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Seymour Melman's Political Economy

Michael Stricof

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This presentation is about Seymour Melman, intellectual leader of American anti-war movements, once an advisor to George McGovern, co-chair of SANE the anti-nuclear weapons committee, ardent supporter of unions whose think tank and lobbying association once provided a national platform for Bernie Sanders when he was just a mayor. That is to say, Melman is rightly associated with the far, some would say radical, left in American politics. So, naturally, I'd like to start with Tom Woods.

Woods is a historian, far-right political commentator, something of a Southern revanchist, and libertarian. Reasonably the polar opposite of Melman politically. Yet, in 2010 Woods published in *The Journal of Libertarian Studies* an article, "The Neglected Costs of the Warfare State: An Austrian Tribute to Seymour Melman," in which he concluded "Much more needs to be written on the political economy of the warfare state from a libertarian point of view, and Seymour Melman's body of work can and should provide a useful entry point for a fruitful research program."¹

The purpose of this presentation is to define political economy using Melman's work. This is not limited to the warfare state (although that is inherent in talking about Melman), and certainly not a libertarian point of view, but I quote Woods as an indicator that Melman's thought should rightly be seen as providing a rich background to defining political economy generally, and militarized American political economy specifically, as can be recognized even by someone who disagrees with all of Melman's policy recommendations.

I will begin with a brief overview of Melman's career to highlight some influences on his work, then spend the second part of the presentation discussing his conclusions that build to a definition of political economy. For this, I will mostly draw from three of Melman's books: *After Capitalism: From Managerialism to Workplace Democracy* (2001), his last published book which is particularly relevant as it represents an attempt to generalize the lessons he drew from studying the military economy to American capitalism more broadly, *The Permanent War Economy: American Capitalism in Decline* (1974), and *Pentagon Capitalism: The Political Economy of War* (1970). The titles of these two volumes suggest their relevance for this discussion, but they are also the books Melman himself considered to first and best present his most important conclusions about how defense spending in the United States had transformed from merely a single economic problem into the defining feature of American capitalism with equally significant political consequences. They are both extensively cited by Melman in his last two books, including the whole preface of *Pentagon Capitalism* in the introduction to the unpublished *War, inc.* and more than a full page of the

¹ Thomas E. Woods, Jr. "The Neglected Costs of the Warfare State: An Austrian Tribute to Seymour Melman," *Journal of Libertarian Studies* 22 (2010): 103-125.

conclusion of *The Permanent War Economy* in the introduction to *After Capitalism*. *The Permanent War Economy* is also Melman's most cited work, according to Google Scholar's measurements.

I. Melman

Seymour Melman was a professor of industrial engineering and operations research. After serving in the Army in World War II, he did a PhD in economics at Columbia where he would remain for his entire career. Although an economist by training, he was a faculty member at the school of engineering and applied science, and his work took on a definitely concrete approach based in studying the efficiency of production systems. His earliest research focused on industrial productivity and culminated in studies of the American machine tools industry, published in his first two books *Dynamic Factors in Industrial Productivity* (1956) and *Decision Making and Productivity* (1958). As these studies were concluding, he became involved in work on nuclear disarmament through a network of scholars loosely connected to the search for peaceful outcomes to the Cold War and critical of excessive nuclear weapons production. A research project at Columbia which culminated in the collection *Inspection for Disarmament* (1958) logically linked operations research with disarmament, as it sought to answer the question of how an inspections system could efficiently function in concrete terms. From these early projects a conclusion can be drawn about Melman's methods: his interest in machine tools came from their role in creating future productivity, and he understood that questions about arms, although often sequestered into the arcane world of national security, could be tackled as questions of production, as an industrial system. He would track the American machine tools industry throughout his career, consistently returning to its decline as the ultimate example of deindustrialization, as it represented the key building block for all future production. And he would continue to discuss the defense industry in terms of its impact on American economic efficiency.

Joining these priorities, Melman took a more activist approach with his research and writing, tackling the question of American militarization that would define his career. Around the same time that Eisenhower was warning of a "military-industrial complex" and fallout shelters were becoming popular commodities, Melman began work on his most influential contributions. They would also place him firmly outside traditional economics in the 1960s. One of Melman's first forays into the economics of disarmament came from a survey of the top 100 defense contractors that he conducted in February and March of 1961. A Columbia study he led continued to investigate the cost of defense industries to the broader American economy. In 1962 he sought to publish his main findings in an economics journal, but had his article refused not on the grounds that there were errors in his data or reasoning, but that the focus on the war economy was irrelevant. This research served as the base for what he published in book form as *Our Depleted Society* in 1965. Following

