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Why America Needs War

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Wars are a terrible waste of lives and resources, and for that reason most people are in principle opposed to wars. The American President, on the other hand, seems to love war. Why? Many commentators have sought the answer in psychological factors. Some opined that George W. Bush considered it his duty to finish the job started, but for some obscure reason not completed, by his father at the time of the Gulf War; others believe that Bush Junior expected a short and triumphant war which would guarantee him a second term in the White House.

I believe that we must look elsewhere for an explanation for the attitude of the American President.

The fact that Bush is keen on war has little or nothing to do with his psyche, but a great deal with the American economic system. This system – America’s brand of capitalism – functions first and foremost to make extremely rich Americans like the Bush “money dynasty” even richer. Without warm or cold wars, however, this system can no longer produce the expected result in the form of the ever-higher profits the moneyed and powerful of America consider as their birthright.

The great strength of American capitalism is also its great weakness, namely, its extremely high productivity. In the historical development of the international economic system that we call capitalism, a number of factors have produced enormous increases in productivity, for example,

the mechanization of the production process that got under way in England as early as the 18th century. In the early 20th century, then, American industrialists made a crucial contribution in the form of the automatization of work by means of new techniques such as the assembly line. The latter was an innovation introduced by Henry Ford, and those techniques have therefore become collectively known as “Fordism.” The productivity of the great American enterprises rose spectacularly.

For example, already in the 1920s, countless vehicles rolled off the assembly lines of the automobile factories of Michigan every single day. But who was supposed to buy all those cars? Most Americans at the time did not have sufficiently robust pocket books for such a purchase. Other industrial products similarly flooded the market, and the result was the emergence of a chronic disharmony between the ever-increasing economic supply and the lagging demand. Thus arose the economic crisis generally known as the Great Depression. It was essentially a crisis of overproduction. Warehouses were bursting with unsold commodities, factories laid off workers, unemployment exploded, and so the purchasing power of the American people shrunk even more, making the crisis even worse.

It cannot be denied that in America the Great Depression only ended during, and because of, the Second World War. (Even the greatest admirers of President Roosevelt admit that his much-publicized New Deal policies brought little or no relief.) Economic demand rose spectacularly when the war which had started in Europe, and in which the USA itself was not an active participant before 1942, allowed American industry to produce unlimited amounts of war equipment. Between 1940 and 1945, the American state would spend no less than 185 billion dollar on such equipment, and the military expenditures’ share of the GNP thus rose between 1939 and 1945 from an insignificant 1,5 per cent to approximately 40 per cent. In addition, American industry also supplied gargantuan amounts of equipment to the British and even the Soviets via Lend-Lease. (In Germany, meanwhile, the subsidiaries of American corporations such as Ford, GM, and ITT produced all sorts of planes and tanks and other martial toys for the Nazi’s, also after Pearl Harbor, but that is a different story.) The key problem of the Great Depression – the disequilibrium between supply and demand – was thus resolved because the state “primed the pump” of economic demand by means of huge orders of a military nature.

As far as ordinary Americans were concerned, Washington’s military spending orgy brought not only virtually full employment but also much higher wages than ever before; it was during the Second World War that the widespread misery associated with the Great Depression came to an end and that a majority of the American people achieved an unprecedented degree of prosperity. However, the greatest beneficiaries by far of the wartime economic boom were the country’s businesspeople and corporations, who realized extraordinary profits. Between 1942 and 1945, writes the historian Stuart D. Brandes, the net profits of America’s 2,000 biggest firms were more than 40 per cent higher than during the period 1936-1939. Such a “profit boom” was possible, he explains, because the state ordered billions of dollars of military equipment, failed to institute price controls, and taxed profits little if at all. This largesse benefited the American business world in general, but in particular that relatively restricted elite of big corporations known as “big business” or “corporate America.” During the war, a total of less than 60 firms obtained 75 per cent of all lucrative military and other state orders. The big corporations – Ford, IBM, etc. – revealed themselves to be the “war hogs,” writes Brandes, that gormandized at the

plentiful trough of the state's military expenditures. IBM, for example, increased its annual sales between 1940 and 1945 from 46 to 140 million dollar thanks to war-related orders, and its profits skyrocketed accordingly.

