

Affiliate Report from the Netherlands

By Alice Slater

The Hague

On May 21 to 23, 1992, ECAAR's Netherlands Affiliate, the Dutch/Flemish Association of Economists for Peace, together with the Tinbergen Institute organized and hosted a unique conference **ECONOMICS OF INTERNATIONAL SECURITY**. About 150 economists from nearly 30 countries traveled to the Peace Palace in The Hague to share research and new thinking which could contribute to the reduction of conflict and the enhancement of global security. Dr. Annemarie Rima, Chair of Economists for Peace was the principal organizer for this groundbreaking event.

ECAAR Trustee Jan Tinbergen, in the opening plenary address, set forth broad areas of research that would enable economists to implement their ideals. He noted that the subject of peace economics, which he characterized as "the subject to be or not to be" is "one proof of the extent to which scientific activity has expanded as a consequence of the expansion of society." He urged that economists have a duty "to study the possibility of eliminating war as a means to settle conflicts" while outlining proposals that he thought should be studied for feasibility: the competence of certain UN agencies, such as the UNEP and the FAO, to impose on member governments, policies considered optimum by those agencies; the creation of new agencies such as a World Treasury and World Police Force; and the effects of development assistance to poor countries on conflicts due to migration.

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Annemarie Rima, Jan Tinbergen, Henk Jager, and Lawrence Klein (left to right), Peace Palace, The Hague

Disarmament, Unemployment, Budgets, and Inflation

By William Vickrey

One of the most important considerations that impedes the reduction of the defense budget to levels that make sense even from a military point of view is the fear of unemployment. Even most militarists are willing to concede, if pressed, that retaining 20,000 nuclear warheads and building more attack submarines makes little sense when 1,000 nuclear bombs would be sufficient to destroy civilization and additional submarines would be of little use in the event of hostilities with Saddam Hussein, Qaddafi, Mobutu, or North Korea. Yet the representative from New London or the Senators from Connecticut may well feel that their political future is tied up with the fate of workers on submarines at the Electric Boat Company in Groton.

It is no answer to say that, as many claim, a given amount of spending on civilian projects produces more jobs than the same amount spent by the military, so that a shift of a given amount in government spending from military to civilian outlays would increase overall employment. At best the differential impact is not very strong, while it is small comfort to the machinist fired from his job in Groton that jobs are opening up in Youngstown or even in New Britain: even if he can readily take up his roots and move, he will have to compete for these jobs with other unemployed who are closer to the job both geographically and in terms of their skill configuration. And it is an unfortunate fact of political life that those who are afraid of being injured by change feel this more intensely and fight harder against it than those who stand to realize a less vividly perceived gain which often comes about indirectly and is uncertain in its nature and in its impact on individuals. Thus, even though total unemployment would probably be reduced significantly by a shift from military to civilian outlays, the anguish of those losing jobs greatly outweighs in the legislative mind the satisfaction of those getting jobs, even though the latter may be the more numerous.

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IT'S OFFICIAL
ECAAR has changed its name to
Economists Allied for Arms Reduction
Many thanks to those who made suggestions
which were forwarded to our Board before our new
name was selected.

Toward a New World Marshall Plan

by Robert Schwartz

The world stands poised at a new threshold because of the enormous changes that have taken place in international politics. During the Cold War years the industrialized nations concentrated on ideological threats and neglected all the ancient foes "poverty, hunger, chaos; the deadly cycles of boom and bust in the North" and simply "bust" in the Third World countries. We now have an unprecedented opportunity to attend to human needs in countries struggling for their very existence. But success will depend upon providing a cure rather than a mere palliative. Without long-term planning and cooperation among nations, we will not succeed. Help given piecemeal will soon evaporate. It could even exacerbate rivalries by creating a competitive situation where aid is tied to political agendas.

In 1947, when the world was poised on a similar threshold, the U.S. embarked on an ambitious program to rebuild Europe known as the Marshall Plan or European Recovery Program. Perhaps the time has come for a new Marshall Plan, one with a fresh perspective on world problems, one that links cooperative development with disarmament. Even the most vocal critics of the Marshall Plan concede that it was an important stimulus for post-war reconstruction and development. There are analytic tools and planning resources available to us today that were not available then. Building on what was learned during that post-war period, we can go far to eliminate inequities worldwide. But the effort this time must be made by a closely knit consortium of industrialized nations and members of OPEC who will share resources and technology with the underdeveloped nations of the Third World, and divert military expenditures toward economic reconstruction and development.

There is a strong relationship between disarmament and development. Real dollars spent on defense have more than doubled since 1965. Most of this spending resulted from the arms race between NATO and

the Warsaw Pact countries; roughly three-fourths of all arms expenditures during that period were related to the Cold War. Military expenditures as a percentage of the GDP indicate an even higher rate of spending among developing countries. Military spending imposes a burden on individuals in the Third World that is three times greater than that of the industrialized nations in terms of annual income. This is a startling statistic in light of the human suffering that occurs in those countries — suffering that could be alleviated by reallocating part of the money to meet human needs. Defense outlays should be vastly reduced. It is estimated that \$140 billion a year could be rechanneled to productive civilian uses if countries whose defense spending is exceptionally high would reduce their military costs to the worldwide average of 4.5%. Should the world be spending two and a half billion dollars a day in military production now, when there is no longer a Warsaw pact?

