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PENTAGON CAPITALISM: The Political Economy of War by Seymour Melman

Reviewed by Robert Heilbroner, July 23, 1970

The thesis of Seymour Melman’s terrifying book can be briefly stated. There exists within the democratic capitalist political economy of the United States a second political economy that is neither capitalist nor democratic. Technically subordinate to the larger entity, this second political economy has in fact become the acknowledged master of the industrial core of the primary economic system, and the silent master of crucial areas of its political life. Each year the directorship of this inner state, through appeals of mixed fear and patriotism, renews its control over the richest portion of the nation’s resources, which it then disburses to its industrial satrapies.

In the process of rewarding its vassals, the central management casts an indulgent eye on the excesses of its supporters, and takes care to shore up weaker members lest by their disappearance the boundaries of the inner state shrink. Finally, and most important, the state within a state has a double significance for the society in which it is entrenched. Presumptively the inner state serves as a mighty striking force whose purpose is to make invincible the nation’s will. In fact, however, the inner state is the Achilles’ heel of the outer, not only robbing it of energies and creativity that cannot be pried loose from the insatiable demands of the military, but threatening by its very presence to invite the total destruction that even its immense striking force cannot prevent.

So much for rhetoric. Now a few facts. The system of military production and distribution managed by the Department of Defense (DOD) is the largest planned economy outside the Soviet Union. Its property—plant and equipment, land and inventories of war commodities—amounts to some $202 billion, or about 10 percent of the assets of the entire American economy. It owns 39 million acres of land; rules a population of 4.7 million direct employees or soldiers; and spends over $80 billion a year. This makes it richer than any small nation in the world, and of course incomparably more powerful. That part of its assets which is represented by nuclear explosives alone gives the DOD the equivalent of six tons of TNT for every inhabitant on the globe, to which must be added a “conventional” military capability of gargantuan proportions: the explosives dropped on South and North Vietnam so far amount to 3 million tons, or 50 percent more than the total bomb tonnage dropped in both the European and Pacific theaters during World War II.

The DOD system embraces both men and industry. The men include, first, 3.5 million soldiers deployed in 2,257 bases or locations abroad and in numerous camps at home and 1.2 million civilian employees located both at home and abroad. No less important is an industrial army of at least 3 million workers who are directly employed on war production, in addition to a considerably larger number employed as the secondary echelon of “defense-related” production. This does not include still further millions who owe their livelihood to the civilian services they render to the military workers themselves. I would guess that if the DOD simply shut down tomorrow and nothing took its place, unemployment would probably rise from its present 5
percent of the labor force to over 15 percent, roughly as in 1931. But of course the DOD will not shut down. Hence a more significant index of its extent of command over manpower may be that 63 percent of all US scientists, engineers, and technicians work on defense projects of one kind or another.

Pentagon control over industry stems from the immense flow of DOD expenditure. Merely by way of indicating its size we might note that a peripheral activity, the Post Exchange (“PX”) system, is the third largest distribution network in the country (just after Sears and the A&P) and that the construction of housing facilities for the military cost more, from 1965 to 1967, than the total spent by the federal government on all other public housing. At the core, however, lies the real source of DOD control—a stream of $40-odd billion of production contracts for the renewal and expansion of its actual military equipment.

This flow of expenditure comprises the main source of income for a small number of highly specialized industrial enterprises that are in fact nothing but government arsenals spun off as “private enterprises,” and a substantial source of income for a much larger number. One expects Lockheed (88 percent of sales to the government) to figure as a major benefactor; one does not expect Pan Am (44 percent of sales from 1960-67). Altogether it is estimated that between 15,000 and 20,000 firms are prime contractors with the DOD, but since almost all prime contractors subcontract (and since subcontractors also subcontract), the number who ultimately benefit may be three times as large.

Within this large constituency, a relatively small number of firms are the main recipients of DOD awards. The hundred largest defense contractors supplied two-thirds of the $40-odd billion of deliveries (although they in turn actively subcontracted their own large contracts); and within this group an inner core of ten firms (McDonnell-Douglas, General Dynamics, Lockheed, General Electric, United Aircraft, Boeing, North American, AT&T, General Motors, and Ling-Temco-Vought) all by themselves accounted for 30 percent of the total. Incidentally, many of the largest contractors not only owe their sales volume to the DOD, but a considerable fraction of their capital; as of 1967, defense contractors used $2 billion worth of government-owned furniture and office machines, $4.7 billion worth of materials, and over $5 billion worth of plant and equipment, on all of which, of course, they were allowed to make profits just as if they were using their own property.

Note: “allowed” to make profits. For as Melman emphasizes, at the heart of the Pentagon system lies a crucial structure of centralized management through which the economic activities of the industrial empire are shaped according to the wishes of the Pentagon officialdom. To run the military business of the United States takes some 15 million purchasing decisions per year, and a vastly larger number of administrative decisions. Responsibility for this gigantic activity rests with a DOD bureaucracy of 15,000 individuals empowered to arrange terms of contract at various levels of importance, in addition to another 25,000 who administer, oversee, check, and carry out the contractual arrangements.

