

opinion

How a war hero managed to pin down a warfare state

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THE GLOBALIST

It was Dwight D. Eisenhower who brought U.S. defense spending back under control. Ike, the former supreme commander of the costliest military campaign in history, was a military war hero, but also a man who hated war. And he revered balanced budgets.

Accordingly, Eisenhower — the 34th president of the United States and in power for much of the 1950s — did not hesitate to wield the budgetary knife. When he did so, the blade came down squarely on the Pentagon. The essence of Eisenhower's fiscal achievement, an actual shrinkage of the federal budget in real terms during his eight-year term, is that he tamed the warfare state.

Eisenhower's campaign for fiscal discipline started with the bloated war budget he inherited from Harry Truman, his predecessor. To prepare the ground for what was to come, Eisenhower traveled to Korea immediately after his election in November 1952. His trip set in motion a negotiating process that made an armistice on the Korean peninsula a foregone conclusion.

Given the expected cutback of war expense, the new White House team led by incoming Treasury Secretary (and a deficit, not defense, hawk) George Humphrey was shocked by Truman's planned defense budget for the upcoming fiscal year. It was still 6 percent higher than the current year's.

With Eisenhower's blessing, the budget request inherited from Truman was slashed by nearly 30 percent, with more cuts targeted for future years.

Although defense spending never did shrink all the way to Ike's target, the wind-down of Truman's war budget was swift and drastic. When measured in constant 2005 dollars of purchasing power, the defense budget was reduced from a peak of \$515 billion in fiscal 1953 to \$370 billion by fiscal 1956. It remained at that level through the end of Eisenhower's second term.

Even though Democrats charged that Eisenhower and Humphrey were "allowing their Neanderthal fiscal views to endanger the national security," the actual record proves the administration's drastic rollback of Pentagon spending was not based merely on penny-pinching. Instead, it flowed from a reasoned retrenchment of the nation's national security strategy called the "New Look."

The new policy doctrine of the Eisenhower administration called for a sharp reduction in land and naval forces. That move was coupled with a significantly increased reliance for nuclear deterrence on the air force bomber fleet and the rapid development of intercontinental ballistic missiles.

The New Look contrasted sharply with the inherited doctrine known as NSC-68. Written by Truman's coterie of confirmed cold warriors, such as Dean Acheson and Paul Nitze, they had stressed maintaining extensive conventional forces and a U.S. capacity to fight multiple land wars simultaneously.

At the end of the day, the general who had led the greatest land invasion ever undertaken could not be convinced that those scholastic theories of limited war were plausible in the nuclear age.

Instead, what Eisenhower feared acutely was that the massive permanent military budgets that were required by the "limited war" doctrines of NSC-68 would erode the economic foundation on which true national security ultimately depended.

The nearly one-third reduction in real U.S. defense spending during the Eisenhower years was thus achieved by sharp changes in priorities and force structure.

These moves included shrinking the U.S. Army by nearly 40 percent, large cuts in naval forces and an overall reduction in military personnel from about 3.5 million in early 1953 to 2.5 million by December 1960.

Equally important, the military log-rolling under which each armed service had been given exactly one-third of the defense budget was abandoned. Instead, under the New Look doctrine of "massive retaliation," the air force was allocated 47 percent of the defense budget, while the army got only 22 percent for its sharply circumscribed missions.

Ike's drastic change in national security

Even a 'peace' president is no match for the modern warfare state and the crony capitalist lobbies that safeguard the U.S. defense industry's budgetary appetites.

doctrine and downsizing of the conventional force structure sharply curtailed the nation's ability to wage land wars of intervention and occupation. And it caused an explosion of outrage in the army. In fact, its two representatives on the joint chiefs of staff, Generals Matthew Ridgeway and Maxwell Taylor, resigned in protest against General Eisenhower's new strategy. They understood that the army would not be getting another Korea-type assignment anytime soon.

The irony is that Ridgeway and Taylor were later rehabilitated by Kennedy's Secretary of Defense, Robert McNamara. The whiz-kid Ford Motor executive knew as little about military and defense matters as Eisenhower did about selling cars such as swept-wing sedans.

Nevertheless, soon after his appointment by President Kennedy, McNamara rehabilitated NSC-68, along with the extensive conventional forces needed "to prevent the steady erosion of the Free World through limited wars."