A new Marshall plan would be predicated on the willingness of all countries involved to reduce military expenditures and reallocate the savings toward development. The Plan would use the resources of the United Nations, the World Bank, the International Monetary Fund, and regional international institutions such as the European Bank for Reconstruction and Development, all of which have been concerned with the relationship between disarmament and development. A consortium of developed and OPEC countries using funds now spent on the military could far surpass the aid contributed by the United States alone during the post-war period. From 1946 to 1951 the U.S. contributed \$33.2 billion, a figure that would translate to \$187.9 billion in current dollars. This was in addition to the substantial aid in grants and loans that were made during the war. How much more could be accomplished by a consortium of countries determined to make a difference in the state of the world!

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Teamwork: Two Pilot Programs with Russian and American Scientists and Institutions

By V. L. Keilis-Borok and Michael D. Intriligator

With the end of the Cold War there is strong potential for a new era of scientific cooperation between Russia and the United States.

The United States is now eliminating remaining Cold War restrictions on cooperation: Russian research institutions now have complete freedom to engage in such cooperation, and public and private institutions are beginning to realize that funding such programs is an excellent investment.

A new program of scientific cooperation could build in part on the existing cooperation in the three areas that are already covered under small prototype contracts: supercomputers, plasma fusion and fiber optics. Recent steps in this direction have included a Sun Microsystems contract with the leading supercomputer group in Moscow, a U.S. Department of Energy contract with the leading Russian group for the study of plasma fusion and AT&T Bell Laboratories and Corning, Inc. contracts in the area of fiber-optic cables.

Supercomputers and related development in parallel processing

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will undoubtedly have enormous influence on both future scientific studies and business operations. As to plasma fusion, further research in this field could lead to efficient and environmentally safe production of energy. Fiber-optic technology can revolutionize communications.

But these are only a few of many such fields where collaboration has potentially enormous payoffs. Among others, joint programs of Russia-U.S. scientific cooperation could address environmental issues, high-temperature superconductivity, earthquake prediction, new sources of energy, medical diagnosis, mineral and other resources of the continental shelf, technological and socioeconomic problems of mega-cities and the economic effects of disarmament. Problems in these areas are of international significance, so new developments would have worldwide applications.

Both sides are now in a position to benefit from such cooperation. In the United States, much of the scientific and technological Establishment has been involved in military-related work, and as defense budgets shrink, many talented scientists and scientific organizations are now looking for related civilian work.

The same applies with even greater force in Russia, where the problem of funding the scientific-technological Establishment is enormously compounded by the collapse of the Russian economy. Nevertheless the major resources of Russian science are largely intact, and dollar funding can be extremely effective, since scientific operations in Russia in most cases cost less than 10% of comparable U.S. operations. Such funding could play an important role in keeping Russian science intact, preventing its dissipation or loss to nations building nuclear weapons and other military programs.

New programs involving scientific cooperation between research teams in the United States and Russia could, as in the case of the small pilot projects to date, be based on both public and private initiatives. The first focus of cooperation would be in areas of obvious importance where there are strong scientific capabilities on both sides, particular-

ly among the large Russian research teams and U.S. weapons laboratories and military-funded industry groups doing world-class research.

Modest public and private funding of the new projects should be forthcoming in the light of the enormous potential payoffs that can be reasonably expected from pooling past national developments. With the barriers removed and with some governmental support, both sides could join forces to tackle critically important problems which neither side could treat alone.

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V. L. Keilis-Borok is director of the International Institute of Earthquake Prediction Theory and Mathematical Geophysics of the Russian Academy of Sciences in Moscow.

Rio: A Missed Opportunity

By Dietrich Fischer

The UN Conference on Environment and Development in Rio de Janeiro from June 3-14, 1992, which I attended as ECAAR's representative was the largest UN conference ever held. It was reportedly attended by 114 heads of state, about 10,000 government delegates from 178 countries, 8,000 representatives of 6,000 Non-Governmental Organizations and 7,000 journalists from all over the world.

One of the most controversial issues was the question of how to finance sustainable development. The developing countries pressed hard for firm commitments from the developed countries to meet the agreed target of 0.7% of their GNP for development assistance by the year 2000. They were supported by France, the Netherlands and the Scandinavian countries, which have already exceeded that target, but were opposed by several of the developed countries, particularly the United States, which lags far behind. I participated with a group of NGO delegates from both developed and developing countries who discussed possible amendments to the draft text of the finance committee in

the hope of achieving consensus. We proposed that countries that have already achieved or exceeded the 0.7% target be commended and called upon to continue their efforts. We also proposed that the countries that have not yet achieved that target commit themselves to reducing the gap by 20% by 1995 as a first step toward eliminating it entirely. Finally, we proposed that reductions in military spending be used to finance sustainable development. Standing outside the closed door meeting of the finance committee, we distributed leaflets with these proposed amendments to all delegates as they entered and spoke with as many as were willing to listen. Only the first of the three proposals was included in the final text agreed to by governments.

