

fidence index against real retail sales growth during the six months that follow produces a scattershot pattern: consumer confidence predicts just three-tenths of a percent of the subsequent change in retail sales. Looked at the other way, 99.7 percent of the growth in retail sales is determined by factors *other than* consumer confidence. Knowing this, why do economists and our nation's leaders still talk about confidence as if it were the Holy Grail of economics?

The answer is simple. Consumer confidence is a proxy for demand. Keynes believed that the problems of the Great Depression revolved around the lack of demand. He argued that if consumers were unwilling to spend, then government should do it for them. He went so far as to suggest that the government pay people to dig holes in the ground and then fill them back up.

While such spending would indeed create economic activity—as would scattering dollar bills—it could not have created new wealth. No new supply would have ever occurred. But governments tend to like this argument—it makes them the center of economic activity. It's a perfect economic theory to support more government involvement in all aspects of the economy and greater redistribution of wealth. It's easy to understand why liberals love this; what's harder to understand is why some in the Bush administration are now carrying the same torch.

President Bush has been masterful when it comes to dealing with the military, but he has missed the opportunity presented by a war-time bully pulpit to promote good economics. It's certainly hard to expect—or even detect—a great deal of supply-side stimulus from the tax bill that has been working its way through Congress this fall.

The creation of wealth is not zero-sum. Government redistribution is. The defunct economist, John Maynard Keynes, still has a strong grip on our nation's economic thinking. Not all the dangers in the world are obvious.



LET'S GET IT RIGHT BOOT THE PENTAGON'S PERFUMED PRINCES

BY DAVID H. HACKWORTH

On D-Day during America's first strike in Afghanistan, the cross hairs of an unmanned Predator's air-to-ground missile were locked dead center on Mullah Omar's forehead. But just as the Taliban's *capo di tutti capi* was about to receive his one-way ticket to Paradise courtesy of U.S. technology, a military lawyer in Tampa, Florida shouted, "Cease fire!" And then his boss, General Tommy Franks, U.S. Central Command chief, chose to let this crazy call ride.

Talk about the twilight zone! Can

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you imagine what George Patton would've done if his legal beagle had dared to suggest, "Don't squeeze the trigger, even though you've got Adolph Hitler's head sitting on a rifleman's front sights!?"

Insiders say that when Defense Secretary Donald Rumsfeld got the word, he almost pounded his desk into toothpicks. But blinkered and bureaucratized military leaders who can't think out of the box must be making Rumsfeld lose it more and more frequently since he returned to the Pentagon for another tour, this time with the mission to boot that five-sided institution into the 21st Century.

Unfortunately, today's politically correct senior uniformed leaders were selected for their Kinder-Gentler-Global-Village bent. The result is that we're stuck with careerist, MBA types—I call them Perfumed Princes—who act more like corporate CEOs than warrior-leaders. Contrary to war-fighters of the past, they don't have the bold stuff to roll the dice and go for broke. Instead, they set up interminable risk-assessment safety nets—including rules of engagement tighter than a gunsmith's vice—to avoid taking any bullets to their careers. Meanwhile our warriors, our military assets and the citizens of this great land have never been so exposed.

Most of our conventional military fights are like a flabby fatso duking it out with a lighter, quicker opponent. At the same time, our forces are spread around the globe like Roman Legions, in unified commands such as General Frank's Florida-based CENTCOM. They're watching the current conflict on TV while less than ten percent of our muscle-bound force is actually involved in hunting down and taking out the bad guys.

Right after the 9/11 attack, our Germany-based two-division Armored Corps moved to Poland to practice "Hi-Diddle-Diddle-Right-Up-The-Middle"—a tank tactic of Patton's 57 years ago. Homages to WWII aside, the U.S. Armed Forces—with a total force, active and reserve, of about three million people—has more colonels than machine gunners, more

desks than tanks and more staff weenies than we had in 1945, when our Armed Forces were four times as big! And since the Cold War ended ten years ago, there's simply been no mission for our 100,000 Europe-based NATO troops, other than providing slots for the brass. In NATO, there are actually four times more U.S. generals than there are U.S. infantry maneuver battalions!

A truism of war is either change with the times or get whipped. Remember the U.S. performance at Kasserine Pass in Africa in 1942 or Vietnam in the 1960s and 70s?