America's big corporations exploited their Fordist expertise to the fullest in order to boost production, but even that was not sufficient to meet the wartime needs of the American state. Much more equipment was needed, and in order to produce it, America needed new factories and even more efficient technology. These new assets were duly stamped out of the ground, and on account of this the total value of all productive facilities of the nation increased between 1939 and 1945 from 40 to 66 billion dollar. However, it was not the private sector that undertook all these new investments; on account of its disagreeable experiences with overproduction during the thirties, America's businesspeople found this task too risky. So the state did the job by investing 17 billion dollar in more than 2,000 defense-related projects. In return for a nominal fee, privately owned corporations were permitted to rent these brand-new factories in order to produce...and to make money by selling the output back to the state. Moreover, when the war was over and Washington decided to divest itself of these investments, the nation's big corporations purchased them for half, and in many cases only one third, of the real value.

How did America finance the war, how did Washington pay the lofty bills presented by GM, ITT, and the other corporate suppliers of war equipment? The answer is: partly by means of taxation – about 45 per cent -, but much more through loans – approximately 55 per cent. On account of this, the public debt increased dramatically, namely, from 3 billion dollar in 1939 to no less than 45 billion dollar in 1945. In theory, this debt should have been reduced, or wiped out altogether, by levying taxes on the huge profits pocketed during the war by America's big corporations, but the reality was different. As already noted, the American state failed to meaningfully tax corporate America's windfall profits, allowed the public debt to mushroom, and paid its bills, and the interest on its loans, with its general revenues, that is, by means of the income generated by direct and indirect taxes. Particularly on account of the regressive Revenue Act introduced in October 1942, these taxes were paid increasingly by workers and other low-income Americans, rather than by the super-rich and the corporations of which the latter were the owners, major shareholders, and/or top managers. "The burden of financing the war," observes the American historian Sean Dennis Cashman, "[was] sloughed firmly upon the shoulders of the poorer members of society."

However, the American public, preoccupied by the war and blinded by the bright sun of full employment and high wages, failed to notice this. Affluent Americans, on the other hand, were keenly aware of the wonderful way in which the war generated money for themselves and for their corporations. Incidentally, it was also from the rich businesspeople, bankers, insurers and other big investors that Washington borrowed the money needed to finance the war; corporate America thus also profited from the war by pocketing the lion's share of the interests generated by the purchase of the famous war bonds. In theory, at least, the rich and powerful of America are the great champions of so-called free enterprise, and they oppose any form of state intervention in the economy. During the war, however, they never raised any objections to the way in which the American state managed and financed the economy, because without this large-scale dirigist violation of the rules of free enterprise, their collective wealth could never have proliferated as it did during those years.

During the Second World War, the wealthy owners and top managers of the big corporations learned a very important lesson: during a war there is money to be made, lots of money. In other words, the arduous task of maximizing profits – the key activity within the capitalist American economy – can be absolved much more efficiently through war than through peace; however, the benevolent cooperation of the state is required. Ever since the Second World War, the rich and powerful of America have remained keenly conscious of this. So is their man in the White House today [2003, i.e. George W. Bush], the scion of a “money dynasty” who was parachuted into the White House in order to promote the interests of his wealthy family members, friends, and associates in corporate America, the interests of money, privilege, and power.

In the spring of 1945 it was obvious that the war, fountainhead of fabulous profits, would soon be over. What would happen then? Among the economists, many Cassandras conjured up scenarios that loomed extremely unpleasant for America’s political and industrial leaders. During the war, Washington’s purchases of military equipment, and nothing else, had restored the economic demand and thus made possible not only full employment but also unprecedented profits. With the return of peace, the ghost of disharmony between supply and demand threatened to return to haunt America again, and the resulting crisis might well be even more acute than the Great Depression of the “dirty thirties,” because during the war years the productive capacity of the nation had increased considerably, as we have seen. Workers would have to be laid off precisely at the moment when millions of war veterans would come home looking for a civilian job, and the resulting unemployment and decline in purchasing power would aggravate the demand deficit. Seen from the perspective of America’s rich and powerful, the coming unemployment was not a problem; what did matter was that the golden age of gargantuan profits would come to an end. Such a catastrophe had to be prevented, but how?