Now that the Cold War is over, the new political climate offers a great opportunity to reach fundamental new agreements that can shape the course of the world for decades to come, as the founding of the UN in San Francisco and the establishment of a world financial order at Bretton Woods did after World War II. But as Stalin's Soviet Union, by refusing to participate in the Bretton Woods agreements, prevented the creation of a truly global economy, the Bush administration played a similarly negative role in Rio. It's refusal to participate may be even more devastating. While international trade is possible within a limited area, the global environment can be saved only if all major industrial countries participate. Since the United States emits about 30% of the world's carbon dioxide and is the major user of nonrenewable resources, its participation in global agreements on

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environment and development is indispensable.

Of the two major agreements to be reached, on climate and biodiversity, the United States refused to sign one and crippled the other. On preventing the greenhouse effect, the grand bargain foreseen was that the developed countries would agree to limit their CO₂ emissions and that the developing countries would in return protect their forests. When the Bush administration insisted that all references to any targets or timetables for limitations on CO₂ emissions be deleted from the climate convention as a condition for signing it, and the other countries reluctantly caved in, it became difficult to demand that the developing countries adhere to their side of the bargain. Bush's last minute initiative for a treaty on the protection of forests, in itself a good idea, was perceived as a ploy to divert attention from the United States' refusal to limit CO₂ emissions. Malaysia argued that telling it not to cut down its tropical forests was interference with its national sovereignty. When the Bush administration announced a week before the Earth Summit that half of the remaining old growth forest in the United States would be opened for logging, this was not helpful either.

The Bush administration's adamant refusal to agree to a CO₂

tax, which could offset other taxes, is short-sighted. Its insistence that we find out the precise consequences of global warming before taking action to prevent it is comparable to driving a car with closed eyes, waiting until we hit an obstacle before trying another direction. It is even worse since global warming is irreversible. Once coastal areas are inundated, we cannot suddenly freeze huge quantities of ocean water and deposit them back on Antarctica. The entire world is held hostage to a myopic policy by one government as if we were sitting on a bus being driven blindly toward an abyss from which there is no return.

Every country except the United States supported the biodiversity treaty which provides that if pharmaceutical companies develop new drugs on the basis of substances extracted from rare plants or animals, they compensate the country of origin with a small share of the profits derived from that drug. The Bush administration argued that this would undermine the incentive for biotechnology firms to do research. But it ignores that developing countries, in which most of the world's remaining plant and animal species are found, also need some incentive to protect them from extinction. About 97% of all species have never been tested for their potential therapeutic value, and tens

of thousands of species are lost every year, a rate far more rapid than during great periods of extinction in past geological periods. The recent discovery that an extract from a rare plant found only on Madagascar can cure a certain type of leukemia should make it clear what a tremendous resource we are carelessly destroying.

It appears that the main reason why President Bush was so opposed to any meaningful global agreement was a reluctance to give up some national sovereignty, the fear that a UN bureaucrat could tell the United States what to do. But joining global agreements for mutual benefit does not reduce our sovereignty, it extends it into new areas. No country today, for example, has sovereign control over the ozone layer. Only by agreeing to emission quotas on ozone-depleting gases and enforcement measures can we protect ourselves from carcinogenic ultraviolet radiation. By creating new global institutions in necessary areas, we gain added control over our destiny, which we did not possess before and could never achieve at the national level alone.

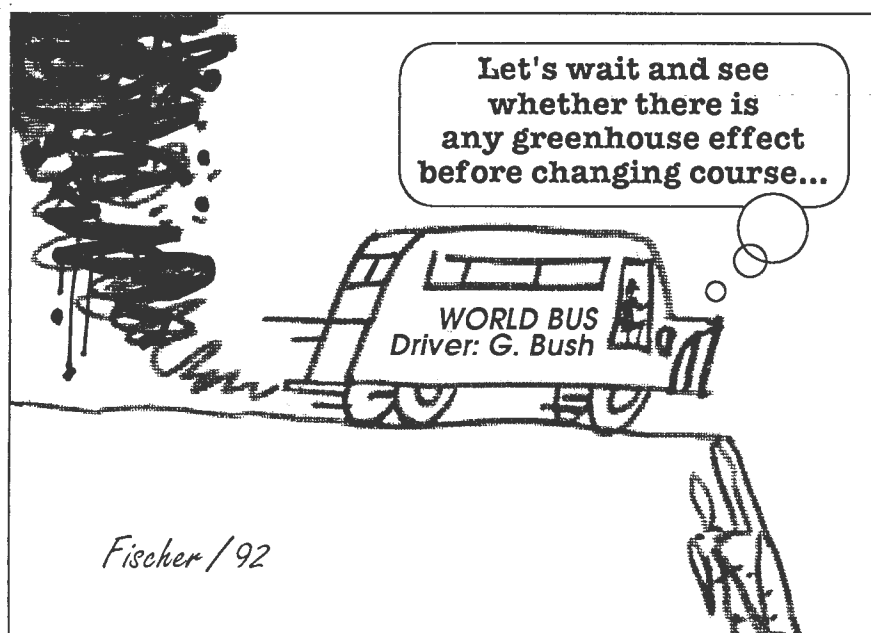
Interestingly, the first advanced civilizations emerged some five thousand years ago when people faced problems that they could not solve alone. The recurrent floods and droughts in the Nile valley required the cooperation of thousands to build dams to control rivers. This led to the formation of organized states, the development of written language, the codification of laws, and a flourishing of science and the arts. Today we face some global problems that not even a superpower can solve alone. Hopefully, this will lead to international cooperation to address these problems before it is too late. We should heed Benjamin Franklin's admonition, "We must all hang together, or we shall all hang separately."

