

CRITICAL ANALYSES OF MILITARY SPENDING AND CAPITALISM

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I. Introduction

Critics of military spending (ME) have throughout the postwar period developed a number of (largely mutually exclusive) ways in which to interpret the relationship between military spending and capitalism—often choosing the U.S. case in which to develop their analyses. This paper first seeks to classify the arguments of the Marxist critics with particular reference to major works on the subject which have appeared in the last two decades.¹ The critics will be classified as: (1) Neo-Marxist, and (2) Classical Marxist. The purpose is not taxonomic, rather the exercise in classification is needed in order to impose some necessary distinctions on this subfield, thereby facilitating an assessment of the validity and utility of the various perspectives. The closing section of the paper will be concerned with a viable reconstruction of a critical perspective on the subject derived from the Neo-Marxist and Classical Marxist perspectives. The central weakness found in the Neo-Marxist and Classical Marxist approaches is their failure to consider military spending within the context of a theory of the state.

II. The Neo-Marxists

The Neo-Marxists (NM), primarily Michael Kalecki, Josef Steindl, Paul Baran, Paul Sweezy and in recent years James O'Connor, have been most preoccupied by the entirety of monopoly capitalism rather than centering their analysis on ME—which they regard as one of the many epiphenomena of monopoly capitalism. Although the NM offer an intricate series of interconnected arguments, assumptions and propositions, what seems to be key to their analysis and what demonstrates their rupture with classical Marxism is their insistence that the automatic feedback mechanism of capitalism—the compulsion of

* American University (Washington, D.C.) and California State University (Fresno). The author gratefully acknowledges the important suggestions of John Willoughby, Lynn Turgeon, David Mermelstein, David Leech, Michele Naples and participants at the Eastern Economic Association meetings in response to an earlier draft of this paper.

1. Limitations of space have prevented an assessment of the large and important body of work in this area developed by non-Marxists and the "British" School. Such a broad comparison was the original purpose of this project. See Cypher [6;12] for a discussion of the hegemonial "liberal" school—Seymour Melman, Lloyd Dumas, Robert DeGrasse, and Cypher [8] for further discussion of the above group as well as the "British" School—principally Ron Smith and Mary Kaldor and the "left-Keynesian" School—principally the work of Joan Robinson.

price competition which derives from a systemic drive for accumulation for accumulation's sake, production for production's sake—is short-circuited by monopoly/oligopoly/cartels, etc. The ability to exercise a certain degree of control over the market, to achieve a certain degree of autonomy from the compulsive press of competition, means that the oligopoly firm (except in exceptional circumstances) will not reinvest profits acquired in the process of realization under monopoly capitalism to the degree that a portion of the aggregate of profits *would* be reinvested under competitive conditions. At the same time, however, capitalists make the best of what new investments they do make and therefore by way of Taylorism and Fordism productivity leaps upward. Fewer and fewer productive workers produce more and more and the rate of exploitation rises as does the rate of unemployment and the magnitude of potential GNP—if monopoly capital is left to its own devices.

To Baran, ever the dialectician, these tendencies promote their own countertendencies—and this is where militarism comes into its own [2]. Military spending is seen as *the* way in which the State as an exogenous force can prop up an atrophying system by spending in order to tax. ME forces the monopoly firms to produce, and to hire labor (i.e. ME “absorbs surplus”) thereby partially counteracting the tendency toward stagnation, pushing the system toward lower levels of unemployment that facilitate social reproduction.² ME is the only one among many counteracting tendencies.

Baran and Sweezy in *Monopoly Capital* describe a *structural totality* of advanced capitalism wherein contradictions are seemingly non-antagonistic. The method of *Monopoly Capital* corresponds strongly with the following definition of structuralism:

The principle feature of the structuralist method is that it takes as its object of investigation a system, that is, the reciprocal relations among a set of facts, rather than particular facts in isolation; its basic concepts. . . are those of totality, self-regulation and transformation [24,476].