Not surprisingly, with Ridgeway and Taylor back in charge, "limited war" is exactly what the United States and the world got. In Vietnam, the country engaged in still another misguided land war in Asia. It turned out even more fiscally corrosive than the one in Korea.

The war against Vietnam also provided definitive proof that imperial wars that were too unpopular to be financed with higher taxation were destined to end in bloody failure.

The budgetary side of the story is disillusioning for any Democrats who believe their side stands for lower defense outlays. By fiscal year 1968, the constant-dollar U.S. defense budget had rebounded from Ike's \$370 billion peacetime minimum. Likewise, the armed forces were expanded by 40 percent from Ike's 1960 level. By the Vietnam peak, U.S. troop level reached the

same 3.5 million that had been attained during the Korean War.

As it stands, over the span of a few short years, the national security academics which came to the Kennedy-Johnson administration from the Ivy League universities took U.S. national security and defense policy on a complete round trip. In essence, the Democrats in the 1960s re-established the dangerous and costly capacity of the U.S. to undertake imperial adventures that the proven warrior from West Point had insisted should not stand.

By the time of George W. Bush's final budget, constant-dollar U.S. warfare state spending had risen to an all-time high of nearly \$600 billion.

On exactly the 50th budget anniversary of Eisenhower's farewell speech warning of the dangers of the military-industrial complex, evidence of its insuperable powers was stunningly evident in Barack Obama's fiscal 2011 budget.

This was all the more surprising as the 2008 election had been even more unequivocally a "peace" election than 1968

had been; the "peace" candidate won. Yet, election mandate or no, Obama proved to be no peacenik as Eisenhower had been in the Oval Office.

Under Obama, the U.S. warfare state gave no ground whatsoever. In fact, inflation-adjusted defense spending in fiscal 2011 of \$670 billion was a new record, eclipsing even George W. Bush's final war budget. This made one thing abundantly clear: Even an out-and-out "peace" president is no match for the modern warfare state and the crony capitalist lobbies that safeguard the Moloch-like U.S. defense industry's vast budgetary appetites. Indeed, Obama pushed defense spending to a level 80 percent greater in real terms than Eisenhower concluded was necessary.

The source of Eisenhower's singular success among postwar presidents in actually shrinking the inflation-adjusted federal budget is quite clear: It was due first and foremost to his taming of the warfare state. His feat is all the more impressive as it came at a time when America still had to fear nuclear attacks and the land was dotted with radar installations and air-raid shelters.

So, the Eisenhower defense budget, coming in at \$370 billion (in present-day dollars) was a signal fiscal policy accomplishment, even as it proved to be unsustainable and unrepeatable.

How is it, then, that if the U.S. needed just \$370 billion for defense at the height of the bipolar, globe-spanning confrontation with a true enemy, the Soviet Union, we now need \$670 billion — which is a staggering 80 percent more?

This essay was adapted from "The Great Deformation: The Corruption of Capitalism in America" (Public Affairs, 2013) by David A. Stockman, who was President Ronald Reagan's budget director from 1981-1985. © 2014 The Globalist

Supremes answer town's prayers

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Thank goodness (but not God) for Justice Sonia Sotomayor. If it weren't for her, the May 5 U.S. Supreme Court vote upholding prayer before town council meetings in the upstate New York town of Greece would have been a straight-religion vote, with the court's Catholics voting to uphold and its Jews voting to strike down.

By joining the court's three Jewish justices, who are also, coincidentally or not, three of its liberals, Sotomayor saved the court from the embarrassment of revealing a church-state split along religious lines. The case is going to be a landmark.

It's been three decades since, in *Marsh v. Chambers*, the court last decided to allow legislative prayer, that time in the Nebraska statehouse. In the interim, the *Marsh* decision has often been considered an outlier from establishment clause jurisprudence, a vestige dependent on the court's desire not to rock the boat by prohibiting a practice that Congress, among others, has followed since its very first meetings, before the First Amendment was enacted.

Justice Anthony Kennedy, writing for the court, made it clear that *Marsh* is alive and well. First, he insisted that any test of constitutionality under the establishment clause of the First Amendment must be framed to permit practices deemed constitutional since the founding, including legislative prayer. If this sounds a bit like putting the cart before the horse, that's because constitutional tests are supposed to be devised in order to produce specific outcomes.

