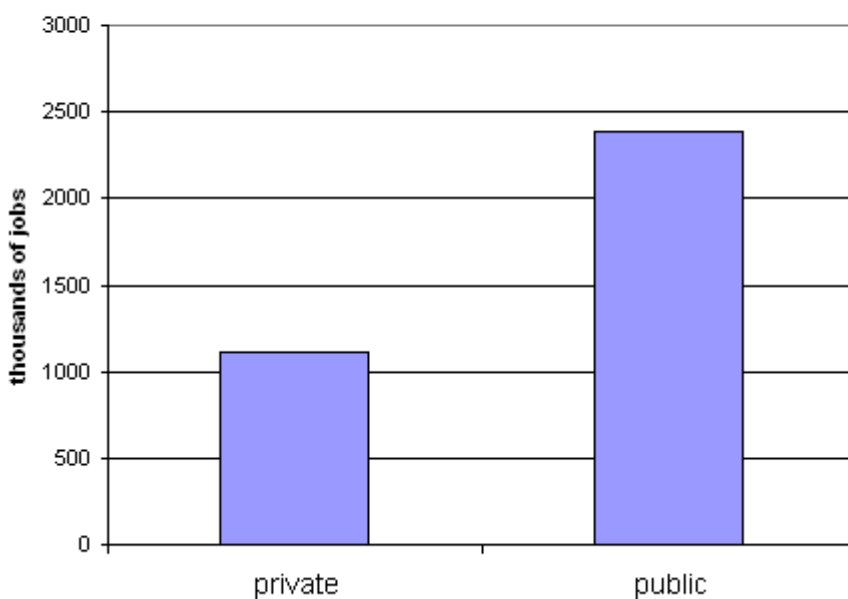
### 10-Year Job Growth Vanishes (change in private sector jobs over previous decade)



Between May 1999 and May 2009, employment in the private sector only rose by 1.1%, by far the lowest 10-year increase in the post-depression period.

It's impossible to overstate how bad this is. Basically speaking, the private sector job machine has almost completely stalled over the past ten years. Take a look at this chart:

### 10-year job growth (as of May 2009)



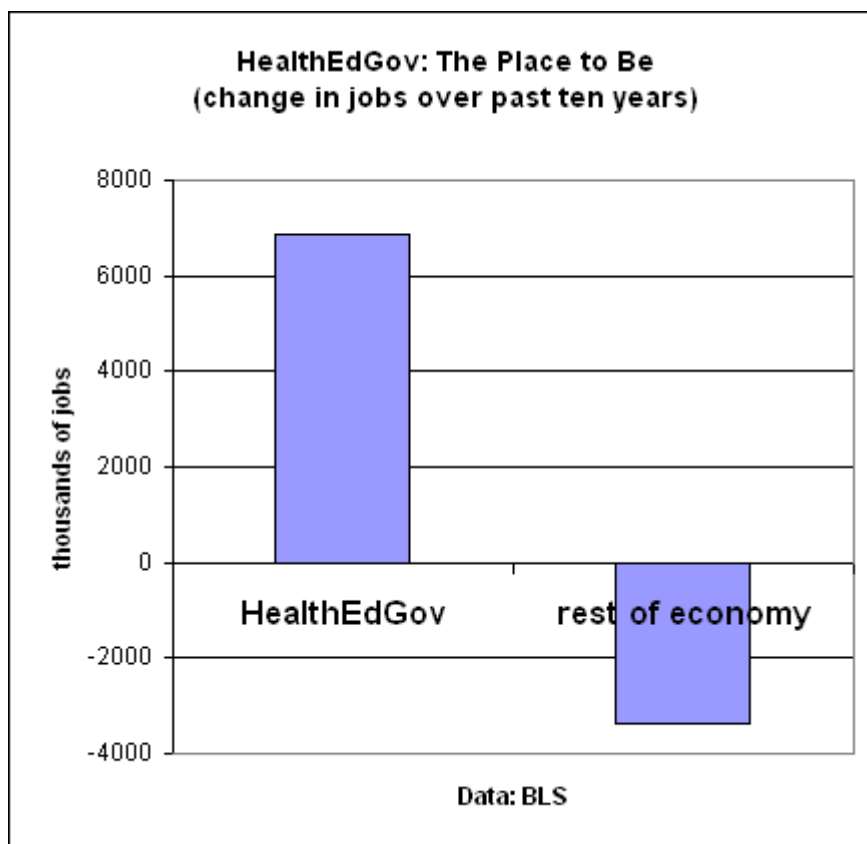
Over the past 10 years, the private sector has generated roughly 1.1 million additional jobs, or about 100K per year. The public sector created about 2.4 million jobs.