According to Baran and Sweezy the political “. . . system is democratic in form and plutocratic in content” [2,155]. This dictates that the only forms of “self-regulation” that the system can employ to (partially) counteract the entropy effects of a rising surplus will be state policies that capitalists are willing to support. In the search for a means to counteract the underconsumption tendencies of the system ME is particularly useful as a form of “surplus absorption” because unlike public housing, etc., it threatens no private interest. Further, ME is elastic—weapons can be constructed, declared “obsolete,” and new ones constructed. Other public expenditures would add to the stock of capital, thereby further limiting the future flow of investment. Therefore to counteract an *increasing* tendency toward stagnation (rising surplus) there must be a concomitant rising level of surplus-absorbing expenditures by the State. By comparing ME levels in the 1950s with those of 1929 or the 30s, the NM show the great rise in ME. This secular rise is seen as the principle role of Keynesian fiscal policy, hence the term “military Keynesianism” to describe this and other effects of ME on the sphere of circulation and distribution. But ME did *not* continue to rise as a share of GNP after the 50s. In the 1970-71—1976-77 period ME fell by nearly 50 percent as a share of GNP. After the 1950s the data do not support the rising-secular-tendency of ME thesis of the NM. What *does remain true*, we maintain, is that the “system” has used ME to counteract the business cycle—that ME to a very considerable degree *is* the principle component of discretionary fiscal policy in the U.S. [4;5;9;10]. But the NM, however, have basically concentrated on secular tendencies, giving only occasional attention to questions of countercyclical policy.

2. The surplus is defined as: “The difference between what a society produces and the cost of producing it” [2,9]. Baran and Sweezy estimate this surplus at 56 percent of GNP in 1963.

Here, the NM had grasped only one side of the capitalist system that moves through a historical process marked by growth/barrier(crisis)/growth. The NM dissected the longest consecutive period of capitalist growth from the late 1940s through the late 1960s, but they gave inadequate attention to the crisis tendencies buried (temporarily) behind the facade of cumulative growth. The methodological perspective, understandable given the date of publication of *Monopoly Capital*, 1966, led the authors to emphasize the stabilizing role of ME, while failing to devote sufficient attention to crisis tendencies.

As underconsumptionists the NM paid inadequate attention to the sphere of production, and in particular, technology. In *Monopoly Capital* very little is said about innovation. The authors do employ Schumpeter's notion of “epoch making innovations” but claim that there have been only three: the steam engine, the railroad and the automobile. After WWII, according to the NM the economy was propelled forward by the momentum of pent-up consumer demand left-over from the war *and* the terminal effects of automobilization (which had begun in the 1920s). Whatever investment remained aside from these “exogenous” stimulants was under the control of the monopoly corporations and would *not* stimulate capital accumulation. As Sweezy had written in 1961:

The big corporations have enormous sums of money accruing to them in the form of depreciation quotas which are naturally available for investment in the latest machines and processes. Under these circumstances, it is obvious that a high but carefully regulated rate of technological innovation is compatible with a low or even zero rate of *net* investment and hence a chronically depressed economy [25,84].

There were hints of another perspective. Using the pen name Paul Rosen, Baran seemed to draw the connection between ME and technological dynamism in the early postwar period in an essay entitled “Militarism and American Technological and Scientific Progress.” Here Baran claimed that “American prosperity and economic progress depend upon scientific and technological progress, which in turn receive their chief stimulus from militarism” [23]. Mentioning the boom in electronics, chemistry and atomic energy Baran (Rosen) also concentrated upon the question of manpower training of scientists and engineers and the fact that the State was willing to underwrite basic scientific research (in contrast to the pre-war policy). He concludes that “. . . the American ruling class has a tremendous stake in militarism because of its technological and scientific effects” [23,409]. No trace of Rosen's (Baran's) approach to the question of ME seems to remain in *Monopoly Capitalism*. Here the authors ignore the effect of ME in dynamizing technology; for, in fact, laying the basis of the postwar long wave of expansion, in favor of the argument that the state is basically concerned with the process of *absorbing* the surplus created by super-productive (investment constraining) supercorporations. Clearly Rosen's (Baran's) 1950s formulation of the effects of ME had to be dropped in *Monopoly Capital* in order to sustain the argument. For, if ME *raised* investment and dynamized the system then the NM would have needed a new theory of the State and they (seemingly) would have been forced to drop the structuralist approach to monopoly capitalism.