These arrangements give the DOD virtual life-and-death powers over its industrial supplies, permitting the prepayment of hundreds of millions of dollars, on the one hand, or the dire penalty of contract cancellation, on the other. These powers are exercised according to codified
regulations published by the DOD but capable, as are all such regulations, of infinite interpretation when circumstances demand. Thus “efficiency,” which is a prime requirement of suppliers, can be stretched to permit the award of the rich F-111 contract to General Dynamics, despite its poorer performance and higher bid than Boeing, and “honesty” can be taken to include the submission of some $10 billion of questionable charges annually (according to an estimate based on a study of a sample of contractors six years ago).

All this merely indicates that the smile of the DOD is all-important for suppliers, who then report the results to their stockholders as “profit.” The same fiction of “free private enterprise” is maintained when things turn out less well, and a project is finally cancelled (between 1953 and 1968, 68 projects were terminated, although not before $10.5 billion had been expended on them). In that case the resulting penalty for the contracting firm is called a “loss.”

Supervising and directing this entire system is the topmost echelon of the para-state—a group of career generals, professional government administrators, professorial advisers, and former businessmen, culminating in the offices of the President and the Secretary of Defense and the Joint Chiefs of Staff, powerfully supported by a few people within the House of Representatives and the Senate. It is these individuals who ultimately guide the striking force itself, turning it against the Dominican Republic or Vietnam, or simply authorizing its further growth as part of the system of “deterrence” by which the two great powers maintain their uneasy truce.

This topmost group is guided in its decisions by a view of the world in which our own activities are uniformly interpreted as actions in the service of peace and humanity, and in which the activities of the other side are uniformly interpreted as actual or potential moves of aggression and threats to human well-being. This ideological justification for the maintenance of our military establishment thus provides the rationale for the continuous search for, and discovery of, weaknesses in our armed posture, as the DOD unearths missile gaps, bomber gaps, antiballistic missile gaps, etc., each of which thereupon provides a further reason for the expansion and strengthening of the military inner state.

Last, but by no means least, there is the question of what constituency the military system serves—who stands behind its actions, both political and economic? Professor Melman gives us the following list:

—The administrative staff of the state-management [of the DOD]

—Career men, military and civilian, in the armed forces

—People working in military industry

—People working in the military research-and-development establishment

—Communities and parts of communities dependent on military industries and bases

—Many members of Congress representing areas of high military activity
Believers in a world Communist conspiracy against the United States

People of strongly authoritarian personalities, who identify with martial leadership

There are, of course, also groups that are opposed to the state-military machine, groups, one hopes, whose strength will increase as the machine demonstrates its futility in Vietnam and its parasitic absorption of energies at home. But it is clear that up to the present, at least, the forces supporting the system are stronger than those opposing—that the para-state is essentially a trusted and popular rather than an unwelcome and feared institution. From this there follows an interlocking of the stimuli of fear and the response of renewed support that makes the system a closed loop, continuously reinforcing its power and position within American society.

“Rarely does a single social force have a controlling influence in changing, swiftly, the character of life in a large and complex society,” Melman concludes. “The expansion of the Pentagon and its state-management is such a force. Failing decisive action to reverse the economic and other growth of these institutions, then the parent state, if it is saved from nuclear war, will surely become the guardian of a garrison-like society dominated by the Pentagon and its state-management.”

I fear that this condensation does scant justice to the power of Melman’s book.1 No doubt many of the individual facts are familiar enough, at any rate to those concerned with the problem, but they are here assembled in a stunning way. The relentless adumbration of the means of Pentagon control over industry, university, Congress (the Pentagon has a lobbying force of 339 men, or about one for every two members of Congress); the fictions and science-fictions of “defense”; the wearisome account of DOD opposition to all moves that would lessen its influence; and above all the detailed exposition of the “opportunity costs” of the defense system—that is, of the improvements that cannot be undertaken because the war machine has pre-empted men, materials, and money—all these make reading this book, as I have stated at the outset, a terrifying experience.

Yet this is not, in my view, the most important contribution of the study. For Professor Melman’s intention is not merely to rally opinion against the para-state, but to propose a new theory of the relation of the military establishment to the larger society.

There are today two such main theories of the American military structure. The first, which is espoused by the DOD itself, as well as by the majority of political scientists or political spokesmen, is that the military establishment is nothing more than the traditional, constitutionally ordained, military arm of the civil state. The fact that it is larger and more powerful than in the past is blamed not on the activities of the military establishment itself, but on external events, political and technological, to which the military system constitutes only a measured response. In defense of this thesis, the DOD or the traditional spokesmen stress the ultimate civilian directorship of military affairs, the continuing indoctrination of the military as the servant of the civil government, the scrupulously observed domestic political neutrality of the military, etc.
A second theory is that of Marxism, or neo-Marxism, which views the military structure in a different light. From this vantage point, the military para-state serves two purposes. The first is the aggressive promotion of the interests of the capitalist order against the revolutionary forces, actual or potential, of the third world. The second is the creation, with the implicit blessing of the business community, of an area of production that is totally non-competitive with the normal economy, allowing capitalism to find an expansive salient without which the system would suffer from glut, falling profits, and inner crises.