The author is a member of ECAAR's Board and a Professor at Pace University.

Affiliate Report

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ECAAR Co-Chair Lawrence Klein spoke on Development and Disar-



mament: The Meaning, a phrase based on a 1986 United Nations document which set forth "principles for stimulating advancement in developing countries through the medium of disarmament." Dr. Klein commended the shift in U.S. policy from a refusal to participate in discussion which linked disarmament with development to an "open recognition of the linkage in the sense that arms spending is being studied by both the IMF and World Bank as a *condition* for qualification for agency support" under the rubric, *conditionality*. Dr. Klein noted the difficulty of establishing the relationship between the two concepts quantitatively or statistically, although there are certain outstanding cases such as Japan where a low military burden can be linked to impressive development and the Soviet Union where high military expenditures adversely affected economic growth. He urged that the linkage issue be the subject of further study.

Conversion efforts in the U.S. and Russia offer an opportunity for a transfer of resources and greater economic growth. The UNDP es-

1.7 times combined expenditure for education and health, with much greater disparities in particular cases. He stated that the new linkage between disarmament and development as evidenced in the World Bank's policy of conditionality, can "help to restrain the arms race involving developing countries."

Economics Has Ignored Effects of Military Power

John Kenneth Galbraith, reflecting on the state of economics, contended that the profession fails to realize its purpose "to explore and illuminate the reality of economic life" because "a large and socially critical part of all economic production lies outside the range of economic concern." He stated that "economics has ignored the modern intrusion of the self-sustaining military power on economic life — its independent role in the rich countries, notably the United States, and its devastating political power, claims on grievously scarce resources, and support of war and civil devastation in the Third World." Dr. Galbraith thought that there would be greater pride in the profession if

inclusion of this issue in standard Economics curricula.

Other Highlights

Other highlights of the Conference included addresses by Trustee Robert Schwartz on a **New World Marshall Plan** (see story, p. 2); Board Member Walter Isard, speaking on **Peace Economics: Future Directions and Potential Contributions to International Security** in which Dr. Isard elaborated on the numerous tools, techniques, models, and theories that peace economists could apply to derive rational policies that would enable decisionmakers to avoid conflicts. Reflecting on the need for collaborative effort which sometime requires a surrender of national sovereignty in certain areas, e.g., control of nuclear weaponry, the environment, Dr. Isard suggested that the Netherlands should consider entering into an experiment in setting an example for other nations, by ceding some sovereignty to the UN, permitting it to tax businesses and people in the Netherlands to support the operation of The World Court. He added that this could be done with "the constraint that all revenue collected be spent within the Netherlands"; Jacques Fontanel, Chair, ECAAR-France, speaking on **Disarmament for Development in Favor of the Developing Countries** pointed out that in the last ten years, while one million people died from weapons, over ten million people died from famine. He examined the relationship between disarmament and development, the areas where more research is needed to establish linkage, and set forth "six rules for effective disarmament" which he maintains would have "important consequences as disarmament unfolds."

Conference Workshops

The next day featured workshops including ones chaired by Akira Hattori, Chair of ECAAR-Japan, **The Role of International Institutions after the End of the Cold War**; Stanislav Menshikov, **Conversion in the Former Centrally-Planned Economies** with John Tepper Marlin as a panelist; Manas Chatterji, **Regional Conflicts and Disarmament in the Developing Countries**;

Booknote

The enclosed flyer from North-Holland Press offers a special discount to ECAAR members for the book

Economics of Arms Reduction and the Peace Process

edited by Walter Isard and C. H. Anderton with articles by Kenneth Arrow, Lawrence Klein and other ECAAR members

The book offers a comprehensive survey of the subject of Peace Economics

timates a cumulative peace dividend for 1987-2000 of \$1,236 billion of which all but \$65 billion it assigns to the U.S. and former USSR. Dr. Klein pointed out that although the cold war is over, there is still a "significant arms race taking place among developing countries" where life expectancy at birth is 62.8 years compared to 74.5 in industrial countries and military expenditure for all developing countries amounted to

scholars would "embrace these large issues that press so urgently in the former Communist world and that sustain the modern intrusion of the military power on economic life in the rich countries, and so tragically on the lives of the poor."