Military state expenditures were the source of high profits. In order to keep the profits gushing forth generously, new enemies and new war threats were urgently needed now that Germany and Japan were defeated. How fortunate that the Soviet Union existed, a country which during the war had been a particularly useful partner who had pulled the chestnuts out of the fire for the Allies in Stalingrad and elsewhere, but also a partner whose communist ideas and practices allowed it to be easily transformed into the new bogeyman of the United States. Most American historians now admit that in 1945 the Soviet Union, a country that had suffered enormously during the war, did not constitute a threat at all to the economically and militarily far superior USA, and that Washington itself did not perceive the Soviets as a threat. These historians also acknowledge that Moscow was very keen to work closely together with Washington in the postwar era.

Indeed, Moscow had nothing to gain, and everything to lose, from a conflict with superpower America, which was brimming with confidence thanks to its monopoly of the atom bomb. However, America – corporate America, the America of the super-rich – urgently needed a new enemy in order to justify the titanic expenditures for “defense” which were needed to keep the wheels of the nation’s economy spinning at full speed also after the end of the war, thus keeping profit margins at the required – or rather, desired – high levels, or even to increase them. It is for this reason that the Cold War was unleashed in 1945, not by the Soviets but by the American “military-industrial” complex, as President Eisenhower would call that elite of wealthy individuals and corporations that knew how to profit from the “warfare economy.”

In this respect, the Cold War exceeded their fondest expectations. More and more martial equipment had to be cranked out, because the allies within the so-called “free world”, which actually included plenty of nasty dictatorships, had to be armed to the teeth with US equipment. In addition, America’s own armed forces never ceased demanding bigger, better, and more sophisticated tanks, planes, rockets, and, yes, chemical and bacteriological weapons and other weapons of mass destruction. For these goods, the Pentagon was always ready to pay huge sums without asking difficult questions. As had been the case during the Second World War, it was again primarily the large corporations who were allowed to fill the orders. The Cold War generated unprecedented profits, and they flowed into the coffers of those extremely wealthy individuals who happened to be the owners, top managers, and/or major shareholders of these corporations. (Does it come as a surprise that in the United States newly retired Pentagon generals are routinely offered jobs as consultants by large corporations involved in military production, and that businessmen linked with those corporations are regularly appointed as high-ranking officials of the Department of Defense, as advisors of the President, etc.?)

During the Cold War too, the American state financed its skyrocketing military expenditures by means of loans, and this caused the public debt to rise to dizzying heights. In 1945 the public debt stood at “only” 258 billion dollar, but in 1990 – when the Cold War ground to an end – it amounted to no less than 3.2 trillion dollar! This was a stupendous increase, also when one takes the inflation rate into account, and it caused the American state to become the world’s greatest debtor. (Incidentally, in July 2002 the American public debt had reached 6.1 trillion dollar.) Washington could and should have covered the cost of the Cold War by taxing the huge profits achieved by the corporations involved in the armament orgy, but there was never any question of such a thing. In 1945, when the Second World War came to an end and the Cold War picked up the slack, corporations still paid 50 per cent of all taxes, but during the course of the Cold War this share shrunk consistently, and today it only amounts to approximately 1 per cent.

This was possible because the nation’s big corporations largely determine what the government in Washington may or may not do, also in the field of fiscal policy. In addition, lowering the tax burden of corporations was made easier because after the Second World War these corporations transformed themselves into multinationals, “at home everywhere and nowhere,” as an American author has written in connection with ITT, and therefore find it easy to avoid paying meaningful taxes anywhere. Stateside, where they pocket the biggest profits, 37 per cent of all American multinationals – and more than 70 per cent of all foreign multinationals – paid not a single dollar of taxes in 1991, while the remaining multinationals remitted less than 1 per cent of their profits in taxes.

The sky-high costs of the Cold War were thus not borne by those who profited from it and who, incidentally, also continued to pocket the lion’s share of the dividends paid on government bonds, but by the American workers and the American middle class. These low- and middle-income Americans did not receive a penny from the profits yielded so profusely by the Cold War, but they did receive their share of the enormous public debt for which that conflict was largely responsible. It is they, therefore, who were really saddled with the costs of the Cold War, and it is they who continue to pay with their taxes for a disproportionate share of the burden of the public debt.

In other words, while the profits generated by the Cold War were *privatized* to the advantage of an extremely wealthy elite, its costs were ruthlessly *socialized* to the great detriment of all other Americans. During the Cold War, the American economy degenerated into a gigantic swindle, into a perverse redistribution of the nation's wealth to the advantage of the rich and to the disadvantage not only of the poor and of the working class but also of the middle class, whose members tend to subscribe to the myth that the American capitalist system serves their interests. Indeed, while the wealthy and powerful of America accumulated ever-greater riches, the prosperity achieved by many other Americans during the Second World War was gradually eroded, and the general standard of living declined slowly but steadily.