But even that gives the private sector too much credit. Remember that the private sector includes health care, social assistance, and education, all areas which receive a lot of government support.

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Most of the industries which had positive job growth over the past ten years were in the HealthEdGov sector. In fact, financial job growth was nearly nonexistent once we take out the health insurers.

Let me finish with a final chart.



Without a decade of growing government support from rising health and education spending and soaring budget deficits, the labor market would have been flat on its back. [\[120\]](#)

Raw Story argues that the U.S. is building a largely military economy:

The use of the military-industrial complex as a quick, if dubious, way of jump-starting the economy is nothing new, but what is amazing is the divergence between the military economy and the civilian economy, as shown by [this](#) New York Times chart.

In the past nine years, non-industrial production in the US has declined by some 19 percent. It took about four years for manufacturing to return to levels seen before the 2001 recession — and all those gains were wiped out in the current recession.

By contrast, military manufacturing is now 123 percent greater than it was in 2000 — it has more than doubled while the rest of the manufacturing sector has been shrinking...

It's important to note the trajectory — the military economy is nearly three times as large, proportionally to the rest of the economy, as it was at the beginning of the Bush administration. And it is the only manufacturing sector showing any growth. Extrapolate that trend, and what do you get?

The change in leadership in Washington does not appear to be abating that trend...[\[121\]](#)

So most of the job creation has been by the public sector. But because the job creation has been financed with loans from China and private banks, trillions in unnecessary interest charges have been incurred by the U.S. So we're running up our debt (which will eventually decrease economic growth), but the only jobs we're creating are military and other public sector jobs.

PhD economist Dean Baker [points out](#) that America's massive military spending on unnecessary and unpopular wars lowers economic growth and increases unemployment:

Defense spending means that the government is pulling away resources from the uses determined by the market and instead using them to buy weapons and supplies and to pay for soldiers and other military personnel. In standard economic models, defense spending is a direct drain on the economy, reducing efficiency, slowing growth and costing jobs.

A few years ago, the Center for Economic and Policy Research commissioned Global Insight, one of the leading economic modeling firms, to project the impact of a sustained increase in defense spending equal to 1.0 percentage point of GDP. This was roughly equal to the cost of the Iraq War.

Global Insight's model projected that after 20 years the economy would be about 0.6 percentage points smaller as a result of the additional defense spending. Slower growth would imply a loss of almost 700,000 jobs compared to a situation in which defense spending had not been increased. Construction and manufacturing were especially big job losers in the projections, losing 210,000 and 90,000 jobs, respectively.

The scenario we asked Global Insight [recognized as the most consistently [accurate](#) forecasting company in the world] to model turned out to have vastly underestimated the increase in defense spending associated with current policy. In the most recent quarter, defense spending was equal to 5.6 percent of GDP. By comparison, before the September 11th attacks, the Congressional Budget Office projected that defense spending in 2009 would be equal to just 2.4 percent of GDP. Our post-September 11th build-up was equal to 3.2 percentage points of GDP compared to the pre-attack baseline. This means that the Global Insight projections of job loss are far too low...

The projected job loss from this increase in defense spending would be close to 2 million. In other words, the standard economic models that project job loss from efforts to stem global warming also project that the increase in defense spending since 2000 will cost the economy close to 2 million jobs in the long run.

The Political Economy Research Institute at the University of Massachusetts, Amherst has also [shown](#) that non-military spending creates more jobs than military spending.

So we're running up our debt – which will eventually decrease economic growth – and creating many fewer jobs than if we spent the money on non-military purposes.

But the War on Terror is Urgent for Our National Security, Isn't It?