a polemical text *The Peace Race* (1961) which was an expanded version of a memorandum to the incoming Kennedy administration, *Our Depleted Society* (1965) contains Melman's most influential arguments. I will not be focusing on it today, as it represents in many ways an incomplete view of his understanding of political economy which was not fulfilled until *Pentagon Capitalism*. However, a few essential arguments are first visible in *The Peace Race* and *Our Depleted Society*, and they remain important for this discussion of Melman's evolution as a thinker. The Peace Race was supposed to be a strategy for how to win the Cold War and save American capitalism from the parasitic military economy. Notably, Melman was a firm believer in both American capitalism and American democracy, as he understood them as ideals at least, and accepted a level of defense spending as necessary for security. He was not a pacifist. However, he was extremely skeptical of "overkill," destructive power beyond the essential to destroy the Soviet Union and concerned with "real security," that is to say both defense and prosperity.

Melman developed pivotal arguments that the arms race was not economically feasible, by identifying the opportunity costs of capital spent in the arms industry. Melman was well known for the kind of opportunity cost comparisons that he modeled after Eisenhower's 1953 "Chance for Peace" speech:

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. This world in arms is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children. The cost of one modern heavy bomber is this: a modern brick school in more than 30 cities. It is two electric power plants, each serving a town of 60,000 population. It is two fine, fully equipped hospitals. It is some 50 miles of concrete highway. We pay for a single fighter plane with a half million bushels of wheat. We pay for a single destroyer with new homes that could have housed more than 8,000 people.²

Melman published lists like the 11 page appendix 5 in PWE 358-369 (paraphrasing away references and some explanation):

Construction of Washington, DC metro system = \$2.98 billion = 1 nuclear aircraft carrier battle group

One Huey helicopter = \$1 million = 66 low-cost homes with two bedrooms each

Unfunded Department of Housing and Urban Development water and sewer grants = \$4 billion = the *overrun* to date of the F-111 aircraft program

Detroit's budget deficit for 1971 = \$30 million = three F-15s

And so on for 11 pages, covering real and often unfunded transportation, environment, urban development, education, and welfare programs compared to real costs of military systems or only their overrun or operating costs at times.

² Dwight D. Eisenhower, April 16, 1953, The "Chance for Peace" or the "Cross of Iron" Speech, American Society for Newspaper Editors. <https://millercenter.org/the-presidency/presidential-speeches/april-16-1953-chance-peace>

Melman also raised concerns regarding the high concentration of engineers dedicated to military production, and the economic dependence of specific geographical areas on bases and military industries. Additionally, he feared there were anti-democratic political relationships that seemed built into military spending. The basic point was that to win the Cold War, meaningfully, American democracy and capitalism had to survive the conflict intact.

In *The Peace Race*, discussing insufficient capital investments, Melman concluded that the problems in American industries (especially machine tools) were not due to technological or financial difficulties, but in working cultures and politically defined financial incentives twisted by the priority put on arms manufacturing. Melman proposed creating a multi-stakeholder planning and investment bank that would provide long-term guidance and help change the culture of the machine tools industry. This would include unions, managers, buyers, and potentially public interests. (PR 50-53) Similar multi-stakeholder "Alternative-Use Committees" were an essential ingredient in Melman's later conversion propositions. Under these theories, paradoxically, the leading Western adversary in the Cold War would need increased union involvement and government planning in addition to free enterprise incentives to maintain a healthy capitalist economy and political freedoms. This is because current system already involved political incentives, there was no neutral free market system against which this multi-stakeholder approach to investment could be compared, only the reality of American industry with capital and state interests already defined.

The concept of economic conversion became more important as Melman made his depletion argument in the mid 1960s and as the anti-Vietnam War movement gave disarmament a voice. *Our Depleted Society* suggested that military spending was a direct drain on the economy unlike other kinds of government spending. America, he felt, was being weakened "by the sustained failure to differentiate between economic growth that is healthy and that which is parasitic." (ODS vi) Overall security was not merely military power, because there "is a limit of military power" with the advent of nuclear weapons. (ODS 13) Increasing "overkill" capacity did not increase strength, as a society can only be killed once and the offensive capabilities of nuclear weapons rendered any defensive strategy insignificant. (ODS 13, 25) Therefore, America's military-industrial policy failed "the final test of a security policy," which "is the well-being of our people, while our country is secured against physical destruction." (ODS vii)

Blaming a political and cultural obsession with fighting an arms race that was terribly dangerous, while insisting that disarmament was too risky, Melman considered that "Americans have yet to understand that no present or conceivable policy is risk-free," so the economic impacts of the arms race had to be considered, even if there was no guarantee that peace will last, especially given that

“overkill” in the face of any possible defense had already been achieved. (ODS 22) The same security gained by armaments could be maintained with dramatically reduced spending.

It was also the essential component that Woods appreciated.

