

Would Our Government Really Start a War to Try to Stimulate the Economy?

By [Washington's Blog](#)

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I've written two essays attempting to disprove "military Keynesianism" – the idea that military spending is the best stimulus. See [this](#) and [this](#).

In response, a reader challenged me to prove that anyone would advocate military spending or war as a fiscal stimulus.

In fact, the concept of military Keynesianism is so widespread that there are some [half million](#) web pages discussing the topic.

And many leading economists and political pundits sing its praises.

For example, Martin Feldstein – chairman of the Council of Economic Advisers under President Reagan, an economics professor at Harvard, and a member of The Wall Street Journal's board of contributors – wrote an [op-ed](#) in the Journal last December entitled "Defense Spending Would Be Great Stimulus".

And as the Cato Institute [notes](#):

Bill Kristol agrees. Noting that the military was "spending all kinds of money already," Mr. Kristol wondered aloud, "If you're buying 2,000 Humvees a month, why not buy 3,000? If you're refurbishing two military bases, why not refurbish five?"

This is not the first time that defense spending has been endorsed as a way to jump-start the economy. Nearly five decades ago, economic advisers to President Kennedy urged him to increase military spending as an economic stimulus...

Similar arguments are heard today. The members of Connecticut's congressional delegation have been particularly outspoken in their support for the Virginia-class submarine, and they haven't been shy about pointing to the jobs that the program provides in their home state. The Marine Corps' V-22 Osprey program wins support on similar grounds. Despite serious concerns about crew safety and comfort, the V-22 program employs workers in Pennsylvania, New Jersey, Delaware and Texas, and a number of other states.

Professors of political economy Jonathan Nitzan and Shimshon Bichler [write](#):

Theories of Military Keynesianism and the Military-Industrial Complex became popular after the Second World War, and perhaps for a good reason. The prospect of military

demobilization, particularly in the United States, seemed alarming. The U.S. elite remembered vividly how soaring military spending had pulled the world out of the Great Depression, and it feared that falling military budgets would reverse this process. If that were to happen, the expectation was that business would tumble, unemployment would soar, and the legitimacy of free-market capitalism would again be called into question.

Seeking to avert this prospect, in 1950 the U.S. National Security Council drafted a top-secret document, NSC-68. The document, which was declassified only in 1977, explicitly called on the government to use higher military spending as a way of preventing such an outcome.

Are they right about NSC-68?

Well, PhD economist Robert Higgs [confirms](#) the importance of NSC-68:

Previously administration officials had encountered stiff resistance from Congress to their pleas for a substantial buildup along the lines laid out in NSC-68, a landmark document of April 1950. The authors of this internal government report took a Manichaean view of America's rivalry with the Soviet Union, espoused a permanent role for the United States as world policeman, and envisioned U.S. military expenditures amounting to perhaps 20 percent of GNP. But congressional acceptance of the recommended measures seemed highly unlikely in the absence of a crisis. In 1950 "the fear that [the North Korean] invasion was just the first step in a broad offensive by the Soviets proved highly useful when it came to persuading Congress to increase the defense budget." As Secretary of State Dean Acheson said afterwards, "Korea saved us." The buildup reached its peak in 1953, when the stalemated belligerents in Korea agreed to a truce.

And Chalmers Johnson – Professor emeritus of the University of California, San Diego, and former CIA consultant – [writes](#):

This is military Keynesianism — the determination to maintain a **permanent war economy** and to treat military output as an ordinary economic product, even though it makes no contribution to either production or consumption.

This ideology goes back to the first years of the cold war. During the late 1940s, the US was haunted by economic anxieties. The great depression of the 1930s had been overcome only by the war production boom of the second world war. With peace and demobilisation, there was a pervasive fear that the depression would return. During 1949, alarmed by the Soviet Union's detonation of an atomic bomb, the looming Communist victory in the Chinese civil war, a domestic recession, and the lowering of the Iron Curtain around the USSR's European satellites, the US sought to draft basic strategy for the emerging cold war. The result was the militaristic National Security Council Report 68 (NSC-68) drafted under the supervision of Paul Nitze, then head of the Policy Planning Staff in the State Department. Dated 14 April 1950 and signed by President Harry S Truman on 30 September 1950, it laid out the basic public economic policies that the US pursues to the present day.

In its conclusions, NSC-68 asserted: "One of the most significant lessons of our World War II experience was that the American economy, when it operates at a level approaching full efficiency, can provide enormous resources for purposes other than civilian consumption while simultaneously providing a high standard of living".

With this understanding, US strategists began to build up a massive munitions industry, both to counter the military might of the Soviet Union (which they consistently overstated) and also to maintain full employment, as well as ward off a possible return of the depression. The result was that, under Pentagon leadership, entire new industries were created to manufacture large aircraft, nuclear-powered submarines, nuclear warheads, intercontinental ballistic missiles, and surveillance and communications satellites. This led to what President Eisenhower warned against in his farewell address of 6 February 1961: “The conjunction of an immense military establishment and a large arms industry is new in the American experience” — the military-industrial complex.

By 1990 the value of the weapons, equipment and factories devoted to the Department of Defense was 83% of the value of all plants and equipment in US manufacturing. From 1947 to 1990, the combined US military budgets amounted to \$8.7 trillion. Even though the Soviet Union no longer exists, US reliance on military Keynesianism has, if anything, ratcheted up, thanks to the massive vested interests that have become entrenched around the military establishment.

You can read NSC-68 [here](#).

Leading political journalist John T. Flynn [wrote](#) in 1944 :

Militarism is the one great glamorous public-works project upon which a variety of elements in the community can be brought into agreement.

But Flynn warned that:

Inevitably, having surrendered to militarism as an economic device, we will do what other countries have done: we will keep alive the fears of our people of the aggressive ambitions of other countries and we will ourselves embark upon imperialistic enterprises of our own.

Indeed, the creator of the theory of military Keynesianism himself warned that those who followed such thinking would fearmonger, appeal to patriotism and get us into wars in order to promote this kind of economic “stimulus”. As The Independent [wrote](#) in 2004:

Military-fuelled growth, or military Keynesianism as it is now known in academic circles, was first theorised by the Polish economist Michal Kalecki in 1943. Kalecki argued that capitalists and their political champions tended to bridle against classic Keynesianism; achieving full employment through public spending made them nervous because it risked over-empowering the working class and the unions.

The military was a much more desirable investment from their point of view, although justifying such a diversion of public funds **required a certain degree of political repression, best achieved through appeals to patriotism and fear-mongering about an enemy threat - and, inexorably, an actual war.**

At the time, Kalecki’s best example of military Keynesianism was Nazi Germany. But the concept does not just operate under fascist dictatorships. Indeed, it has been taken up with enthusiasm by the neo-liberal right wing in the United States.

I disagree that this is a partisan issue. The Independent piece portrays the “neo-liberal right” as special warmongers; I don’t believe there is much difference with the “neo-liberal left”, or “neo-conservative right”, or whatever. Indeed, political labels are fairly

meaningless. What is important is the actions one takes, not his rhetoric about his actions.

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