Different as they are, these theories have a common base. Both assert the predominance of the civilian interests over the military. In the conventional view, it is “the people”; in the Marxian view, “the capitalists” who call the tune, and in both explanations of the military presence, it is the military who obey.

Professor Melman suggests a third possibility. It is that the military establishment has constituted itself as a self-contained entity, capable of impressing its views and imposing its will not only on the civil establishment to which it pays a ritual obeisance, but over a section of the economy in which the language of private enterprise is merely a fiction to hide its absolute authority. Moreover, that authority is no longer the loose coordination of businesses characteristic of the “military-industrial complex” of President Eisenhower’s day. What has emerged today, Melman maintains, is a new form of “state-management” in which “the federal government does not serve business or regulate business…. Government is business.”

It is true, of course, that the topmost figures in command of the DOD are civilians, and moreover either direct emissaries from the business world or men whose business sympathies are explicit. That explains the extraordinary solicitude the DOD shows for levels of performance that would never be tolerated within a genuine business enterprise. Yet, as Melman points out, “the crucial factor is the institution’s nature, not the style of clothing worn by its top directors. The overwhelmingly military character of the state-management dominates the institution, not the personal-professional identity of its chiefs.”

There is, in other words, within the closed system of the military establishment and its coordinate political world view, a compelling logic that transforms the mere businessman, saddled with his hopelessly bourgeois ideas of rational economic conduct, into the imperator for whom the ultimate rationale is now something larger than common business pursuits. Melman quotes Tom J. Farer, a former aide to McNamara, on the motivating spirit at the Pentagon:

When I worked there, during the Kennedy era, the office of the Secretary of Defense seemed to be…an island. We were zestful, moved by controlled excitement, occasionally even euphoric, not with any crass sense of power, but with vistas of the elimination of nuclear terror by means of the systematic application of human reason. We were true believers and McNamara was our prophet.

Let these words remind those who sometimes write as if the drive for profits were the primal source of human aggression that profits are a calculus capable of indicating that some actions are contrary to the interests of the profit-seeker. For those whose rewards are the frissons of “controlled excitement” and the sense of beatitude that comes from applying human reason to the
affairs of men, there are no such negative indicators. From such motives are built not businesses, but empires.

Is the military establishment—the state within a state—in fact independent of its economic and political host? The issue is of surpassing importance, but I confess myself unable to determine how it is to be answered before history answers it for us. In a subdued way, our present situation seems to resemble the ambiguous relation between the chieftains of big business and the fascist movements in Italy and Germany—relationships in which business at first welcomed but then lived to regret fascist power, which took over in its own right.

Up to the time of the Vietnam war there seems to have been a general congruence between the aims of the military establishment and those of the business community, since the expansion of the former meant the prosperity of the latter. Only recently have misgivings begun to surface, with the realization that the expansionism of the military para-state has meant—or beyond the disaster of the war itself a climate of inflation, preempted talents, and social neglect that has been bad for the general run of business. What we have, now, is a growing division within the ranks of the business community, as between those whose interests are tied to the military sector and those whose interests are beginning to be threatened by it.

In the coming few years this conflict must be resolved in one way or another. I would agree with Melman that capitalism, as a socio-economic order founded on private property, is not inherently warlike, as witness Sweden, Switzerland, or Canada, and that the system is capable of considerable social flexibility and strength, as the same countries will also illustrate. I would also agree that there exists today in America the nucleus of a garrison state which, while using the institutions of capitalism, is ultimately moved by its own conception of world affairs.

In the disillusion of the Vietnam war, the growth of that garrison state has now been checked. But I suspect that the question whether there will be a peaceful capitalism or a resumption of the hegemony of military state-capitalism will not be finally resolved until the Vietnam war at last peters out and the American economy is faced with the challenge of converting to a peacetime basis.²

That huge and potentially life-saving transformation will require national planning on a vast scale, for which we have made no preparations, and before the prospect of which our latent conservatism may rise up to impose insuperable obstacles. In that event, our economy will falter, and the appeal of a return to the arms of the DOD will be very great. I do not know how to estimate the chances of our successful economic reorientation. I can only say that if we fail, the general prospect outlined by Seymour Melman seems the most likely course for the American nation to take, an eventuality that should make all men despair.

1. Although I am not here concerned with the “literary” qualities of Melman’s book, it would be unfair to a prospective reader not to advise him that it is also repetitious, often carelessly written, and above all damaged by the absence of an index. How a book that was surely intended as a reference volume could have been allowed to appear without an
index is beyond comprehension. As I know from writing this review, its omission is not a peccadillo, it is a serious, almost fatal error.

2.

Let me mention in a footnote a remarkable series of books for anyone who is interested in the engineering-economic problems of converting from war to peace production. This is a series of six volumes issued by Praeger and edited by Melman. Anyone who wants to know the possibilities (and impossibilities) of reorienting the airframe industry, the shipping industry, military-oriented research, and other pursuits to peacetime activities will find these books indispensable.

1. *The Conversion of Military-Oriented Research and Development to Civilian Uses* by Marvin Berkowitz.


