



# P E R S P E C T I V E S

by **Rinaldo S. Brutoco**

*Rinaldo S. Brutoco is the Founding President and CEO of the Santa Barbara-based World Business Academy and co-founder of JUST Capital. He's a serial entrepreneur, executive, author, radio host, and futurist who's published on the role of business in relation to pressing moral, environmental, and social concerns for over 35 years.*



## Guns and Butter

### *Stagflation or Taxes*

A macroeconomic argument circulating during World War II stated that the nation couldn't afford both "guns and butter", pitting the costs of waging war against luxuries like silk stockings and abundant food choices like creamy milkfat. In fact, this saying originated decades earlier, with the passage of the National Defense Act of 1916 as the US ramped up to enter World War I. As originally articulated, it was about the choice between using nitrates for gun powder or the same nitrates for fertilizer. Hence, the dichotomy of using nitrates for wartime gunpowder (the 'guns' in this case) or for fertilizers to create more food (the 'butter').

Over the years this expression has become a shorthand way of asking if we should allocate more of the government's spending on military purchases or put that money towards all the various domestic priorities. Given the incredible militarization that has occurred in the US since WWII, this argument has become a "Hobson's Choice".

To a casual observer, it would appear our politicians easily agree on how much they want to increase the military budget every year, and then haggle endlessly on what we can "afford" for the domestic priorities. Or, as the joke which circulated during the Vietnam War reflected, "It will be a great day when our schools get all the money they need, and the Air Force has to hold a bake sale to buy a bomber." As a nation, we seem to constantly increase military spending even in periods of relative peace (e.g., did we ever obtain a "peace dividend" after the Cold War ended?), and it's been guns or nothing.

I really liked Dwight D. Eisenhower, one of only five US presidents who had not previously held elective office. Many feel he wasn't a strong civilian leader, but I disagree. The way he led in peacetime was different than the way he led in war, but equally effective. He launched an interstate highway system that, regrettably, remains the backbone of our national transportation system. He had Alaska and Hawaii admitted into the Union and appointed five Justices to the Supreme Court including the legendary Earl Warren as Chief Justice. He also signed the Civil Rights Act of 1957 and sent Army troops to enforce federal court orders which integrated schools in Little Rock. He achieved an armistice agreement with China to terminate the Korean Conflict and was a strong supporter of NATO. On the domestic front, he also launched the Department of Health, Education and Welfare making it a Cabinet-level department. He built on Roosevelt's New Deal agencies and expanded Social Security.

To my way of thinking Eisenhower did a great deal to balance his desire to produce both guns and butter. And, due to his experience as a Five Star General who led the invasions of Northern Africa, Sicily, and Normandy, he was uniquely qualified to articulate of the horrors of uncontrolled military spending.

In his 1953 "[Change for Peace](#)" speech, Eisenhower specifically referred to the 'guns and butter' trade-off by giving actual examples:

“Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed. This world in arms is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children.

The cost of one modern heavy bomber is this: a modern brick school in more than 30 cities. It is two electric power plants, each serving a town of 60,000 population. It is two fine, fully equipped hospitals. It is some fifty miles of concrete pavement. We pay for a single fighter plane with a half million bushels of wheat. We pay for a single destroyer with new homes that could have housed more than 8,000 people...

This is not a way of life at all, in any true sense. Under the cloud of threatening war, it is humanity hanging from a cross of iron. ... Is there no other way the world may live?”

Was Eisenhower wrong and can we in fact have both guns (military spending for Ukraine) and butter (increased spending on priority domestic issues like student debt forgiveness)? How did he pay for all those competing interests, while balancing the budget three times in his eight-year presidency, while also supporting the rebuilding of Europe? Turns out, the way Eisenhower pulled that off would still work today.

Eisenhower supported and benefited from progressive tax rates that went up to 91 percent in the top bracket! President Biden hasn't even suggested anything above 37 percent, and yet he is being vigorously opposed by that portion of the wealthy electorate that hires battalions of lawyers and lobbyists to protect their interests. The Trump tax cuts, which primarily benefited the top 10 percent of our nation, are not even seriously being considered for adjustment. It turns out that the wealthiest amongst us are the most ardent about preventing any reasonable tax rate, as a way to 'starve' the Federal Government so it can't begin to solve serious domestic priorities.

Last week, President Biden pointed out that we would have to “sacrifice” to support Ukraine in its heroic fight against genocide and tyranny with the next \$33 Billion of military hardware. “The cost of this fight” he observed “is not cheap.”

So far, that sacrifice has been what we've been paying at the pump for gasoline, or what we pay at the grocery store with the seven percent inflation rate we're encountering. Worse yet, those inflationary expenditures may very well end up creating the resumption of “stagflation”, the likes of which we haven't seen since the 1970s. (Is it a coincidence the rich have gotten richer and the middle class poorer in the same time frame? Not likely.)

The reality is that we must increase taxes at the top to a reasonable level to pay for our guns and our butter. A failure to do so will trigger the stagflation that we appropriately dread or will leave us without any 'butter' at all.

It turns out that there is no 'free lunch' nor is it 'free' to stop genocide when it is occurring in our midst. We must pay more at the top of the economic pyramid. We must all pay our fair share or the price to society, and ultimately to ourselves, will be far greater than the taxes we would pay for a stable economy capable of affording both guns and butter.

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