Is it not tenuous to argue that the longest sustained expansion in the history of the capitalist mode of production was the outcome of pent-up demand from the war and the lingering effects of the automobilization? The late 40s, the 50s and the 60s were a dynamic period—as can well be seen by observing the breakup of that long wave from the perspective of 1980s. The 1970s ushered in the real stagnation, falling real take-home pay, ever rising unemployment, financial panics and crisis, foreign trade rivalry and much more. How could the State (via military Keynesianism), the sales effort and conspicuous consumption absorb the surplus in the 40s, 50s and 60s and fail to do so in the 70s and 80s? What had changed? Had Baran and Sweezy followed Rosen's (Baran's) lead they surely would have discovered that the postwar boom was not the result (basically) of

automobilization. Rather, a new era of production was dawning based in the third technological revolution of the capitalist mode of production which had tapped-into the pre and postwar technologies in electronics, telecommunications, transportation (the jet, supertankers, containerized shipping), synthetics (plastic, fibers) and petrochemicals, all of which, with the possible exception of shipping, owed much if not all of their existence and development to military related expenditures.

If the work of Baran and Sweezy can be justifiably criticized for its neglect of the sphere of production and particularly the role of ME in that sphere *and* for a lack of a carefully articulated theory of the State, these gaps were partially filled by James O'Connor [20]. O'Connor changes the relationships within the structure around somewhat: He discusses the structural (contained and reproducing, i.e. non-contradictory) dynamics of the monopoly vs. the competitive sector, and the dual (and ultimately fatally contradictory) role of the State as *accumulator* and *legitimator*. As an *Accumulationist State* the State must create the conditions for successful profit making—thus it builds infrastructure, conducts military R&D, allows military contractors to patent research underwritten by public funds, allows military contractors exorbitant rates of profit, etc. (O'Connor did not do all he might have done to discuss the dynamics of an Accumulator State.) At the same time the monopoly sector substitutes capital for labor, creating unemployment. Therefore a *Legitimator State* is needed providing unemployment benefits, job retraining, welfare, social security, etc. Ultimately the State is overdetermined in that the monopoly sector will not be taxed to pay (even partially) for the benefits accruing to the Accumulator State, while the Legitimator State cannot tax its beneficiaries (the victims of monopoly capitalism) to pay for their benefits *and* the benefits accruing to the Accumulator State. Ultimately monopoly capitalism ends in the ditch of crisis, but not because of underconsumption or the falling-rate of profit, but rather because the economic crisis (the problem of surplus absorption) is *displaced onto the State*. Monopoly capitalism does not have economic crises *per se* it has *fiscal crises* [20].

Clearly this is an advance for the NM, and Griffin [14;15] and others have found O'Connor's framework more useful in employing econometric tests of the role of ME in capitalism than the work of Baran and Sweezy. It is certainly helpful to conceive of some forms of ME as part of the process of accumulation (procurement, R&D, foreign arms sales, etc.) and some as forms of legitimation (military bases in non-strategic areas, the GI bill, Veterans' Benefits, etc.). But the difficulty with O'Connor's formulation is that it, too, is structuralist: *Why* does military spending rise and fall; to what *level* does it rise and fall; *how* autonomous is the State in this process; how does international rivalry effect (determine) arms expenditures? If arms outlays accelerate unemployment by accelerating accumulation then does not arms spending deepen the burdens upon the Legitimator State? Is arms spending both a solution (fostering accumulation and profits) and a nemesis (raising unemployment and the costs of the Legitimator State?) Clearly these are important questions that structuralist NM leave unresolved.

III. Classical Marxists on Military Expenditures

The distinction between classical or orthodox Marxism and NeoMarxism can sometimes be exceedingly narrow; so narrow, in fact, that it would be impossible to find the line of demarcation. While the distinction between the two Marxisms clearly blurs at the edge of the categories, in broad outline it is possible to maintain that Classical Marxists (CM) adhere to both Marx's categories (surplus value, the labor theory of value, the organic composition of capital, etc.) and to his understanding of the way in which these static categories interact dynamically to generate the historical tendencies of