But Kennedy explained where his principle came from: "A test that would sweep away what has so long been settled," he wrote, "would create new controversy and begin anew the very divisions along religious lines that the establishment clause seeks to prevent."

If the purpose of the establishment clause is to avoid divisiveness along religious lines, as Justice Stephen Breyer (a dissenter) has in the past argued, then according to the court, the clause itself should not be interpreted in such a way as to create further controversy.

Kennedy then dismissed the argument that legislative prayer is only con-

stitutional if nonsectarian, pointing out accurately that legislative prayer in Congress has often been sectarian in the past, even if prayer leaders are urged to adopt a nonsectarian tone.

Next, in a portion of the opinion that commanded only a plurality, Kennedy applied his own favored establishment clause test — whether the government action coerced anyone to participate in religious activity against his or her will, even subtly. (Disclosure/humblebrag: I've written extensively in favor of coercion as an establishment clause test, alongside a prohibition on government expenditure of funds, and Kennedy cited my work in his opinion.)

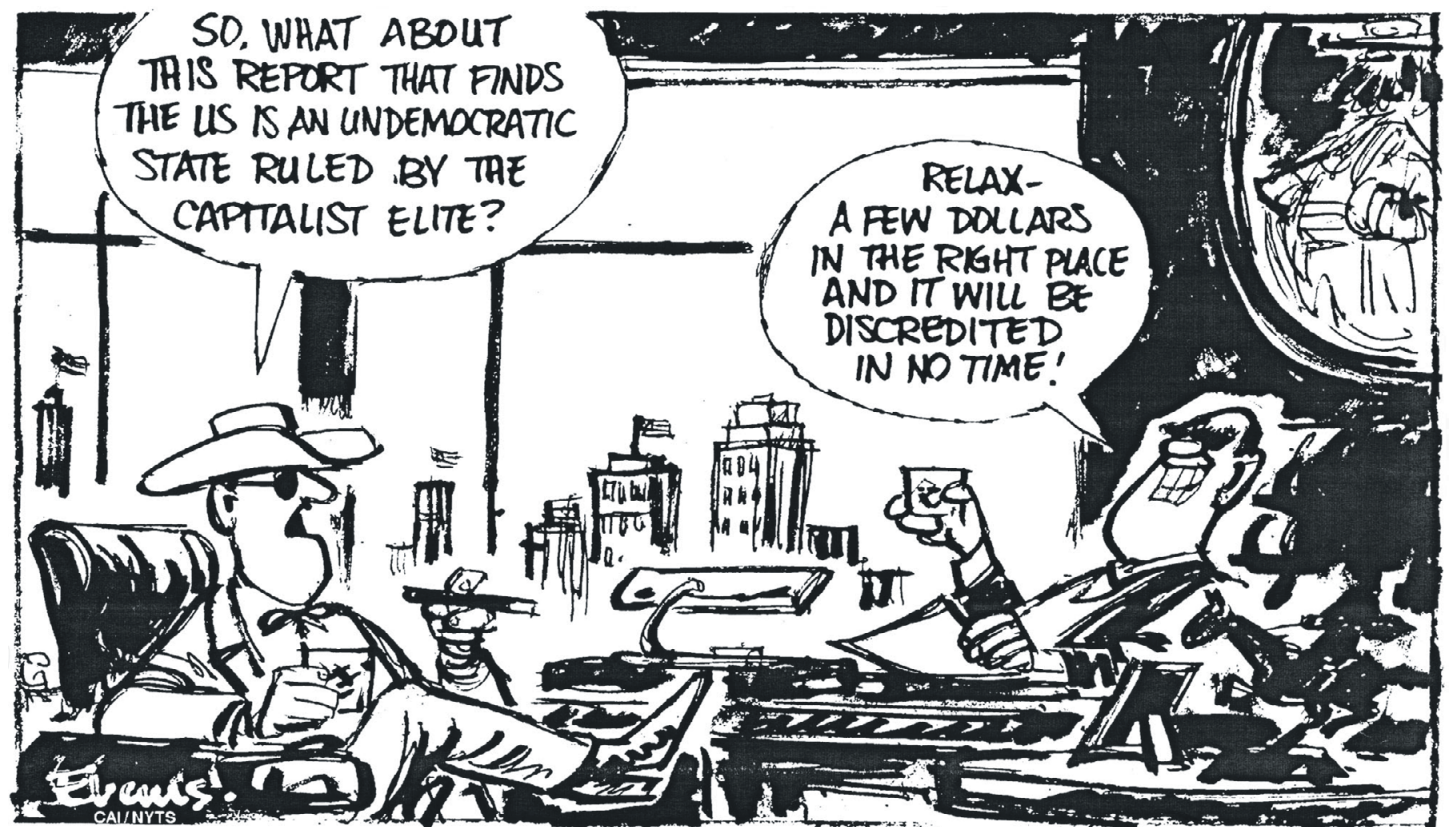
On the facts, Kennedy concluded, the town wasn't coercing anyone by holding prayers before council meetings. Those in attendance were, he stressed, "mature adults" who were free to come and go and avoid the prayers if they wished.