Editor's Note: Dr. Galbraith is preparing a questionnaire which ECAAR will mail to Chairs of Economic Departments in an effort to stimulate exploration and

Jurgen Brauer, **Conversion in Western Europe**; and William Shepherd, **New Economic Concepts of International Security**. There were additional workshops on **Environmental Issues and International Security**; **Options for Security and Disarmament**; **Economic Sanctions and the New World Order**; **Determinants and Consequences of Changes in Military Expenditures and Trade**; and **Econometric Analysis of Military Spending**, where Alex Mintz contended that contrary to Benoit's (1973) well known study on the link between armament and development, his research based on a detailed analysis of more than 100 countries, found that defense expenditures do not contribute to economic growth.

Dr. Mintz, an Israeli, currently teaching at Texas A&M University, volunteered to organize an ECAAR affiliate in Israel. Dr. Haim Roet, who during the plenary session, presented the Isaac Roet prize, established by his uncle in 1925 (who since perished in Auschwitz) for the best student essay for "the promotion of world peace through more efficient distribution" will work on that project with Dr. Mintz. ECAAR was asked to explore how it can cooperate with the University of Amsterdam to promote the Roet Prize Award to a wider audience. Dr. Roet urged that ECAAR and its affiliates engage the support of those members of the corporate sector who are bound to see that world peace is "good for business," i.e., airlines, travel industry, transnational industries, etc. Economists from a number of countries including Romania, Sweden, Great Britain, the Sudan, Turkey, Czechoslovakia, and Germany expressed an interest in forming ECAAR affiliates in their countries.

In the final session, summing up the proceedings, several speakers urged that we need a new definition of international security beyond the narrow concept of military security; the concept of national sovereignty has to be re-examined; and greater empowerment of UN institutions and multilateral organizations is needed. Stanislav Menshikov noted that "we are lacking mechanisms to

impose new policies and proposals — mechanisms that would induce businesses and people to prefer peace, pro-disarmament, pro-development, pro-environment, pro-international peacekeeping." Commenting on Dr. Galbraith's talk that "economics is out of the mainstream," Menshikov urged that we need "a Keynesian revolution, a neo-classical revolution, an intellectual revolution to provide a theory on a high level of formal economic analysis — to be not just emotionally attractive but intellectually attractive as well."

Finally, Jan Pronk, Minister of Development Cooperation for the Netherlands suggested that because "mainstream economics doesn't account for the major factors underlying political decisions" such as "conflict in itself," to be "intellectually and politically relevant," economists should "tackle issues of conflict and power which are threats to peace, development and the environment. He urged that "reciprocal conditionality" be addressed. Economists should not deal with the "well researched question of *what* causes conflict — research is needed on *how* to deal with these issues, i.e., sanctions, the nature of negotiations, which is "extremely important for political decision making." It was then announced that selected papers from the Conference proceedings would be edited by ECAAR Board Member Manas Chatterji, and Anemarie Rima, and Henk Jager, to be published by Macmillan & Co., London.

Rotterdam

For three days prior to The Hague Conference, economists, mathematicians, physicists, and other scientists met at Erasmus University in Rotterdam at the Fourth World Peace Science Congress organized by Walter Isard, the Dutch/Flemish Association of Economists for Peace and the Tinbergen Institute and co-sponsored by ECAAR. In a series of far reaching workshops, participants applied conflict analysis and conflict management procedures, analytic models, game theory, and other tools of science to tackle questions of war and peace, human rights, political systems, military strategy, and other

issues of interest to ECAAR members.

Editor's note: The program of workshops and panels is available upon request from the ECAAR office as are many of the papers which were presented at the Peace Science Congress.

Unemployment

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We are thus unlikely to get adequately deep cuts in defense budgets unless we can deal with unemployment in a way that will promise those displaced by the cuts that they will find it easy to slip into new jobs. Ever since Keynes, we have had basically two methods of stimulating the economy and bringing about full employment: monetary policy operating through lowered interest rates, and fiscal policy in which savings that are not returned to the income stream by investors using them to create new capital wealth, are recycled by government borrowing and spending. Any attempted savings that are not so recycled will vanish in reduced income and unemployment.

Unfortunately, monetary policy is currently relatively ineffective, even if vigorously applied: investors are unenthusiastic about building new plants, even if they are offered interest-free loans, when existing plants are being closed and the output capability of the rest cannot find a market. Some new investment in new products may occur, but for the most part loosening the monetary reins is like pushing on a string. As for deficit spending, the current clamor on all hands for decreased deficits and balanced budgets, evidenced by our recent narrow escape from having a constitutional amendment adopted as a strait-jacket that could have made it impossible ever to achieve a condition of really full employment is a powerful force to be countered.

