

How the U.S. Military Protects and Enriches Multinational Speculators

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At a 1972 economics conference, at the height of the Vietnam war, Mason Gaffney presented an invited paper blandly entitled “The Benefits of Military Spending.” The paper so shocked the conference organizer that he refused to include it in the conference volume. Gaffney couldn’t find another publisher willing to touch it. Now, only 46 years later, here’s that paper (draft version), updated by Cliff Cobb, and published in the *American Journal of Economics and Sociology* (March 2018). What so offended the economics establishment?

In dry economesese laced with even drier humor, Gaffney laid out the fundamental land economics underlying U.S. military spending. The logic resembles that of urban sprawl: For a few bucks, John Bigshot buys Old MacDonald’s farm way out in the boonies. Then he visits his pals on the city council of Anytown. They in turn vote to incorporate MacDonald Luxury Estates into greater Anytown, which means the town improves the road, extends water and sewer, police and fire protection, and other benefits to the property. With little personal investment (maybe a suitcase of cash), Mr. Bigshot has acquired a multimillion dollar parcel at the expense of Anytown taxpayers.

In similar fashion, multinational corporations go to third world countries where they acquire concessions for a song—mineral rights, broadcast rights, bank licenses, timber rights, harbor and airport rights, rights of way, or large tracts of agricultural land. Often they have bribed the local ruler, or “cacique” as Gaffney calls him. When angry locals threaten to overthrow the cacique, the multinationals can call in the U.S. government to protect their sacred property rights. The United States may provide guns and aircraft to the cacique, or establish a military base, or finance infrastructure like dams and ports and highways. Alternatively, the United States can support an opponent who promises

to uphold those concessions. A small initial overseas investment can yield decades of lucrative return flows to the multinationals.

Documenting dozens of such arrangements, including the original deals for oil in Saudi Arabia and Iran, Gaffney takes a sly poke at the conventional economic treatment of “defense” spending as a benign “public good” equally benefitting all citizens of the homeland. The real-life benefits go to a small wealthy international minority with no particular loyalty to the United States, while ordinary U.S. citizens pay—as consumers, taxpayers, and especially as soldiers.

When I first read an unpublished version of the paper in 1992, 20 years after Gaffney wrote it, I felt a jolt of recognition. I was a Foreign Service brat. My dad served as Economics Officer; what was he doing? Arranging deals for U.S. investors. Everywhere we were posted or traveled there were U.S. military bases. What were they doing? (We FS types looked down on the military, because they didn’t try to learn the local language or culture, and shopped only at the PX.)

I felt the same jolt years later reading John Perkins’ *Confessions of an Economic Hit Man*. Perkins’ employers sent him out to convince local third world rulers to undertake wildly overambitious, environmentally destructive infrastructure projects to be built by multinational engineering companies like Bechtel and Haliburton. These projects usually failed to deliver the promised economic benefits, leaving the locals in hock to U.S. and European banks and subject to U.S. control. The original excuse for U.S. intervention on behalf of such caciques was that they provided us with a bulwark against “Communism.” Today they provide us with a bulwark against “Terrorism,” but it’s the same pattern.

The United States has dominated this game since World War II, taking over from Great Britain. The Chinese are now bent on doing us one better with military bases in the China Sea, rail and road systems across Eurasia, seaports around the world, and vast soy plantations in Latin America, Southeast Asia, and Africa. It’s the same pattern.

Looking back to 1972, I think Gaffney’s analysis so shocked conventional economists precisely because his method was so

conventional. No hint of Marxism. Just good old-fashioned marginal analysis applied deadpan to an array of undisputed historical facts. Even worse, Gaffney poked subtle fun at received economic wisdom. No way could such subversion see the light of print—until now.