In this period, Melman advised McGovern when first elected, and McGovern in turn made the first conversion proposals in Congress in 1963.

During the 1970s, a bit more reception of his work. The Vietnam War and accompanying anti-war movement combined with stagflation to open up space for an alternative explanation to American capitalism grounded in perspectives on militarization. *The Permanent War Economy*, from 1974, became his most widely cited work. However, the main takeaway for most readers was the depletion argument he had been making for over a decade, interpreted through the lens of the wastefulness of Vietnam and as a means of explaining stagflation.

This overlooked the more complex study of the functioning of the Pentagon system and the evolution of the military-industrial complex from a loose and informal network to a more structured, hierarchical organization which had been the real focus of Melman's research at this time, but I will return to these ideas in discussion of his political economy.

Advised McGovern before his failed presidential bid, and with pressure from peace groups won a conversion plank in the 1972 Democratic national Platform. Started working with Democratic Representative Ted Weiss from New York who would continue to push for conversion into the 1990s.

Conversion, grounded in depletion concerns, became a real intellectual current in the 1980s, in part due to Melman's students, in part growing interest elsewhere in the US on long-term effects of defense spending after decades of Cold War. Lloyd J. Dumas also concluded that military spending was unproductive and consumed an excessive amount of technical know-how in the 1970s and joined Melman in explaining stagflation via the military economy. Marek Thee, a Polish political scientist who worked for Norwegian and Swedish peace research institutes, closely with Dumas and other American conversion advocates in the 1980s. In addition to promoting the general idea of conversion, Thee was concerned with the control over research and determining research priorities. From 1985-1988, Melman received funding from Corliss Lamont for post-doctoral fellowships in Economic Conversion and Disarmament. Many students in New York became involved in conversion through this fellowship. Michael Oden, Greg Bischak, Jonathan Feldman, Robert Krinsky and Michael Renner were among the researchers that made significant contributions

to economic conversion research after having worked with Melman through this grant. Renner, after his fellowship ended in 1987, went to work for the environmental activism group Worldwatch. Although Melman had used environmental protection in his lists of opportunity costs of military spending, Renner and other researcher's work in this period represented a new emphasis on the environmental implications of defense spending and conversion, which would be further bolstered by base closure questions in the late 80s and 90s. Regional and urban economist Ann Markusen was one particularly influential conversion advocate. In 1986 she published a widely cited article, "Defense Spending: A Successful Industrial Policy?"³ Markusen highlighted that defense spending constituted one of the de facto industrial policies of the United States. While this was a longstanding belief among peace activists that was also present in Melman and Dumas' work, it was by no means widely recognized outside of left-leaning academic circles. The Project on Regional and Industrial Economics that Markusen directed made Rutgers University a major center for on local and regional aspects of the military economy and included collaboration from Catherine Hill and Sabina Deitrick. This group also included Joel Yudken, an experienced conversion researcher and worker, who had been the program director at the Center for Economic Conversion in California. Michael Oden, who had studied at Columbia with Melman, also frequently collaborated on local and regional studies with Markusen.

In 1988, Melman and his former students Robert Krinsky and Jonathan Feldman founded the National Commission for Economic Conversion and Disarmament to be the premier think tank and lobby for conversion activism. The think tank relied on supporting research provided by the growing network of academics interested in conversion. Politically, it counted Ted Weiss, George McGovern and Ron Dellums (D-CA) as members.

Melman and his vision of conversion, after three decades of relative obscurity, entered the political mainstream along with the rising expectations of a peace dividend. With the fall of the Berlin Wall, "the professor's speaking schedule [was] suddenly full."⁴ In addition to increased attention from left-wing publications like *Mother Jones*, during 1990 Melman was interviewed by Bill Moyers on PBS and interviewed in the *New York Times*. He also appeared on the *Today Show*⁵ with the pro-conversion Senator Jim Sasser (D-TN) and was featured in a *Washington Post* article.⁶ In January

3. Ann Markusen, "Defense Spending: A Successful Industrial Policy?" *International Journal of Urban and Regional Research* 10, no. 1 (March 1986): 105-122.