During the Second World War America had witnessed a modest redistribution of the collective wealth of the nation to the advantage of the less privileged members of society. During the Cold War, however, the rich Americans became richer while the non-wealthy – and certainly not only the poor – became poorer. In 1989, the year the Cold War petered out, more than 13 per cent of all Americans – approximately 31 million individuals – were poor according to the official criteria of poverty, which definitely understate the problem. Conversely, today 1 per cent of all Americans own no less than 34 per cent of the nation's aggregate wealth. In no major "Western" country is the wealth distributed more unevenly.

The minuscule percentage of super-rich Americans found this development extremely satisfactory. They loved the idea of accumulating more and more wealth, of aggrandizing their already huge assets, at the expense of the less privileged. They wanted to keep things that way or, if at all possible, make this sublime scheme even more efficient. However, all good things must come to an end, and in 1989/90 the bountiful Cold War elapsed. That presented a serious problem. Ordinary Americans, who knew that they had borne the costs of this war, expected a "peace dividend."

They thought that the money the state had spent on military expenditures might now be used to produce benefits for themselves, for example in the form of a national health insurance and other social benefits which Americans in contrast to most Europeans have never enjoyed. In 1992, Bill Clinton would actually win the presidential election by dangling out the prospect of a national health plan, which of course never materialized. A "peace dividend" was of no interest whatsoever to the nation's wealthy elite, because the provision of social services by the state does not yield profits for entrepreneurs and corporations, and certainly not the lofty kind of profits generated by military state expenditures. Something had to be done, and had to be done fast, to prevent the threatening implosion of the state's military spending.

America, or rather, corporate America, was orphaned of its useful Soviet enemy, and urgently needed to conjure up new enemies and new threats in order to justify a high level of military spending. It is in this context that in 1990 Saddam Hussein appeared on the scene like a kind of *deus ex machina*. This tin-pot dictator had previously been perceived and treated by the Americans as a good friend, and he had been armed to the teeth so that he could wage a nasty war against Iran; it was the USA – and allies such as Germany – who originally supplied him with all sorts of weapons. However, Washington was desperately in need of a new enemy, and suddenly fingered him as a terribly dangerous "new Hitler," against whom war needed to be

waged urgently, even though it was clear that a negotiated settlement of the issue of Iraq's occupation of Kuwait was not out of the question.

George Bush Senior was the casting agent who discovered this useful new nemesis of America, and who unleashed the Gulf War, during which Baghdad was showered with bombs and Saddam's hapless recruits were slaughtered in the desert. The road to the Iraqi capital lay wide-open, but the Marines' triumphant entry into Baghdad was suddenly scrapped. Saddam Hussein was left in power so that the threat he was supposed to form might be invoked again in order to justify keeping America in arms. After all, the sudden collapse of the Soviet Union had shown how inconvenient it can be when one loses a useful foe.

And so Mars could remain the patron saint of the American economy or, more accurately, the godfather of the corporate Mafia that manipulates this war-driven economy and reaps its huge profits without bearing its costs. The despised project of a peace dividend could be unceremoniously buried, and military expenditures could remain the dynamo of the economy and the wellspring of sufficiently high profits. Those expenditures increased relentlessly during the 1990s. In 1996, for example, they amounted to no less than 265 billion dollars, but when one adds the unofficial and/or indirect military expenditures, such as the interests paid on loans used to finance past wars, the 1996 total came to approximately 494 billion dollar, amounting to an outlay of 1.3 billion dollar per day! However, with only a considerably chastened Saddam as bogeyman, Washington found it expedient also to look elsewhere for new enemies and threats. Somalia temporarily looked promising, but in due course another "new Hitler" was identified in the Balkan Peninsula in the person of the Serbian leader, Milosevic. During much of the nineties, then, conflicts in the former Yugoslavia provided the required pretexts for military interventions, large-scale bombing operations, and the purchase of more and newer weapons.