With this observation, he distinguished the case from a famous 1992 case, *Lee v. Weisman*, in which he wrote the opinion striking down a nondenominational prayer offered by a rabbi at a middle-school graduation ceremony. Many (myself included) have long speculated that Kennedy would distinguish children, susceptible to peer pressure, from adults — and last week he confirmed that speculation.

Justice Clarence Thomas, joined by Justice Antonin Scalia, wrote separately to offer a new and significantly improved version of his idea that the establishment clause applies only to the federal government, not the states.

In the past, Thomas had appeared to subscribe to the historically implausible view that the words "Congress shall make no law respecting an establishment of religion" were actually intended to protect state establishments of religion from congressional action.

The framers' generation considered "establishment" a dirty word, and Thomas thankfully now appears to have jettisoned that view in favor of the claim that, because the First Amendment was originally intended to apply only to the federal government (leaving matters connected to religion to the states), it therefore should not be applied to the states like the rest of the Bill of Rights. This perspective at least deserves respect, based as it is on credible history.



Beware of economists who hide assumptions

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What if I told you that jumping off a cliff is entirely safe, except for gravity? Would you find my prediction insightful or useful? Strange as it may seem, this is precisely the kind of logic that underpins many of the models that economists

use to help them understand the world — and even to make policy recommendations on things such as financial regulation and inequality.

It's a serious flaw to which Stanford University finance professor Paul Pfleiderer has been trying to attract attention. As he argues in a recent paper, theorists make some pretty absurd assumptions to arrive at results or implications that are, in turn, relevant to policy.

All too often, people involved in real policy matters ignore those assumptions and end up believing ridiculous things. After all, they've been demonstrated in an economic model.

As a spectacular example, Pfleiderer points to a 2013 working paper by two respected economists titled "Why High Leverage is Optimal for Banks," which essentially says that banks operating with thin capital and tons of borrowed money do not necessarily present a systemic threat. They build a model demonstrating that — if you ignore a string of really important things, such as the potential for extreme leverage to desta-

bilize the financial system and force governments into costly bailouts — you can make the case that banks should be as leveraged as possible. A better title, Pfleiderer suggests, would be "Why 'High' Leverage is Optimal for Banks in an Idealized Model that Omits Many Things of First-order Importance."

There's nothing wrong with making assumptions — even crazy ones — to help get your mind around something. The deception comes in claiming that your conclusions have real-world relevance when the assumptions are nuts.

Too frequently, Pfleiderer argues, economic theories are like chameleons that change their color to suit the moment. The chameleon hides its assumptions and makes bold claims, and then, when questioned, acknowledges its assumptions and says, "Hey, I'm only a model!"

This trick of deception has now been enlisted in the debate over economic inequality, inspired by the phenomenon of Thomas Piketty's book "Capital in the 21st Century." Some economists have criticized Piketty's analysis of the drivers of inequality, saying that it might be just the consequence of simple things such as differences in personal patience (rich having more and the poor less) or random shocks to people's ability to earn over their lifetimes. Sniff their models more closely, and you may begin to smell chameleon.

One study, for example, starts with the assumption that people differ in

Justice Elena Kagan wrote the principal dissent, which itself should count as a landmark. For essentially the first time in the court's history, she offered a full-throated defense of religious "pluralism and inclusion" as a constitutional value.