4. David Beers, "Brother, Can You Spare \$1.5 Trillion," *Mother Jones* (July/August 1990): 30.

5. Longstanding daily morning news show broadcast on NBC, one of the major networks, since 1952.

6. Beers, "Brother, Can You Spare \$1.5 Trillion"; Joel Kurtzman, "Civvies for the American Military Economy?" *New York Times*, 3 June 1990, accessed 9 January 2017, <http://www.nytimes.com/1990/06/03/business/civvies-for-the-american-military-economy.html>; "Economist Thinks Hope Lies in 'Peace Dividend,'" *Washington Post*, 6 May 1990, accessed 9 January 2017, http://articles.sun-sentinel.com/1990-05-06/news/9001060739_1_seymour-melman-peace-dividend-economic-conversion; Bill Moyers, "Seymour Melman: A Conversation on the Economics of Disarmament," 29 April 1990, accessed 10 January 2017, <http://billmoyers.com/content/seymour-melman/>.

at a conference of mayors, Melman was met with “an ovation and a unanimous resolution calling for conversion.”⁷

The public appearances built on the political traction Melman and the Commission had been gaining during the previous two years. Melman had a series of meetings with then-Speaker of the House Jim Wright (D-TX) during the winter of 1988-89. Their initial meeting was scheduled for only 30 minutes, but ran over 3 hours. Wright became convinced and began to push other interested Democrats to create a passable conversion bill. However, this effort was weakened when Wright was forced to resign under ethics investigations on 31 May 1989. Conversion was not completely left without a legislative leader because Majority Leader Dick Gephardt (D-MO) took up the torch the following winter. There was less of a personal bond between Gephardt and Melman. Still Melman was invited to speak to House Democrats early in 1990, which probably represented the high water mark of his personal political influence in Washington. Unfortunately for conversion advocates, his hour-long presentation was deemed condescending and failed to gain traction. As a result Melman's “personal stock plummeted.”⁸ Although some conversion legislation was subsequently put up to a vote in 1990, the Melman-inspired more aggressive bill supported by Ted Weiss bill failed in favor of a much more modest proposal.

Outside of Congress, conversion advocates fought to maintain an “odd bedfellows coalition” with peace groups, labor unions and religious organizations.⁹ This included many unions involved in military-industrial work. Notably, the International Association of Machinists and Aerospace Workers were “firm supporters” from very early on in the movement.¹⁰ Dick Greenwood, an active advocate/member for this union, was one of the original co-authors of the Weiss bill in 1978. The union printed all of the commission's publications free of charge.¹¹ In the 1990s, the United Autoworkers (UAW) were also particularly helpful to the Commission in maintaining various alliances. The UAW was essential in implementing some real conversion plans such as the conversion of an AM General plant in Indiana which commercialized the Humvee military transport for civilian use. The International Brotherhood of Electrical Workers participated in many conversion projects, including the CALSTART electric vehicle incubator, and brought the small defense contractor Frisby Airborne Hydraulics around to supporting and eventually implementing conversion.¹² This Long Island contractor became one of conversion's greatest success stories. It

7. Beers, “Brother, Can You Spare \$1.5 Trillion,” 33.

8. Ibid.

9. Greg Bischak (Executive Director, National Commission for Economic Conversion and Disarmament, 1990-1996), interview by author, Washington, DC, 12 December 2016.

10. Beers, “Brother, Can You Spare \$1.5 Trillion,” 33.

11. Ibid., 66; Miriam Pemberton (Executive Director, National Commission for Economic Conversion and Disarmament, 1996-1997), interview by author, Washington, DC, 12 January 2017.

12. Bischak, interview by author.

was prominently featured not only in literature published by conversion advocates, but also in lay press news articles, and additionally a report of the congressional Office of Technology Assessment.¹³

The Commission worked closely through what was known as the Monday Lobby Group to apply pressure on Congress. This group was led by John and Amy Isaacs and included peace organizations like SANE/FREEZE,¹⁴ which Melman had co-chaired in the 1980s, as well as religious lobbying groups including the Friends Committee, a Quaker organization, Catholic groups and a Methodist-Universalist group led by Mark Harrison.

Commission lobbying culminated in part of a 1990 amendment to the national defense authorization, which saw a limited version of conversion implemented, although quite far from Melman's original ideas.

What was then called conversion, but Weiss preferred to label "adjustment" simply, remained political relevant for the next four years.

During a 1992 House Budget Committee hearing on the FY1993 defense budget, Leon Panetta, the committee's chairman who would go on to play a key role as OMB director and Chief of Staff in the Clinton White House, closed the hearing with a plea to revisit conversion:

We didn't talk here about economic conversion, and, boy, economic conversion is going to be—and is right now—a major issue. When you make this transition, when you cut a weapons system, when you close a base, the ability of that community to make a transition into perhaps a more productive economy, is tough. It is tough. And we have not found out all the answers yet.