growth/barrier(crisis)/growth that are the basic moments of Marx's theory of accumulation. Growth devolves into crisis by way of the over-accumulation of capital, which brings on a falling-rate-of-profit, which leads to the massive devaluation of capital (bankruptcies, deflation, etc.) which, in turn set the stage for another period of accumulation (this time with capital even more concentrated and centralized), which set the stage for the overaccumulation of capital, etc. Overaccumulation of capital arises in the sphere of production, it is not a result of underconsumption or the "realization problem" except in a secondary or derivative sense. The sphere of production is the dynamic element in the system, no factors regulate its movements (except the crisis itself which momentarily restores "equilibrium" to the system). The sphere of production is where capitalists revolutionize (permanently) the production process—cutting their costs, extending the range of commodity production by locationing new markets, cutting the turnover time of their capitals, etc. Capitalists are driven to do all of this by way of push and pull factors: the push factor is competition—if they do not all others will and that will be their end—the pull is the desire to increase surplus value *ad infinitum*.

Many CM have made comments on ME but the most sustained attempts to deal with ME from a CM perspective are to be found in the works of Rosa Luxemburg, Michael Kidron, and recently Ernest Mandel. Rosa Luxemburg was never able to fully articulate the relationship between ME and capitalism [e.g., 18]. In much of her work she insisted that the costs of ME were met out of a reduction in wages via taxation. The State, then (in a *static* construct) redistributed production and income by way of arms spending to the benefit of the capitalists. Militarism simply redistributed income. The smokescreen of patriotism and nationalism was used to accomplish this sleight-of-hand operation behind the backs of the working class. Thus militarism raised the rate of profit (i.e. the rate of surplus value) while subsuming and redirecting the class struggle into chauvinism, jingoism, nationalism and war.

In a few other writings she takes up the *dynamic* effects of ME. ME is now understood as the source of ". . . incessant technical innovations. . ." which dynamized the sphere of production—unlike other forms of State outlay such as schools and roads [18, 142]. Therefore, State outlays would always tilt toward ME because they acted to divert the class struggle and equally importantly if not more so, they led incessantly to technical innovations.

At least temporarily, then, militarism could lower wages, raise the profit rate and forestall the overaccumulation of capital. Luxemburg, however, never worked out the details of her argument and as presented they seem contradictory and incomplete. That is, arms spending is at once seen as both *contributing* (via state, purchase and technological change) and subtracting from (via wage cuts) aggregate demand. But which is stronger, and when?

Michael Kidron [17] employs both Neo-Marxist and Classical Marxist arguments, often intermittently, in a fashion that both illuminates and obscures his treatment of the subject. In his treatment of ME, however, he *tends* to employ CM analysis to advance his theory of "the permanent arms economy."

In his confused treatment of ME, Kidron approaches the question of the role ME plays in late capitalism from two contrasting perspectives. His dominant theme is that ME is an offset to the "permanent threat of overproduction" [17, 48]. Kidron, although not terribly explicit, indicates [17, 55] that the permanent threat of overproduction meant, prior to the "arms economy" that the sphere of production had an inevitable tendency to run ahead of the sphere of circulation, leading to a rising organic composition of capital (OCC) a falling profit rate and a crisis of overaccumulation. But arms spending stops the OCC from rising and the profit rate from falling because arms spending becomes a special Department III (luxuries) that siphon-off surplus value into waste. This, claims Kidron, absolutely

stops the tendency of the falling-rate-of-profit (i.e. it stabilizes the rate of profit). Kidron's proof of this is *ex cathedra*—and his bishop is a strange one—Piero Sraffa. Sraffa claims that changes in the level of luxury production ". . . have no part in the determination of the system" [17,56]. Fortified by this aprioristic pronunciamento Kidron asserts:

. . . nothing conforms to the concept of 'luxuries' as arms—which cannot under any circumstances enter the production of other commodities. . . seen from the angle of the system, that of pure theory, arms production is the key, and seemingly permanent offset to the 'tendency of the rate of profit to fall' [17,56].

Arms spending, then, forestalls overaccumulation—they are functional because they are wasteful. In this Kidron seems close to Baran and Sweezy. But Baran and Sweezy see the "natural tendency" of monopoly capital as atrophy while Kidron sees it as overacceleration and then implosion (and then the cycle returns to overacceleration). For the NM arms spending is a prop holding up a stagnating system, for Kidron they are a lead anchor holding the system down, but stabilizing it.