The "warfare economy" could thus continue to run on all cylinders also after the Gulf War. However, in view of occasional public pressure such as the demand for a peace dividend, it is not easy to keep this system going. (The media present no problem, as newspapers, magazines, TV stations, etc. are either owned by big corporations or rely on them for advertising revenue.) As mentioned earlier, the state has to cooperate, so in Washington one needs men and women one can count upon, preferably individuals from the very own corporate ranks, individuals totally committed to use the instrument of military expenditures in order to provide the high profits that are needed to make the very rich of America even richer. In this respect, Bill Clinton had fallen short of expectations, and corporate America could never forgive his original sin, namely, that he had managed to have himself elected by promising the American people a "peace dividend" in the form of a system of health insurance.

On account of this, in 2000 it was arranged that not the Clinton-clone Al Gore moved into the White House but a team of militarist hardliners, virtually without exception representatives of wealthy, corporate America, such as Cheney, Rumsfeld, and Rice, and of course George W. Bush himself, son of the man who had shown with his Gulf War how it could be done; the Pentagon, too, was directly represented in the Bush Cabinet in the person of the allegedly peace-loving Powell, in reality yet another angel of death. Rambo moved into the White House, and it did not take long for the results to show.

After Bush Junior had been catapulted into the presidency, it looked for some time as if he was going to proclaim China as the new nemesis of America. However, a conflict with that giant loomed somewhat risky; furthermore, all too many big corporations make good money by trading with the People's Republic. Another threat, preferably less dangerous and more credible, was required to keep the military expenditures at a sufficiently high level. For this purpose, Bush and Rumsfeld and company could have wished for nothing more convenient than the events of September 11, 2001; it is extremely likely that they were aware of the preparations for these monstrous attacks, but that they did nothing to prevent them because they knew that they would be able to benefit from them. In any event, they did take full advantage of this opportunity in order to militarize America more than ever before, to shower bombs on people who had nothing to do with 9/11, to wage war to their hearts' content, and thus for corporations that do business with the Pentagon to ring up unprecedented sales. Bush declared war not on a country but on terrorism, an abstract concept against which one cannot really wage war and against which a definitive victory can never be achieved. However, in practice the slogan "war against terrorism" meant that Washington now reserves the right to wage war worldwide and permanently against whomever the White House defines as a terrorist.

And so the problem of the end of the Cold War was definitively resolved, as there was henceforth a justification for ever-increasing military expenditures. The statistics speak for themselves. The 1996 total of 265 billion dollar in military expenditures had already been astronomical, but thanks to Bush Junior the Pentagon was allowed to spend 350 billion in 2002, and for 2003 the President has promised approximately 390 billion; however, it is now virtually certain that the cape of 400 billion dollar will be rounded this year. (In order to finance this military spending orgy, money has to be saved elsewhere, for example by cancelling free lunches for poor children; every little bit helps.) No wonder that George W. struts around beaming with happiness and pride, for he – essentially a spoiled rich kid of very limited talent and intellect – has surpassed the boldest expectations not only of his wealthy family and friends but of corporate America as a whole, to which he owes his job.

9/11 provided Bush with carte blanche to wage war wherever and against whomever he chose, and as this essay has purported to make clear, it does not matter all that much who happens to be fingered as enemy du jour. Last year, Bush showered bombs on Afghanistan, presumably because the leaders of that country sheltered Bin Laden, but recently the latter went out of fashion and it was once again Saddam Hussein who allegedly threatened America. We cannot deal here in detail with the specific reasons why Bush's America absolutely wanted war with the Iraq of Saddam Hussein and not with, say, North Korea. A major reason for fighting this particular war was that Iraq's large reserves of oil are lusted after by the US oil trusts with whom the Bushes themselves – and Bushites such as Cheney and Rice, after whom an oil tanker happens to be named – are so intimately linked. The war in Iraq is also useful as a lesson to other Third World countries who fail to dance to Washington's tune, and as an instrument for emasculating domestic opposition and ramming the extreme right-wing program of an unelected president down the throats of Americans themselves.

The America of wealth and privilege is hooked on war, without regular and ever-stronger doses of war it can no longer function properly, that is, yield the desired profits. Right now, this addiction, this craving is being satisfied by means of a conflict against Iraq, which also happens

to be dear to the hearts of the oil barons. However, does anybody believe that the warmongering will stop once Saddam' scalp will join the Taliban turbans in the trophy display case of George W. Bush? The President has already pointed his finger at those whose turn will soon come, namely, the "axis of evil" countries: Iran, Syria, Lybia, Somalia, North Korea, and of course that old thorn in the side of America, Cuba. Welcome to the 21st century, welcome to George W. Bush's brave new era of permanent war!