A subsequent bill was passed in 1992, which committed many more funds but was further divorced from Melman's original proposals. Conversion was studied by the Congressional Office of Technology Assessment, and Congress mandated a defense conversion commission. Ultimately Clinton promised a \$20 billion over five years conversion and readjustment initiative upon taking office, claiming "Defense conversion is one of my highest priorities. It's one of the reasons I ran for

13. Kevin J. Cassidy and Gregory A. Bischak, eds., *Real Security: Converting the Defense Economy and Building Peace*, (Albany, NY: State University of New York Press, 1993), 63, 177, 205, 245; Ronald E. Yates, "Defense Firms March off to Commercialism," *Chicago Tribune*, 13 October 1991, accessed 13 January 2017, http://articles.chicagotribune.com/1991-10-13/business/9104020447_1_defense-contractors-greg-frisby-aerospace-industry; Steven Pearlstein, "Trying to Give Peace a Chance," *Washington Post*, 24 May 1992, accessed 13 January 2017, <https://www.washingtonpost.com/archive/business/1992/05/24/trying-to-give-peace-a-chance/0b8e79c0-2e4c-4186-a5c4-ab2c185cc80b/>; Peter Marks, "Hard-Hit Military Contractors Plead for Loans," *New York Times*, 4 June 1993, accessed 13 January 2017, <http://www.nytimes.com/1993/06/04/nyregion/hard-hit-military-contractors-plead-for-loans.html>; US Congress, Office of Technology Assessment, *After the Cold War: Living with Lower Defense Spending*, OTA-ITE-524, (Washington, DC, Government Printing Office, February 1992), 225.

14. SANE/FREEZE, founded by the merger of SANE (the National Committee for a Sane Nuclear Policy) and FREEZE (the Nuclear Weapons Freeze Campaign) in 1987, was renamed Peace Action in 1993.

President in 1992.”¹⁵ Running until 1997, the initiative focused mostly on technology transfer programs with some worker retraining and community infrastructure grants.

Despite all of this work on conversion, Melman's ideas receded from the mainstream, declining clearly in relevance after 1990. Importantly, conversion as a technical process garnered attention, and transformed in scope, but the underlying critique of the military economy never gained real traction. Even concerns about depletion effects, the relatively acceptable component of Melman's broader critique of the military economy, were ignored in a period of unrivaled faith in markets and an “end of history” mentality in which American economic growth and the wisdom of its underlying structures seemed certain.

Toward the end of the decade, while always focused on lobbying for defense conversion, Melman studied the so called “new economy” of the 1990s with its emphasis on finance capitalism and globalization. Grounded in his earlier work on the military economy and with a heavier emphasis on nearly Marxist understanding of classes as social groups, this led to his final published work, *After Capitalism*. Notably, he saw then-contemporary American capitalism as “the latest phase of the U.S. war economy”, which grew naturally out of the managerial-control organization he first described in 1970 *Pentagon Capitalism*. This “involved a basic change in the mechanisms of capitalist economy by which capital investment is translated into power over decision-making” (AC 12) and should serve as our transition to defining political economy.

Before his death in 2004, Melman nearly completed a final manuscript for a book that he had entitled “War, Inc.”

II. Political Economy

In *Pentagon Capitalism*, published in 1970, Melman argued that the term “military-industrial complex” was no longer relevant. It had accurately described the informal relationships between defense contractors, the Pentagon, congress and academia in the 1950s. However, as the Department of Defense centralized its management system under Secretary McNamara, scion of the Ford Motor Company and its centralizing modern industrial theories, the level of control state managers had achieved over defense had ushered in a new form of conglomeration. Given the overall impacts of defense spending on the whole economy, an entirely new form of American capitalism followed from this reorganization. Melman's analysis of this new state-managerial

15. William J. Clinton, “Remarks at the Technology Reinvestment Project Conference,” (Speech, Old Executive Office Building, Washington, DC, 12 April 1993), *American Presidency Project*, accessed 22 February 2015, <http://www.presidency.ucsb.edu/ws/?pid=46420>.

system of defense production represents in many ways his transition from dealing with the military-industrial complex as an economics and industrial management question to a political economy question, which partly explains why *Pentagon Capitalism* had the subtitle *The Political Economy of War*. Certainly, this was a gradual transition, and Melman's research had always been interested in the economy as a politically crafted entity and the impact of industrial policies on American democracy. Still, for our purposes, we can begin to see the shape of a theory of political economy grounded in Melman's research here, with the state-managed system he defined as "Pentagon capitalism" run by "the state management".

[if necessary, expand on how M-I Complex was formed and functioned and how this transformed into a state management under McNamara, PC 14-16; Appendix A Eisenhower 1946]

By 2001, Melman described in *After Capitalism* a system he defined as managerialism, which argued that an identifiable system of "state/corporate management" or "management's state capitalism", existed in the United States. (x) The accumulation of capital and managerial power in a political-economic union was, logically for Melman, the conclusion of a process that began with defense and had extended to the whole of the American economy under the rubrics of "free markets" and "globalization". (4)

From his descriptions of "Pentagon capitalism" and the "state/corporate management" we can derive a definition of American political economy. As Melman argued, "Understanding of the normal operation of the new state-management and its consequences is essential for a meaningful theory of contemporary American economy, government and society." (PC, 11) If nothing else, political economy promises to be a unified explanation for economy, government and society.

