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**FOREIGN POLICY & DEFENSE**


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capacity for such a massive "surge," given the current decline in U.S. production of autos and commercial jetliners. However, recent studies by congressional committees, the Pentagon, and private researchers take a gloomier view. The "defense industrial base" employs perhaps one-fifth of U.S. scientists and engineers and one-tenth of industrial workers. But it labors under increasing difficulties.

First, the Vietnam War's \$135 billion drain on the Pentagon budget combined with soaring military payroll costs (due partly to the shift to an all-volunteer force) necessitated drastic "stretch-outs" and deferments of Pentagon spending for new military hardware. Procurement budgets fell from \$42 billion in 1968 to \$18.7 billion in 1976 (in 1978 dollars); the number of subcontractors supplying components to major aerospace corporations dropped from 6,000 to 4,000, reducing the pool of companies with specialized skills and manufacturing capacity.

Second, presidential policies and uncertainty over congressional weapons funding (done on a year-to-year basis) have discouraged manufacturers from making long-term investments in plant and raw materials. Jimmy Carter's sudden decision in 1977 to scrap the B-1 bomber project had a ripple effect. Manufacturers of titanium sponge, used in aircraft forgings, held back on adding new capacity. Lead times for these forgings jumped from 38 weeks in 1978 to 120 weeks in 1980, slowing F-15 fighter production.

Finally, the sheer complexity of "fewer and costlier" new weapons (e.g., the \$2 billion Trident missile submarine) has affected production capacity. Contractors cannot use the new technology to make civilian goods and hence lack a "hedge" against a drop in military orders. So, they limit their defense production facilities.

Foreign arms sales (\$6.7 billion in 1978) ease some industry difficulties. But Pentagon officials and outside analysts suggest reforms: congressional approval of multiyear weapons contracts; increasing industry competition by splitting up major contracts; paying some costs of plant expansion; even making cheaper, less complicated weapons.

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**ECONOMICS, LABOR & BUSINESS**


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### *Layoffs and Services*

"Have Employment Patterns in Recessions Changed?" by Norman Bowers, in *Monthly Labor Review* (Feb. 1981), Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

The growing role of services in America since the end of World War II has trimmed back the percentage of the labor force thrown out of work by recessions. So contends Bowers, a U.S. Bureau of Labor Statistics economist.

Bowers analyzed changes in employment and unemployment from

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business cycle peaks to troughs for the seven U.S. recessions since 1948. He found that the severest slump (1973–75) saw employment decline by only 1.6 percent. But during the earlier, milder 1957–58 recession, employment fell 2.1 percent. More service jobs made the difference. Service employment rose from 58.3 percent of total employment in 1948 to 70.2 percent in 1980, with government employment rising during each recession. In March 1975, a recession nadir, service jobs rose to 70.6 percent of total employment.

Male-female comparisons illustrate the importance of service jobs. Bowers found that employment losses among adult white males during economic troughs were disproportionately high in comparison with their percentage of the work force during peaks. This reflects the concentration of men in manufacturing jobs sensitive to business downturns. In fact, men accounted for 80 percent of the newly jobless during the recession that began in January 1980. Women, on the other hand, have traditionally held service jobs (e.g., as secretaries or teachers). During the 1980 slump, female employment actually *rose*.

Teen-age jobholders suffer most during recessions. Having comprised less than nine percent of the work force since 1948, they have accounted for between 14 and 38 percent of layoffs. The picture for blacks has been grim but may be improving. Just before the 1960 recession, they represented 10.6 percent of American workers but lost 35.3 percent of the jobs wiped out by April 1961. In 1980, however, they lost less than half their overall "share."

When *manufacturing* jobs are singled out for study, the image shifts. Blacks, women, and youths are increasingly bearing the brunt of recession-induced manufacturing job losses, confirming the adage "last hired, first fired." During the 1973–75 recession, for example, women made up 29.3 percent of the peak manufacturing work force but suffered 38.3 percent of the employment decline.

Did a great influx of female jobhunters trigger the sharp rise in the unemployment statistics during the mid-1970s, as some economists claim? No, says Bowers. More than 68 percent of women out of work were job losers, not frustrated first job-seekers.

### *No Triumph for Big Government*

"Government Policy and Economic Development in Germany and Japan: A Skeptical Reevaluation" by Frank B. Tipton, in *Journal of Economic History* (March 1981), Eleutherian Mills Historical Library, P.O. Box 3630, Wilmington, Del. 19807.

Scholars have long assumed that far-sighted central leaderships masterminded the economic miracles that presaged Japan's and Germany's rises to power in the half century before World War II. But Tipton, a historian at the University of Sydney (Australia), disagrees.