For those who still think that the Iraq and Afghanistan wars are necessary to fight terrorism, remember that a leading advisor to the U.S. military – the very hawkish and pro-war Rand Corporation – released a study in 2008 called “[How Terrorist Groups End: Lessons for Countering al Qa'ida](#)”.

The report confirms that the war on terror is actually weakening national security. As a [press release](#) about the study states:

“Terrorists should be perceived and described as criminals, not holy warriors, and our analysis suggests that there is no battlefield solution to terrorism.”

Former U.S. National Security Adviser Zbigniew Brzezinski told the Senate that [the war on terror is “a mythical historical narrative”](#). And [Newsweek](#) has now admitted that the war on terror is wholly unnecessary.

In fact, starting right after 9/11 — at the latest — the goal has always been to create “regime change” and instability in Iraq, Iran, Syria, Libya, Sudan, Somalia and Lebanon; the goal was never really to destroy Al Qaeda. As American reporter Gareth Porter [writes](#) in Asia Times:

Three weeks after the September 11, 2001, terror attacks, former US defense secretary Donald Rumsfeld established an official military objective of not only removing the Saddam Hussein regime by force but overturning the regime in Iran, as well as in Syria and four other countries in the Middle East, according to a document quoted extensively in then-under secretary of defense for policy Douglas Feith's recently published account of the Iraq war decisions. Feith's account further indicates that this aggressive aim of remaking the map of the Middle East by military force and the threat of force was supported explicitly by the country's top military leaders.

Feith's book, War and Decision, released last month, provides excerpts of the paper Rumsfeld sent to President George W Bush on September 30, 2001, calling for the administration to focus not on taking down Osama bin Laden's al-Qaeda network but on the aim of establishing “new regimes” in a series of states...

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General Wesley Clark, who commanded the North Atlantic Treaty Organization bombing campaign in the Kosovo war, recalls in his 2003 book Winning Modern Wars being told by a friend in the Pentagon in November 2001 that the list of states that Rumsfeld and deputy secretary of defense Paul Wolfowitz wanted to take down included Iraq, Iran, Syria, Libya, Sudan and Somalia [and Lebanon].

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When this writer asked Feith . . . which of the six regimes on the Clark list were included in the Rumsfeld paper, he replied, “All of them.”

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The Defense Department guidance document made it clear that US military aims in regard to those states would go well beyond any ties to terrorism. The document said the Defense Department would also seek to isolate and weaken those states and to “disrupt, damage or destroy” their military capacities – not necessarily limited to weapons of mass destruction (WMD)...

Rumsfeld’s paper was given to the White House only two weeks after Bush had approved a US military operation in Afghanistan directed against bin Laden and the Taliban regime. Despite that decision, Rumsfeld’s proposal called explicitly for postponing indefinitely US airstrikes and the use of ground forces in support of the anti-Taliban Northern Alliance in order to try to catch bin Laden.

Instead, the Rumsfeld paper argued that the US should target states that had supported anti-Israel forces such as Hezbollah and Hamas.

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After the bombing of two US embassies in East Africa [in 1998] by al-Qaeda operatives, State Department counter-terrorism official Michael Sheehan proposed supporting the anti-Taliban Northern Alliance in Afghanistan against bin Laden’s sponsor, the Taliban regime. However, senior US military leaders “refused to consider it”, according to a 2004 account by Richard H Shultz, Jr., a military specialist at Tufts University.

A senior officer on the Joint Staff told State Department counter-terrorism director Sheehan he had heard terrorist strikes characterized more than once by colleagues as a “small price to pay for being a superpower”.

If you still believe that the war on terror is necessary, please read [this](#).

Torture is Bad for the Economy

For those who still think torture is a necessary evil, you might be interested to learn that top experts in interrogation say that, actually:

- Torture [doesn’t work in providing information which will keep us safe](#)
- Torture actually [reduces our national security](#) and [creates new terrorists](#)
- Most of those tortured were [innocent](#)

Indeed, historians tell us that torture has been used [throughout history](#) – not to gain information – but as a form of intimidation, to terrorize people into obedience. In other words, at its core, torture is a form of terrorism.