It's critical that we start thinking and acting faster than our opponents—or the consequences will be unthinkable. And to do that, we need to change the mindset, cut the fat, the duplication and the redundancy, and return to a leaner meaner outfit geared to getting to the battlefield quick smart. Civil War General Nathan Bedford Forrest had his priorities squared away when he said, "Get there first with the most men."

Wars of the future will be fought by small, agile, fast-moving forces. Like horse cavalry and the battleship, the huge tank fleets we saw in Desert Storm are already yesterday's tools of war. All our ground forces must be organized ASAP to fight like our Special Forces, SEALs and Rangers now operating in Afghanistan. And our air and naval forces have got to make the big leap from the 20th to the 21st century—unmanned aircraft, arsenal ships and smaller, faster fleets.

Some specifics:

- Combine the existing five service staffs into a single joint Pentagon staff, and get rid of the multi-layered bloat presently slowing down decision-making, stealing bodies from the fighting units and preventing America's fire brigade from getting to the blaze before the house burns down.

- Merge the Army and the Marines into one flexible Ground Force, capable of sustaining fighting units with sufficient independent airlift to move anywhere in the world in 24 hours. These units would have max muscle and minimum flab, and be equipped with silver-bullet systems like the F-22 stealth fighter. They'd train together and stay together, as tightly coordinated air-ground teams.

- Disband the last remaining Army parachute division and all major Marine amphibious units—they're all as obsolete as bows and arrows. And I say that as a very old airborne warrior—a parachute division uses too many assets, and once in an air-

head can't defend itself.

- Combine the various Reserves and the National Guard.

- Get rid of the current geographical commands and organize our fighting forces functionally. Right now an arty guy, Franks, is running our Afghan ops and he hasn't a clue. This operation should be run by the Special Forces Command. The intel folks can provide the local knowledge.

- Consolidate all the high-tech intelligence services and reactivate the human side—the spying that the Clintonistas thought so repulsive, and that Sun Tzu—the eternally sharp Chinese general/philosopher who fought more than 2,500 years ago—deemed so critical.

- Eliminate the multiple civilian Secretaries, whose main purpose seems to be sustaining large staffs dedicated to putting politics and porking over war-fighting. And cut the secretary of defense staff—two thousand clerks and jerks and political appointees—by eighty percent.

- Cut, merge and/or streamline the various fiefdoms such as the Defense Logistic Agency, Defense Investigative Service, Defense Commissary Agency and the Defense Audit Agency.

- Cut the over-manned officer corps—now close to 700,000 active and reserve—by at least 50 percent.

- Kill the up-or-out personnel policy. Not every leader has the stuff to be the main man. We must also stop promoting people to their level of incompetence. Many good captains who have a hard time coming up with two plus two are brilliant troop leaders but make terrible majors. We need some of those grey heads.

- Get women off combat ships and out of ground combat units—for all the obvious reasons.

Most important is to put war-fighter leaders in the model of Patton, Halsey and Le May back in the saddle. Bounce the Perfumed Princes who've made the military as inflexible and slow moving as the accounting profession. As a bonus, this would return the warrior ethic, which has all but disappeared except for the fighter jocks and Special Ops grunts presently risking their lives in Afghanistan.

Fresh thinking, creativity and ingenuity are needed even more than smart weapons. As 9/11 proved, it's an increasingly dangerous world out there. Our defenders must change now, before we take even bigger lumps.

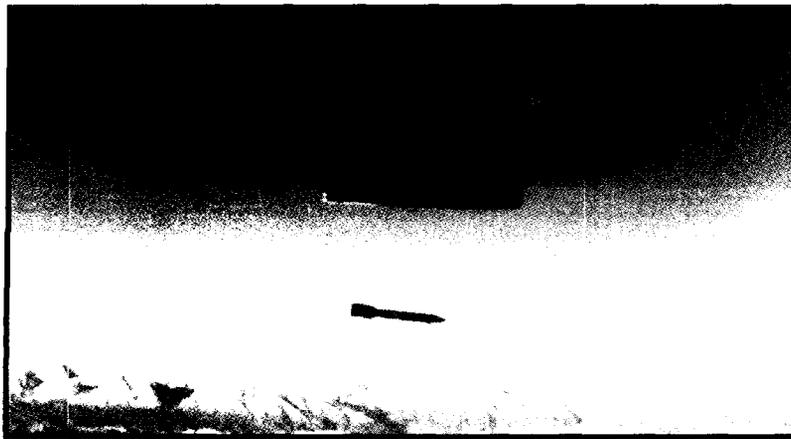
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MICRO-NUKES

BY JAMES GORDON PRATHER

One Cold War “lesson learned” at the Pentagon was that in confrontations between two nation-states, nukes do have a deterrent effect. The nuke deterrent worked in the Gulf War, as well. We suspected that Saddam Hussein might have nukes and chembio weapons, and so we warned him that if he used any of them against us or our allies, we would retaliate with nukes. It turns out Saddam did have chembio weapons, which he could have used. He didn’t, even after his armies in the field had been utterly destroyed, leaving Baghdad practically defenseless.