Melman's various critiques depend on a question of identifying power relationships between people. In 1970 he was skeptical of technology; in 2001, the market. In both cases, the underlying question of who had power over whom drove Melman to reveal inadequacies in standard discussion of military-industrial policy and neoliberal American economics.

Political economy is an apt label for Melman's thought here, as his focus is not on discovering some idealized economic system, divorced from political decisions. Nor does he consider there to be a social or political organization of American society except that which is ordered by economic questions of specifically defense spending or generally industrial organization. As the question is about power relationships, the political and economic melt together naturally.

First, **humanness of political economy**:

Melman was consistently skeptical of theories which placed power or influence with inanimate actors. In 1970, this meant excessive fetishization of weapons and technology. If you'll allow, an extensive quote from *Pentagon Capitalism*, 11-12, to illustrate this point.

During recent years, many writers have been intrigued by the panoply of technological power displayed by the immense and complicated stockpile of weapons fashioned for the Department of Defense. There has been a tendency in some quarters to focus on control over weaponry rather than on decision-power over people. In December, 1967, Arthur I. Waskow told the American Historical Association, "The first major trend event of the last generation in America has been the emergence of what could almost be seen as a new class, defined more by its relations to the means of total destruction than by a relation to means of production."

In a somewhat similar vein, Ralph E. Lapp, in his recent volume *The Weapons Culture*, concluded: "It is no exaggeration to say that the United States has spawned a weapons culture which has fastened an insidious grip on the entire nation." While I admire the excellence of Lapp's analyses of military organization and weaponry and the consequences of their use, it seems to me that to emphasize the idea of a weapons culture, implying a kind of weapons-technological Frankenstein, is less than helpful for appreciating the sources of recent changes in the American government and its policy.

Lapp declared: "The United States has institutionalized its arms-making to the point that there is grave doubt that it can control this far-flung apparatus." He may be correct in his judgement that the whole affair has gone beyond the point of being halted or reversed. But in order to make this judgement, it seems altogether critical to define exactly what it is that has been institutionalized. Where is the location of critical decision-power over "the weapons culture," with several million Americans involved directly or indirectly in military organization and its support? Should we understand that one person, or one part, of this network is as important as any other?

Melman goes on to cite John Kenneth Galbraith and Murray L. Weidenbaum's work on convergence between military industry and government as closer to his views, although Galbraith's "technostructure" in *The New Industrial State* did not do a sufficient job identifying the emerging hierarchy, according to Melman. Weidenbaum's work was closest to the heart of the problem, ironically, since Weidenbaum and Melman would go on to have one of the richest debates over conversion in the 1990s with the Republican advisor Weidenbaum critical of Melman's most influential theories. **Weidenbaum wrote in 1967**

The close, continuing relationship between the military establishment and the major companies serving the military establishment is changing the nature of both the public sector of the American economy and a large brand of American industry. To a substantial degree, the government is taking on the traditional role of the private entrepreneur while the companies are becoming less like other corporations and acquiring much of the characteristics of a government agency or arsenal. In a sense, the close, continuing relationship between the Department of Defense and its major suppliers is resulting in convergence between the two, which is blurring and reducing much of the distinction between public and private activities in an important branch of the American economy. (Qtd. in PC 13)

Still, Weidenbaum focused on convergence between the public and private whereas Melman sought "to underscore not convergence but the managerial primacy of the new managerial control institution in the Department of Defense and the consequences for the character of American economy and society that flow from this." PC 13

In 2001 Melman outlined a similar critique of economics which focused on the activities of “the market.” Once again, I will quote a bit too extensively here to capture his full point. AC 4-5

There can be little doubt that the dominant ideology in matters economic is the idea that the market and market relations are the governing factors in economic function. At the heart of the idea of the market economy is the unshakable belief that prices (and wages) are set with perfect rationality—as the automatic effect of the rational decisions of many perfectly informed buyers and sellers. In fact, “the market” is commonly referred to as though it were an object, a thing quite separate from the interactions of the people whose activity in buying and selling constitutes a market. Thus it is completely ordinary to see or hear news reports about “what the market is telling us,” or about “what the market will (or will not) sustain.” In reality, “the market” is not a thing or an animate being; to ascribe such decision power to it is to indulge in a form of fetishism. This kind of fallacious thinking involves a displacement of categories in which human behavior is described in a way that shields the identity of the real decision-makers, whether they are individuals or social groups—like the managers of corporations or the executives of the federal government. In the process, responsibility for organizational actions and decision-making is displaced: endless numbers of decisions are imagined as stemming from an object, the market, rather than from the decision-power relations of managers, corporate and governmental.

aside, fetishization or animation of things and concepts like the market might have a link to *poesie boursiere* if the market is ever represented as a being.