Kagan argued that a town hall "need not become a religion free zone." In her view, because the prayers offered in Greece were overwhelmingly Christian, the government had "aligned itself... with a particular religious creed" in violation of the establishment clause. She offered a series of hypotheticals involving a court, an election and a naturalization ceremony in which sectarian prayers would, she said, violate the establishment clause.

That left her with the problem of the *Marsh* precedent, which she purported to accept as binding. She differentiated the legislative prayer in Nebraska — which wasn't always nonsectarian — by saying that the Greece town council meetings were not simply legislative, but were also "occasions for ordinary citizens to engage with and petition their government, often on highly individualized matters." In that sense, the meetings resembled court cases more than legislative sessions — and this required the town to exercise "special care" to achieve inclusivity.

What's most original about the dissent is its view that explicit invocation of religion would have been permissible so long as all religions were included. This conclusion is, I think, correct as a political and ethical matter — religious pluralism reduces religious conflict, sectarianism increases it. But making it a constitutional principle is risky.

Who decides how much religious pluralism is enough, and which denominations need to be included? Kagan's rule wouldn't be administrable as a majority opinion. It would put the courts in the position of refereeing pluralism.

If the town of Greece wants to open its council meetings with prayers, it really should be inclusive. But Kennedy's plurality opinion got it right. So long as no one is coerced, inclusiveness is a political virtue — but not a constitutional requirement.

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Japan should treat test scores with discretion

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SPECIAL TO THE JAPAN TIMES

The education ministry's decision to allow municipal boards of education to make public the results of achievement tests for individual schools is defended as an indispensable part of the accountability process. The policy has great intuitive appeal to those who are frustrated by what they perceive as a lowering of standards.

But there's another side to the story. Although standardized tests provide one piece of information in determining how schools are performing, they are far too unstable to be considered reliable or fair, according to a briefing paper by the Economic Policy Institute. That's because factors beyond the control of teachers play an inordinate role. These include such things as parents' education, the home literacy environment and the influence of neighborhood peers.

Schools' test scores largely reflect the backgrounds of the students who enroll. Data certainly matter, but it's how the data are used that is the problem.

Contrary to popular opinion, Japan's proposed new policy places it somewhere in the middle of the educational pack internationally.

Finland, which is widely acknowledged to have the world's best schools, uses standardized test scores strictly for diagnostic purposes, and never makes the results public. It selects about 100

schools each year for testing in order to determine systemic weaknesses that national policy leaders should address and municipalities can consider for whatever reasons they choose.

Finland does not use test scores for naming and shaming schools, or worse for naming and shaming teachers. Comparisons between schools are frowned on as a counterproductive strategy that undermines morale at a time when teachers are already beleaguered.

The United States is moving in the opposite direction. Many districts not only publish test scores for schools but also for individual teachers.

Los Angeles, home of the nation's second-largest school district, began releasing performance reports after the *Los Angeles Times* in August 2010 published a database of some 6,000 third-through fifth-grade teachers ranked in part on their students' test scores.

Then in February 2012, New York City was cleared to do the same for thousands of teachers after a state court declined to hear a final appeal from the teachers' union to keep the information private. The reports covered about 12,500 teachers of math or English in fourth through eighth grade.

It's inevitable that the greater the emphasis on using test scores as the final factor in evaluating schools, the greater the chance that wrongdoing will occur. Atlanta was the scene of the biggest cheating scandal in American history involving half its elementary and middle

schools. At least 178 educators — principals, teachers and other staff members — took part in widespread test-tampering. That's not surprising because of Campbell's Law. The more any quantitative indicator is used for decision-making, the more it will be subject to corruption, and the more it will corrupt the process it is intended to monitor.

Relying on test scores as the overwhelming factor will also eventually lead to school closures. That happened in Chicago, when 50 schools were shuttered at the beginning of the present school year, despite parents' protests.

If school test scores become headline news in Japan, parents could be tempted to begin a movement to opt out of nationwide standardized testing. Many parents in Colorado, Connecticut and New York are already pulling their children from participating, in the belief that the obsession with testing is destroying educational quality.

Japan has the advantage of being able to learn from the experiences in Finland and the U.S. It doesn't have to commit itself to one extreme or the other. Assessment is an indispensable part of the learning process. Without it, all stakeholders are shortchanged.

In the final analysis, the challenge is to design better tests and use the results properly.

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