This raising the balanced budget to the status of an almost universally sought-after goal is the more astonishing in that the nominal budget deficit as now defined is not a meaningful measure of any significant economic quantity. The nominal budget could be reduced by selling the Pentagon to Metropolitan

Life, subject to a lease-back contract and a repurchase option. Bonds would be paid off, but the obligation to pay rent would not be counted as part of the national debt. This at least would do no real harm, and would not even inconvenience the Defense Department. But worse, in the name of reducing the burden on the future embodied in the nominal debt, we impair the real heritage left to posterity by selling off timber and oil leases, leaving the strategic oil reserve half empty, letting roads and bridges fall into disrepair, and skimping on the health and education of our children.

The essential difficulty is that unlike most states and localities, and all well-run businesses, the federal government fails to distinguish between transactions on current account and those on capital account. If such distinctions were set up, then the budget balancers might be satisfied with a budget balanced on current account, leaving the government free to borrow for investment purposes sufficiently to recycle savings and allow an efficient level of employment to be reached.

"Natural Rate of Employment" A Vicious Euphemism

Unfortunately long before real full employment is reached, increased purchasing power will begin to be absorbed by inflationary increases in prices, once unemployment has fallen below the "non-inflation accelerating rate of unemployment" or NIARU, sometimes dubbed the "natural" rate of unemployment in one of the most vicious euphemisms ever coined. As this point is approached, the monetary authorities who tend to regard money as the measure of all good and evil and anything that impugns the value of money as a kind of sacrilege, are likely to slam on the brakes. But while a "natural" rate of unemployment of 5% might not be too bad if it merely meant that everyone would have an extra compulsory two weeks of vacation without pay, it is still a disastrous state of affairs when it translates into little or no unemployment among the "tenured" and 10, 20, 30 or even 40 percent unemployment among various disadvantaged groups, with consequent impacts in

terms of poverty, homelessness, racial antagonism, poor health, drug abuse, and crime. And basically, under present institutions, the monetary authorities have no way of curbing inflation that does not ultimately require the maintenance of what Marxists used to call the "reserve army of the unemployed."

There are, indeed, three major macroeconomic variables we would like to be able to control: the level of employment, the rate of inflation, and the division of the national income between current consumption and investment for growth, but we have only two major policy variables, fiscal policy and monetary policy. We need a new instrument that will enable inflation to be controlled without creating unemployment. A number of schemes for doing this have been proposed over the past thirty years or so, but they have gathered little support.

New Instrument of "Warrants" Needed To Control Inflation Without Increasing Unemployment

My own preferred approach, building on an idea of the late Abba Lerner, is as follows: each firm will be allotted a quantity of warrants for gross markups, akin to value added, based on past performance, with adjustments for changes in investment and employment. The aggregate of the markups covered by these warrants would be equal to the value of the national product if it is sold at a desired price level. The warrants could be bought and sold freely in a competitive organized market. If a firm finished an accounting period with more gross markups than he has warrants for, a penalty tax would be levied, which would not be expected to yield significant revenue. With inflation strictly under control under such a scheme, the monetary authorities would have no excuse for frustrating the push to real full employment, with salutary consequences for poverty, and all the social ills that go with it. Economists who have difficulties with this proposal should feel under obligation to come up with a better one.

With a full employment level of output, revenue yields from a given tax system will increase, while out-

lays for unemployment benefits and welfare would decrease, and there would be less resistance to cuts in defense spending, leading to a reduced deficit or even a surplus on current account. Even if the money value of the debt should be larger under such a program than under the austerity programs envisioned by the budget balancers, it would represent a lighter burden on an economy flourishing on the basis of an enhanced and sound infrastructure than the smaller nominal debt relative to a floundering and impoverished economy. The best way to decrease the real burden of the national debt in the long run may well be to increase the nominal burden in the short run. And the road to real disarmament may well need to go via an all out anti-inflationary full employment policy.

The author is President of the American Economic Association and Professor Emeritus at Columbia University.

Marshall Plan

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Counterpart Funds Could Be Used

The consortium could use counterpart funds, the setting aside of local currency funds against the hard currency assistance. Counterpart funds not only double expenditure availability, but were used in the original Marshall plan as a tool of inflation control, and also used where hard currency was not required. There must also be a planned approach with country-specific strategies for development, and analytic tools for evaluating those strategies which will serve as a basis for both domestic decision-making and international assistance. The potentials for development planning of the U.N. Link Program, input-output tables, and the multinational models of the World Bank must be exploited. The approach to the analysis of alternative scenarios about the future can be institutionalized to operate on a scale large enough to meet the requirements of a modern World Marshall Plan.

If we succeed, the rewards would be great — and not only for the Third World countries. Donor

nations would benefit from having more prosperous trading partners. They would also benefit from ameliorating refugee problems that can only intensify as people flee intolerable conditions at home, upsetting the social and economic balance in the stable countries that become unwilling hosts.

Dwight D. Eisenhower, in a speech to the American Society of Newspaper Editors, warned that "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 not clothed. The world in arms is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists and the hopes of its children."