Second, Melman's political economy distinguishes wealth, value, growth and the real “health” of an economy. In his critique of standard definitions drawn from capitalism, Melman consistently questioned what is meant by value. **What is value, a societal definition.**

Depletion: the depletion argument is based on the fairly simple idea that certain kinds of growth are productive while others are parasitic. As Melman explained in *Our Depleted Society*, “Economic growth has been widely trusted as the yardstick of well-being with too little attention given to the quality of the growth, to economic health. Growth can include parasitic and malignant processes, as well as those that are healthy and productive.” (ODS 4) Specifically, “whatever worth may be attached to the defense and space program, this much is clear: The work of these men, when completed, does not, by its very nature contribute to economic health, or to future production. From an economic standpoint defense work only expends manpower and materials.” (ODS 7) Defense spending neither creates consumer goods which increase well being, nor does it provide the basis for future production like machine tools. If parasitic growth becomes too prominent, it diminishes productivity over time. Basically, you can't have unlimited guns and unlimited butter, as people have always known.

By itself, depletion amounted to an economics argument. Contrary to those who follow the sacred cow of GDP and mix all movement of money as net beneficial, Melman argued for finer economic measurements to better understand an economy's real value.

Discussions of depletion enter the realm of what we might consider political economy when the reasons for counting military spending as beneficial are revealed, as these were essentially political decisions which changed American understanding of how capitalism functioned. The United States' Cold War strategy required new permanent mobilization as a means to deter Soviet aggression and avoid open conflict. NSC-68, the United States' Cold War playbook, specifically addressed the issue of traditional American hesitation towards permanent mobilization. Previously, both economic and strategic theories would have recommended a small standing army that could be rapidly built into a larger force. Military expenditures were considered a drag on the economy and the monumental effort to equip the Allied forces in the Second World War had shown that the United States could produce all the conventional arms needed in times of crisis. However, the authors of NSC-68 stated that nuclear weapons changed the old paradigm. Cold War security planning required permanent mobilization in peacetime in order to help avoid a catastrophic war with the Soviet Union. While the security argument was predominant, the authors found it necessary to justify running a high defense budget, fearing that their strategic vision would be rejected on economic grounds. Adopting the then-popular theories of John Maynard Keynes, who argued that large government expenditures provided stimulus and stabilized natural cycles of expansion and contraction in capitalist economies, NSC-68 argued for a form of semi-permanent military Keynesianism where a defense-industrial base would stimulate the economy. Under this theory, the necessary expenses for US security would also strengthen the nation's economy, rather than slowly weakening it.¹⁶ Actually reshaped economics. In this sense, I am using political economy as what we might also call critical economics, or understanding of where our economics understanding comes from as a result of socio-political decision-making. Melman was always good at questioning received knowledge, and my examples here are in many ways an extension of his kind of reasoning. In *After Capitalism*, Melman made a similar point about real health of an economy, the value of money, and social definitions of economics supposed-laws. "In fact, money is a socially agreed-upon representation of value, and its relation to actual material wealth is highly variable." (AC 5) [possible to expand on this point with more AC examples as well]

Third, in a related point, the data for Melman's political economy is based on **history, not theory**: *After Capitalism* dedicates its second chapter to explaining the emergence of capitalism from feudalism, through enclosure in England to the urbanization of the United States in the 19th Century. The chapters in *The Permanent War Economy*: 2, "How the Military Economy Works: The Firm", 3, "How the Military Economy Works: The System" and 6, "Reality Contradicts Ideology" make sustained efforts to provide concrete examples of the functioning of the American economy today. This last chapter, in particular, is full of examples of commonly accepted ideas in defense spending

16. Hugh G. Mosley, *The Arms Race: Economic and Social Consequences*, (Lexington, MA: Lexington Book Company, 1985), 5-16.

and economics that Melman attempts to refute one by one, writing in the form of a dialogue between *beliefs* and *reality*. To summarize one example:

“*Belief*: Defense-supported research and weapons development contribute to civilian technology and to the nation's economic growth.” To show that this is a commonly held belief, Melman quotes from Packard, Weinberger, J.J. Clark and Mendel Rivers, former chairman of the House Armed Services Committee, who stated, “The industrial know-how that supports our military forces provides a vital national resource which can help in all types of problems ranging from education to housing, water and air pollution and transportation.” *Reality*: quotes Commerce Department experts who place at max 5% real spinoff and states the simple idea that military research produces military technology. Notably, the reverse isn't true, few argue that civilian spin-ons are relevant. Almost crazy contention that guns produce butter. Instead, major drain on the engineering and scientific know-how of society, given the numbers employed in military industries. [paraphrasing from page 134]