Kidron cannot resolve this with the fact that capitalism, in order to grow, continually needs to feed-off of new innovations. Here Kidron says that the military has been an important source of innovations and he cites authoritative empirical sources. But if ME generates innovations it *does* have a definite impact on Department I (capital goods) and II (consumer goods). Having already decided on Sraffa's authority that this cannot be true Kidron does not seem to note the contradictions between the ME=permanent-offset-to-overaccumulation argument and his ME=accelerated-technical-innovation-hence-investment argument. Apparently, in opposition to Sraffa, Kidron concludes that arms spending can increase employment and that this "multiplier effect" then raises the mass and rate of profit. All of these mutually exclusive arguments are laid out willy-nilly with no cross reference of one to the other and no real explanation of how the "logic" of the argument is to work through the elements of the system. At best Kidron refers to anecdotes from the literature on arms production, but no data is presented, either macro or micro, to buttress his *aprioristic* statements, assertions, and insights.

Ernest Mandel [19] is the most recent author to attempt to utilize classical Marxist categories and dynamic arguments in order to analyze ME and capitalism. Mandel reviews the tortuous and largely fruitless attempts by CM to find a way to understand the relationship between ME and capitalism. He finally concluded that the way to approach the question, again, is through Marx's Department III. He offers three arguments. First, without presenting any empirical evidence Mandel "determines" that the OCC in Department III is *higher* than in Departments I & II. ME (as a form of unproductive waste, i.e. a "luxury") therefore, raises the OCC and *lowers* the rate of profit. But ME outlays are paid for by a tax on the working class which by transferring demand to Department III *raises* the rate of surplus value. The net effect, says Mandel, is that these two forces "neutralize each other" leaving the profit rate unchanged but the mass of throughput in the system, including employment, higher than it would have been without ME. Thus ME helps to divert the "latent overproduction of means of production" which Mandel sees as the *predominant* form of capitalist contradiction.

"So long as there are unused reserves available in the economy. . ." ME can raise or stabilize the profit rate, and this will come in the context of rising *wages* and employment [19,294]. This and the above argument are "proved" by way of the assumptions in the argument and a liberal resort to mathematical examples drawn from the expanded reproduction model of Marx. No empirical evidence is cited.

A third and final argument is advanced. Citing a little-known passage from *Theories of Surplus Value*, V.II, Mandel notes that Marx claimed (contrary to Sraffa) that Department III's production *can* have an effect on Departments I & II if either (1) it improves

machinery, (2) leads to advantages in foreign trade, and (3) it lowers the turnover time of capital [19,296]. ME, then, could through any one or more of these effects raise the profit rate by way of either lowering the OCC or facilitating unequal exchange in foreign trade (which would raise surplus value without lowering the wage rate). Mandel's final judgment is that: "The 'permanent arms economy' contributed substantially to the accelerated accumulation of capital in the 'long wave' of 1945-65; but it was not the basic determinant of this wave" [19,306]. Although at times quite insightful, Mandel's treatment of arms spending constitutes the most muddled chapter in the book. Nowhere does he move beyond *aprioristic* or logical abstract argumentation, and he presents no empirical evidence to support the argument.

CM, then, seems to be unable to advance a coherent analysis of ME, offering at best brilliant insights that are left unsupported by specific historical and or empirical studies. It is a curious comment on the fate of CMs that Marx spent much of his life railing against just this sort of unscientific economic analysis.

IV. Military Spending and Capitalism: Provisional Notes Toward a Synthesis

The Marxist perspectives on ME and capitalism present separate arguments that can be critiqued and to a considerable degree dismissed. None are adequate alone and no combination yields a satisfactory analysis. There are certain vague points of commonality between these perspectives, but the most glaring commonality and, in fact, the devastating weakness is their inability to place ME within the context of a theory of the State. Other Marxists and the Instrumentalists have made great strides in recent years in developing a theory of the State [11]. None of the theories, unfortunately (and surprisingly) treats the questions of ME in any depth—most ignore the issue. Of all the theories, that which is most promising, in terms of ME in particular, is a contemporary version of State Monopoly Capitalism or Stamocap advanced by Ben Fine, Lawrence Harris and (less explicitly) Bob Jessop.³