Resources wasted in military expenditures must be made available for human needs. We must reverse the walk down the road of self-destruction.

The author is the Treasurer and a Trustee of ECAAR. This article was adapted and edited by Dorrie Weiss based on a speech delivered by Dr. Schwartz in The Hague at the Conference, Economics of International Security, sponsored by the Tinbergen Institute and ECAAR affiliate, the Dutch/Flemish Association of Economists for Peace.

U.N. Peacemaking and Peacekeeping

By Dorrie Weiss

The nature of world conflicts is changing. According to SIPRI, the Stockholm International Peace Research Institute, there were 31 conflicts in 1990, resulting in over 1,000 deaths. Only one of those was between states. The rest were internal quarrels over government control or the desire of minorities to separate from a parent state. Increasingly, the UN is being called into troubled areas and situations that would once have been considered to be outside its purview. It is now in a position to build a new role in peacemaking and peacekeeping by the U.N. The use of force is specifically authorized in Chapter 7 of the Charter.

With the breakup of the Soviet Union, political realities altered, giving the world in general and the

UN in particular an unprecedented opportunity to make long-overdue changes. Intransigent global problems require global solutions and the UN is in a unique position to provide them. The organization is in a period of flux as it takes on new responsibilities and faces new challenges. It is changing both internally and externally: internally in that it is being reorganized — twelve departments have been eliminated and there is a change in the reporting procedures within the organization — and externally in that there are uncharted areas where the UN is now expected to act. Many of those new areas are in preventive diplomacy, peacemaking, and peacekeeping. Some of the uncertainties about how UN responses will change should be clarified when the Secretary-General makes his report, which is expected in late June. One organizational change already in place is that the Office of Disarmament Affairs is now part of a huge department that deals with political issues, rather than a separate entity. The prevailing view is that the ODA's role has been enhanced by the change.

The author is ECAAR's NGO representative at the U.N.

Editor's Note: On June 19, 1992, UN Secretary General Boutros Boutros-Ghali asked member countries to provide the Security Council with a permanent armed force to deter aggression and enforce peace as was envisioned by the San Francisco Conference at the end of World War II but has yet to be tested. He re-

quested that as many countries as possible make available up to 1,000 troops each on 24 hours notice for peacekeeping operations authorized by the Security Council. ECAAR will address this issue more fully at a panel, chaired by Trustee Robert Schwartz, titled UN Peacekeeping and the Reduction of Military Budgets, to be co-sponsored with the AEA at the next annual meeting in Anaheim, California in January 1993. Panelists include ECAAR Co-Chair Kenneth Arrow, Rear Admiral Gene LaRocque, Professor Amartya Sen, journalist Leonard Silk, and former UN Ambassador Brian Urquhart.

Civil Disobedience at Nevada Test Site

By Alice Slater

On Easter weekend, April 18th and 19th, I visited the U.S. nuclear test site in Mercury Nevada where nearly 2,000 peace activists gathered to demonstrate and pray against the continued testing of nuclear weapons by the United States. Despite a third Russian moratorium on testing, instituted by President Yeltsin, and the recent announcement of a testing moratorium by France on April 9, 1992, the U.S. continues to test and develop nuclear technology. In 1992 we tested on March 26th and again on April 30th after the French announced their moratorium.

Between Friday and Sunday of Easter weekend, 761 people were arrested for civil disobedience at the test site according to a report in the



Kazakhs demonstrating at U.S. test site.

Las Vegas Review-Journal on April 20, 1992. The demonstrators disobeyed warning signs against trespassing, posted by the Department of Energy (DOE) and walked onto the test site clutching permits issued by the Western Shoshone National Council. The Shoshones claim that the test site land belongs to them and that the DOE has no right to forbid entry.

The demonstrators crossed over a series of metal bars embedded in the road pavement to discourage cattle from wandering on to the test site and were greeted by a phalanx of about 50 law enforcement officials, including state police, federal officers, and private Wackenhut security guards. Some were quickly escorted to a fenced area dubbed the holding-pen; others, who practiced passive resistance, were lifted and carried by two guards to the fenced area where they were held for several hours until busses came and took them to the Nye County jail in Beatty, Nevada, about 60 miles away.

All of the demonstrators were served summonses in Beatty and then released. While similar demonstrations have taken place annually for the past several years, none of the arrestees are ever jailed or brought to trial.

The activists were a mixed group of young people "shades of the 60s" a fair sprinkling of middle-aged, upstanding-citizen sorts, some people who live downwind from the test site (and who cite to higher incidence of cancer and other radiation induced diseases in their communities which they attribute to nuclear testing), a group of Viet Nam Veterans, a goodly number of Shoshones and, most surprisingly, a delegation of Kazakhs who carried a banner, in English and Cyrillic, bearing the legend "WE'VE STOPPED TESTING, NOW IT'S YOUR TURN." What answer shall we make to the Kazakh people who, in the heady early days of glasnost, exercised their newly discovered democratic rights by demonstrating and closing down the Soviet test site at Semipalatinsk in Kazakhstan?