A Gulf War corollary for our nuclear warriors was that our existing stockpile did not then include the kind of weapon we would have needed if Saddam—hunkered down in his bunker—had in fact unleashed his chembio weapons. What we wanted then was the type of low-yield, earth-penetrating “micro-nuke” bunker-killer proposed by two Los Alamos National Lab scientists in a 1991 article in *Strategic Review* entitled “Countering the Threat of the Well-armed Tyrant: A Modest Proposal for Small Nuclear Weapons.”

By 1992 the Bush-Quayle administration had already begun to dismantle thousands of obsolete Cold

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enc advisor in the Reagan administration.*

War nukes. But George Bush—with Dick Cheney presiding at the Pentagon—supposed that a new class of nukes might need to be developed for the battlefields of the post-Cold War era. So, he vigorously opposed the efforts of the dis-

armament crowd in Congress to sign-on to an indefinite “zero-threshold” nuke test ban.

The next year, however, Clinton and Gore came to Washington and set out to dismantle our entire nuclear stockpile—not just nukes that were obsolete or excess to our more modest, post Cold War needs. Clinton also announced that we would abide by the Comprehensive Test Ban Treaty—irrespective of whether the Senate ever ratified it—and that we would never again design, build or test new nukes. Clinton got the Democrat-controlled Congress to enact a total prohibition against “research and development which could lead to the production by the United States of a low-yield nuclear weapon ... a nuclear weapon that has a yield of less than five kilotons.”

The Pentagon got around this prohibition by modifying an existing weapon, the Air Force’s B-61 “dial-a-yield” gravity bomb. The lowest yield that could be dialed—essentially by disabling parts of the otherwise far more powerful weapon—was indeed less than five kilotons. Without actually modifying the warhead, the Pentagon turned the thin-shelled gravity bomb into an earth-penetrating projectile. Though hardly the ‘micro-nuke’ envisioned by the Los Alamos scientists, this “bunker-killer”—designated the B-61 Mod 11—entered the stockpile in 1997, and the B-2 bomber was certified to be its delivery vehicle.

Last year, the Republican-controlled Congress effectively repealed

the Clinton ban on “micro-nuke” research. The 2001 National Defense Authorization Act expressly authorized the Department of Energy—which provides nuclear warheads to the Pentagon—to assist the Pentagon in “options assessments for defeating hardened and deeply buried targets”. Of course, even if Congress actually does authorize development of new “micro-nukes,” it will be years before they can actually be ready for use. In the meantime, the only bunker-killer we have is the B61 Mod 11.

George W. Bush has declared war on terrorism, and that war’s battlefields will be here, at home, and in about fifty nation-states around the world, all harboring terrorists, knowingly or otherwise. In particular, Osama bin Laden may now be hunkered down in a bunker—as Saddam was a decade ago. And he is protected by the Taliban, still recognized as the official Afghan government by neighboring Pakistan.

So what? Well, we are not at war with Afghanistan and the world is a very different place in 2001 than it was in 1991. In particular, in 1991 no Islamic nation-state—Iraq included—had nukes. Now at least one—Pakistan—does. In answering India’s nuke tests in 1998 with their own, Pakistan has once again demonstrated the deterrent effect of nukes on nation-states. But can the threat of nuke retaliation deter suicidal terrorists? Obviously not. You can’t retaliate against terrorists who are already dead.

That leaves pre-emptive strikes—say, with the B-61. But, before we nuke bin Laden—as some pundits and warhawk Congressmen have urged—maybe we ought to take into account that we will also be nuking the nation-state of Afghanistan. Then consider that Pakistan’s version of our CIA—the Directorate for Inter-Services Intelligence, a rogue elephant if ever there was one—not only installed and sustains the Taliban, but is also the custodian of the several dozen Islamic nukes in the Pakistani stockpile. Just a thought. ↘