Unlike the stagnationist NM, their version of Stamocap asserts that the capitalist mode of production is one that has as its dominant tendency the "self-expansion of value," i.e. the system is driven by expansionary forces. But Stamocap recognizes, as do the NM, that monopoly capitalism short-circuits the feedback mechanism whereby profits are "automatically" reinvested in capital accumulation. Thus there is a tension between the monopoly sector and the "capital-logic" of the system. Left to its own devices monopoly capitalism leads inexorably to 1929. But at the level of the capitalist mode of production

3. The classic attack on early French versions of State Monopoly Capitalism by Nicos Poulantzas [22] is largely accepted in subsequent reformulations of Stamocap Theory offered by Jessop, and Fine and Harris [16,13]. Fine and Harris simply maintain that:

The state's predominance in economic reproduction is the distinguishing feature of *state monopoly capitalism* (SMC), the latest stage of the capitalist mode of production. It represents an even higher level of the socialisation of the relations of production than previous stages and is characterized by a new highly socialised mechanism for the control of production. Whereas under earlier stages the dominant mechanisms for controlling production were the coercive forces of market exchange and the credit system, at this stage state 'intervention' is the predominant mechanism. A direct relationship is created between economic and social reproduction rather than the state simply creating the social conditions in which economic reproduction takes place. The state, however, does not simply replace the existing relations of economic reproduction but exists together with them in a complex relationship thereby transforming their social significance as a consequence of its direct 'intervention' into the circuits of capital [13,120-21]

The general lack of awareness in the U.S. of Stamocap Theory is both due to the unconvincing manner in which the theory was advanced in earlier years and because of the *sub rosa* form of "regulation," ME, adopted by U.S. state managers. The role of the State has been much more overt in Europe.

a systemic solution is demanded. *Internal* to the system—although external to the monopoly sector—is the need for a counteracting tendency. The State, then, arises out of the ashes of the depression and WWII not as an extension of Adam Smith's watchman State, but as a State that is an integrated part of the entire capital accumulation process. Thus the State is involved internally within the sphere of exchange, and the sphere of distribution, but more crucially for the argument here, the State is involved within the sphere of production—as an *integral part of production*. From this perspective the function of the State is not simply or primarily to create waste (although this may be done under certain historical circumstances) but rather to create and continually recreate the necessary conditions for the "self-expansion" of capital.

Regarding ME the State is involved in underwriting advanced technology both because monopoly capital tends to underinvest and because many modern technologies are beyond the funding capacities and/or too risky for even the largest capitals (commercial satellites, the space shuttle, etc.). Arms contracting, then, becomes a way of socializing the costs of technical change which leads to further expanded reproduction and, due to productivity increases, wage increases as well. A further advantage is that ME does not have to be justified once it becomes part of the social fabric and therefore ME can be moved at will to counter business cycle tendencies. ME (at least in the U.S. case) was the great *Accumulator* of late capitalism, and the great *Legitimator* within the nation state in the postwar period (1948-1970). Beyond the nation-state the military apparatus was and is used to gain access to raw materials and markets on favorable terms from the Third World. ME could also be used in a Keynesian fashion (spend in order to tax while leaving a positive margin of accumulation) to reconstruct Western Europe and Japan thereby raising overall trade and enhancing the possibilities of accumulation while underwriting legitimation outlays in these advanced capitalist nations. As a careful study of the postwar long boom would indicate, military Keynesianism "worked," but only under certain historical conditions. The NM have failed to qualify and limit their analysis of military Keynesianism to specific conjunctural conditions. CM, meanwhile, have spent more time denying the possibility of the Keynesian policies fostering accumulation than they have trying to understand how military Keynesianism functioned in the long expansionary period.

As is now obvious, the perpetual-motion machine of Stamocap has now been exploded from within and without. From within starting in the 1960s there was a noticeable falling-off of major technical innovations [26,185-92]. That may have been due to the fact that while Stamocap combined the State with monopoly capital it did so in a manner that left a degree of autonomy both to the supercorporations and the State. In the 1960s strategic planners in the State became preoccupied with advanced missile technologies that produced relatively few spin-offs into the sphere of production. (Meanwhile other forms of state investments such as infrastructure failed to grow at previous rates.) Two other equally important elements precipitated the as yet unresolved crisis that began in 1968-69. The State managers entered into a crisis of the State and subsequently a crisis of social relations due to their single-minded and elusive pursuit of victory in Vietnam. Meanwhile, the hegemonic relationship that the U.S. maintained over the advanced capitalist nations degenerated into rivalry as signaled by the fall of the Bretton Woods system.