Melman argued that economic ideologies related to defense spending were maintained by three factors: reliance on experts who had accepted these beliefs, a “cultural lag” reflected in economics education and research and “the ideological controls that are operated by the guardians of conventional beliefs and ideologies”. Melman studied the content of economics textbooks published in the 1960s and early 70s, the reports of the President's Council of Economic Advisors in the same period, as well as a discussion of some of his own publishing experiences to conclude that there was a total absence in recognition that a military firm could operate according to a different framework than the standard commercial firm or that defense spending could have effects separate from total GDP considerations or total government expenditure. Basically, no recognition that military spending was in any way distinct from or operated differently than any other spending. AC: “In reality, the conditions of the real world do not accord with the assumptions of a market economy concerning prices and wages. Indeed, there is an elaborate history of collusive price-setting by managements.” (AC 5)

This emphasis on history or real relations, not on some theory or mathematical model, places what I am defining as Melman's political economy close to how this term is often used in contrast to economics, a distinction between a social or political study—basically a form of humanities—and a would-be science based on theories to prove or disprove—economics as social science seeking to become something closer to hard science.

As Melman explained in *After Capitalism* (13-14), it was necessary to study the key institutions, using a theory of *power* in capitalism based on *social relations*. You have to “see social relations as

social relations", notably employment, property, money and capital. Social relations enforced as legal rules or objects, but these institutions are in fact social relations.

Once again forgive the very extensive quotations:

Under state capitalism, decision-making about production is guided by the rules and practices of four key institutions, which are enforced by the state: employment, property, money and capital.

Rules of *employment* link producers and decision-makers. The producers may not do their work without orders from property owners or their representatives. The rules of employment also give rise to a unique occupation: the unemployed. Within these rules, the unemployed are persons awaiting the employers' call to produce. They cannot participate in the work controlled by the employer. Thus unemployment is an occupation integral to the decision process of state capitalism.

Rules of *property* govern who may dispose of particular objects and under what conditions that may be done. These rules facilitate control of the means of production by the employer, for the state has the power to implement the legalized rules of property and to counter infractions of these laws.

Money, though conventionally referred to as an object, actually signifies a system of social agreements. The rules of money are commonly accepted: Units of measurement should be used for stating the relative worth of goods and activities; in addition, particularly designated parties (usually a government) should be empowered to issue and circulate symbols of relative worth (coins, currency). Other socially agreed upon and legally designated symbols of relative worth may be provided by legally empowered parties (checks, credit cards). All of these representations of relative worth should be accepted as exchanges of goods and work. They are also indispensable in the presence of an intricately specialized division of labor in production and other work. These rules of money allow for the allocation of goods and services constituting the real incomes of all persons, and they also facilitate the transfer of property rights. (AC 14)

Last, *capital*. The rules of employment, property and money, taken together, constitute capital. From the vantage point of social relations, capital is not an object, but rather the combined system of rules under which the fabrication and operation of the means of production of goods can proceed. Whole factories and their machinery, transportation and communication facilities, dwellings and waterworks—all of these play a part in the investment and exchange mechanisms of capitalism. The rules of capital are also involved in the infrastructure—the social capital like schools and water supply—essential for the life of a community.

The rules of employment, property and money do not separately suffice to constitute capital but must operate in combination.

While these institutional arrangements have a major presence and support from the legal system, at their core they represent *social rules of behavior*—notwithstanding the fact that property and money are conventionally referred to as objects rather than as systems of rules. These rules also represent more than social consensus, for in state capitalism government plays a crucial part in interpreting, adjudicating and enforcing them.

The social rules that constitute capital are a guide to decisions on production as managerial calculation predicts acceptable profit/power for the employer. [...]

Without a clear understanding of the system that has transformed society and economy, and unless we know the rules underlying the hierarchical controls exercised by this partnership of government and corporate managers, we are left in the fog of illusions that masks the reality of state capitalism. If you don't see these social relations as social relations, you can't uncover their alteration. (AC 13-15)

Note that Melman's conclusions for each of these social relations relates to decision process or power over people, not the results in terms of GDP, wealth or the shape of the economy, although these transform along the way.

Note also his emphasis on hierarchical control over these social relations and their alteration over time. Not interested in uncovering underlying laws of how an economy works, which might be the traditional occupation of the economist. Instead, interested in understanding the political and economic power that is accumulated by elites and wielded to change economic systems to enhance not only their wealth, but the whole scope of their power over people.

Political economy = a unified explanation for economy, government and society, based on studying the social/power relationships between people and groups using historical/real world data (economic and socio-political) to understand who has power over people, their labor and wealth and how that power is used.

Ideally, for Melman, this then allows for consideration of different relations and different distributions of power in more democratic systems that would better distribute power and wealth to people.