The events in Nevada went remarkably unreported in the national press. The New York Times

carried a small article in which it stated that "123 demonstrators were arrested on Saturday for trespassing on the Nevada Test Site." The report added that "[o]n Friday, 134 people were arrested." Apart from the inaccurate reporting of the magnitude of the demonstration, there was no background information in that article either on the U.S. testing program, the Russian and French moratoriums, the jeopardized Non-Proliferation Treaty, or the recent reports that Yeltsin, under pressure from the Russian Military-Industrial complex to keep up with the U.S., is readying the Novaya Zemlya test site to resume testing in the Russian arctic. There was no attempt to create a political context for the events that occurred.

I thought it was important to bear witness to these Easter demonstrations. The stark beauty and hushed stillness of the desert, ringed by jagged mountains, belied the deathly activity concealed from view, deep beneath the surface of the earth. The absence of any visible signs of the awful havoc wreaked below the ground, in this deceptively peaceful terrain, is echoed by the silence of the media in the face of significant acts of civil disobedience and swiftly moving world events which could substantially increase nuclear proliferation.

UPDATE: In May, China conducted an underground nuclear test. The welcome agreement, by Presidents Bush and Yeltsin, to reduce our nuclear arsenals to 3,500 warheads each, made no mention of a reciprocal testing moratorium by the United States. The House of Representatives passed a one year Moratorium Act in June and a similar bill is before the Senate. Efforts are being made to include the moratorium provision as an amendment to the Senate Appropriation Committee's water and energy bill to enable the legislation to withstand a presidential veto. On June 19th and 23rd two more nuclear tests were conducted in Nevada.

Chapter Notes

GEORGIA: Dr. Sudhanva Char at Clark Atlanta University and ECAAR Board member Jurgen

Brauer organized a first meeting of a Georgia chapter with guest speakers from academia and business. A second meeting is planned for September. To participate, call Dr. Char at 404-880-8000. WASHINGTON, DC: ECAAR Board member Lawrence Summers addressed a first organizing meeting of a Washington chapter arranged by ECAAR Board member Barbara Bergmann at American University. Dr. Summers, speaking on **War, Military Spending And Development**, noted that since World War II, 40 million people have died due to war in the developing world, compared with almost none in the industrialized nations. He pointed out that 85 percent of those deaths resulted from civil war rather than international conflict. He noted the "severe consequences" that military spending has on reduced health and nutrition for the developing world and concluded that with the end of the Cold War there is now a "real possibility that donors will be able to exert more leverage on both the question of military spending and on the broader policy questions relating to democracy." Dr. Summers stated that there are already "clear signs" that the World Bank and the IMF as well as various bilateral donors are paying more attention "to the level of military spending and the question of honest competent government." Max Sawicky volunteered to call a follow-up meeting for interested members in the Washington area. To participate, contact Max Sawicky at 202-775-8810. NEW JERSEY: A second organizing meeting will be held on November 8, 1992 in conjunction with a conference organized by the Coalition for Nuclear Disarmament in Princeton. Board member Ann Markusen will be a conference panelist. To participate, call Carol Kiger Allen at 609-921-2987. NEW YORK: The edited transcript of ECAAR Trustee James Tobin's talk to the New York chapter organization meeting, THE STATE OF THE U.S. ECONOMY is now available in the ECAAR office and will be mailed out shortly to those of you who sent in the \$5.00 fee to cover our costs.

ECAAR 1992 Project Updates

World Register of Peace Economists

A questionnaire and letter is being prepared for a fall mailing to economists and others in related fields, working on any and all issues relating to economic aspects of war and peace with special emphasis on those working in Eastern Europe and Developing Nations. We thank the many people who responded to ECAAR's *CALL FOR CONTACTS* and wish to remind you that it is not too late to send in additional names to our New York office for inclusion in the Register mailing

International Essay Contest

ECAAR's essay contest, **GLOBAL RECONSTRUCTION AND ARMS REDUCTION: A BLUE PRINT FOR THE NEXT FIVE YEARS**, will be announced in September. Foreign Minister Ali Alatas, President Oscar Arias, former Defense Secretary and World Bank President, Robert McNamara, Ambassador Rita Klimova and Archbishop Desmond Tutu will join ECAAR's seven Nobel Laureate Trustees as judges.

Nuclear Weapons Facilities Project

ECAAR has received partial funding for a project to organize economists and participate with other community activists at 16 nuclear weapons production facilities in the United States in order to present economic alternatives to the continued operation of nuclear weapons facilities. ECAAR member, William Weida, Chairman of the Economics Department at The Colorado State College has begun the work and welcomes the participation of ECAAR members. We are applying for additional funding.

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Tobin's transcript at @\$5 each \$ _____

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Call me to form a chapter in my community.

Call me to work on the nuclear weapons facilities project with Professor Weida

Enclosed are names of peace economists, and related personnel to be contacted for the World Register

Name (please print) _____

Title _____

Affiliation (for Identification) _____

Address _____

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