A fourth precipitator is to be found in the productive forces brought to life during the postwar boom in the Newly Industrializing Countries. The postwar technologies allowed many corporations to produce, manufacture and distribute on a world level. Capital became mobile and headed to cheap labor havens. On the world market this created overproduction/overaccumulation tendencies. Today the advanced capitalist nations are burdened by three forces that have slowed to a crawl the accumulation of capital: (1) stagnation in investment because of a slowdown in the diffusion (if not in fact the creation)

of exploitable technologies, (2) stagnation in investment because the old technologies of the third technological revolution (petrochemicals, plastics, synthetics, telecommunications, advanced and consumer electronics, etc.) have been exported into the newly industrialized countries of the "Third World" and their ability to cut labor costs makes further investments in the old technologies unprofitable in the advanced capitalist nations, (3) excess capacity in the industrial sectors of all advanced capitalist nations. Although the question of the multiple sources of the current crisis cannot be detailed here it is clear that there can be no "theory" of ME and capitalism that is unrelated to the conjunctural moment as the system moves through the long cycle of growth/barrier(crisis), reconstitution/growth. Therefore, forms of analysis that explained phenomena in the postwar period, such as military Keynesianism may fail to do so in the crisis-reconstitution period.

In the late 1960s and into the 1970s the OCC (expressed as the value composition of capital) rose and the profit rate fell not only in the U.S. but across the advanced capitalist nations [3;21,57]. To date (1985) only the U.S. has partially recovered from the effects that became manifest in the late 1960s (Japan's recovery is beyond the scope of this paper). It is within the context of the breakdown of Stamocap regulation that the rise of Reaganism must be located. In part, Reaganism seeks to raise the profit rate by lowering the wage rate, but that raises the specter of underconsumption. Reaganism also represents a profound shift away from military Keynesianism (with its considerable emphasis on full-employment legitimation) to Functional Militarism (which single-mindedly concentrates on national and international forms of accumulation and upward redistribution of income). The "capital logic" of Reaganism is to be found primarily in his "Rearming America" program where through 1984 ME was inordinately concentrated in conventional weapons and precision-guided weapons that had the virtue, from the perspective of "capital-logic" of picking-up the slack in the old industries of the *second* technological revolution (oil, steel, autos, machine-tools) as well as the output of industries arising from the third technological revolution [7;10]. The impact, however, has been greatest in terms of the sphere of distribution and exchange. Very little new investment (aside from rationalization investments in autos and steel and sheer financial speculation) has occurred.

Another element of "capital-logic" in relation to ME in recent years is the U.S. offensive against the "Third World." Although the Newly Industrializing Countries have not been set-back too far by this policy as yet, outlays on the rapid deployment force, paramilitary forces, new bases, etc. may be understood as an effort to maintain and expand the range of unequal exchange with the "Third World" thereby raising the profit rate (and facilitating capital accumulation).

A third element, which as yet has defied quantitative or qualitative measurement, is the attempt by the Department of Defense to foster a sweeping reorganization of U.S. industrial production by way of the MANTECH (manufacturing technology) program and related programs [1]. These broad programs (which cannot be discussed here) would suggest that a Japanese style MITI may be U.S. Stamocap's response to intensified international rivalry.

While future empirical work on the relationship between ME and Capitalism will be forced to take into account the shift in State policies from military Keynesianism to Functional Militarism a note of caution is necessary. Functional Militarism remains very much a policy-in-the-making while powerful fractions of capital (and society at large) retain strong material interests in military Keynesianism. Buffeted by the forces unleashed by the increasing tendency toward the internationalization of capital, nation-based Stamocap is undergoing crucial metamorphoses. Rather than searching for a *constant* relationship between ME and Capitalism, it is to be hoped that critical analysts will, in the present conjuncture, turn their attention to the role of the State within the context of

economic crisis and the new role of ME within State policy. Understanding the contributions and detours of the past is one (necessary) way of moving forward in this difficult area.

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