Moreover, the type of torture used by the U.S. in the last 10 years is of a special type. Senator Levin revealed that the [the U.S. used torture techniques aimed at extracting false confessions](#).

McClatchy subsequently [filled in](#) some of the details:

Former senior U.S. intelligence official familiar with the interrogation issue said that Cheney and former Defense Secretary Donald H. Rumsfeld demanded that the interrogators find evidence of al Qaida-Iraq collaboration...

For most of 2002 and into 2003, Cheney and Rumsfeld, especially, were also demanding proof of the links between al Qaida and Iraq that (former Iraqi exile leader Ahmed) Chalabi and others had told them were there."

It was during this period that CIA interrogators waterboarded two alleged top al Qaida detainees repeatedly — Abu Zubaydah at least 83 times in August 2002 and Khalid Sheikh Mohammed 183 times in March 2003 — according to a newly released Justice Department document...

When people kept coming up empty, they were told by Cheney's and Rumsfeld's people to push harder," he continued."Cheney's and Rumsfeld's people were told repeatedly, by CIA . . . and by others, that there wasn't any reliable intelligence that pointed to operational ties between bin Laden and Saddam . . .

A former U.S. Army psychiatrist, Maj. Charles Burney, told Army investigators in 2006 that interrogators at the Guantanamo Bay, Cuba, detention facility were under "pressure" to produce evidence of ties between al Qaida and Iraq.

"While we were there a large part of the time we were focused on trying to establish a link between al Qaida and Iraq and we were not successful in establishing a link between al Qaida and Iraq," Burney told staff of the Army Inspector General. "The more frustrated people got in not being able to establish that link . . . there was more and more pressure to resort to measures that might produce more immediate results."

"I think it's obvious that the administration was scrambling then to try to find a connection, a link (between al Qaida and Iraq)," [Senator] Levin said in a conference call with reporters. "They made out links where they didn't exist."

Levin recalled Cheney's assertions that a senior Iraqi intelligence officer had met Mohammad Atta, the leader of the 9/11 hijackers, in the Czech Republic capital of Prague just months before the attacks on the World Trade Center and the Pentagon.

The FBI and CIA found that no such meeting occurred.

In other words, top Bush administration officials not only knowingly lied about a non-existent connection between Al Qaida and Iraq, but they pushed and insisted that interrogators use special torture methods aimed at extracting false confessions to attempt to create such a false linkage. See also [this](#) and [this](#).

Paul Krugman eloquently [summarized](#) the truth about the type of torture used:

Let's say this slowly: the Bush administration wanted to use 9/11 as a pretext to invade Iraq, even though Iraq had nothing to do with 9/11. So it tortured



people to make them confess to the nonexistent link.

There's a word for this: it's evil.

But since this essay is in dollars and cents, the important point is that terrorism is bad for the economy.

Specifically, a [study](#) by Harvard and NBER points out:

From an economic standpoint, terrorism has been described to have four main effects (see, e.g., US Congress, Joint Economic Committee, 2002). First, the capital stock (human and physical) of a country is reduced as a result of terrorist attacks. Second, the terrorist threat induces higher levels of uncertainty. Third, terrorism promotes increases in counter-terrorism expenditures, drawing resources from productive sectors for use in security. Fourth, terrorism is known to affect negatively specific industries such as tourism.

The Harvard/NBER concludes:

In accordance with the predictions of the model, higher levels of terrorist risks are associated with lower levels of net foreign direct investment positions, even after controlling for other types of country risks. On average, a standard deviation increase in the terrorist risk is associated with a fall in the net foreign direct investment position of about 5 percent of GDP.

So the more unnecessary wars American launches, the more innocent civilians we kill, and the more people we torture, the less foreign investment in America, the more destruction to our capital stock, the higher the level of uncertainty, the more counter-terrorism expenditures and the less expenditures in more productive sectors, and the greater the hit to tourism and some other industries.

[Moreover:](#)

Terrorism has contributed to a decline in the global economy (for example, European Commission, 2001).

So military adventurism and torture, which increase terrorism, hurt the world economy. And see [this](#).

For the foregoing reasons, the military-industrial complex is ruining the economy.

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