



ECAAR NewsNetwork

The Newsletter of Economists Against the Arms Race

Volume 3 Number III Fall 1991

ECAAR Received Ford Foundation Grant

By Robert Schwartz

Earlier this year, our Co-Chair, Professor Lawrence Klein and I, discussed a few possible projects with a senior member of the Ford Foundation, Seamus O'Cleireacain, Program Officer. Consistent with our fundamental objective of massive arms reduction and the need for civilian economic restructuring and development programs, a project was developed.

The proposal is for ECAAR to undertake a two-and-a-half-year, three-phase project. The objective is to establish a worldwide register of professional economists, particularly of Eastern European and Less Developed Countries (LDCs), who presently work on the impact of military expenditures on economic performance. The register and selected commissioned studies would be published, thus providing a handy reference guide and network tool for those who wish to identify experts, and their areas of specialization, in any one country and/or region.

Phase I will establish a preliminary "base register" drawn from an initial survey of ECAAR members and their worldwide contacts, including world and regional organizations such as the United Nations, World Bank, International Monetary Fund and regional development banks. From this base register, in Phase II selected eminent economists in four world regions—Eastern Europe, Africa, Asia, and Latin

America—will be asked to convene regional conferences under ECAAR auspices. The purpose would be to identify regional research needs, opportunities, and constraints as well as to lay the groundwork of personal and institutional contacts to build the base register into a full register.

Phase III would ask for selected economists from the four regions to provide examples of substantive research on their respective country or region to be published in conjunction with or subsequent to the final register.

In preparing this request we have consulted with a number of ECAAR trustees and members, particularly those who have worked on problems of the Third World and Eastern Europe. Most would be of substantial help in Phase I, employing personal contacts, resulting in an initial base register of qualified economists worldwide.

We have just been informed by the Ford Foundation that, subject to the necessary documentation, our request for \$50,000 for Phase I of the program was approved. ECAAR Board member Professor Jurgen Brauer, an expert on LDC military expenditures, has been designated to direct the project; he will be assisted by Dr. Betty Lall, who has been deeply involved in East European affairs.

We call your attention to our reference earlier of strong support from our members in the development of Phase I. This project, important and timely, should lead to a significant contribution toward needed economic development, using funds currently spent on military production. We ask for your support. Please send names, addresses and affiliations of persons here and abroad who you believe would be roster candidates.

These should be sent to ECAAR at P.O. Box 20365, New York, NY 10025, which is at least for now the administrative base. Inquiries and suggestions may be directed to Professor Jurgen Brauer, Augusta College, Department of Accounting, Economics and Finance, 2500 Walton Way, Augusta, GA 30910 (404) 737-1560.

Nuclear Physicist, Dr. Michio Kaku Speaks at East Hampton Forum

Dr. Michio Kaku, a theoretical physicist from the City University of New York, treated a crowd of more than 50 to



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an informative and amusing address at ECAAR's third annual public forum in East Hampton, New York. The fund-raising event took place at the home of hosts Robert and Evelene Wechsler on July 27. Speaking on "The Middle East, Desert Storm and the Aftermath of War," Dr. Kaku touched on a variety of peace and resource-related issues. Arguing that the public was misled about the war by the constant focus on the use of so-called "smart weapons" when the vast majority of the air campaign relied on traditional carpet bombing sorties, Kaku warned that the gulf war had set a "bad precedent" as a "clean Nintendo game."

In his critique of the current energy program, Dr. Kaku stressed the need to develop a mixed energy program based on alternative energy forms, conservation and efficiency. He believes the Bush administration's energy policy, so dependent on oil and nuclear energy, is "guaranteed to get us into another war." He characterized the United States' reliance on and consumption of oil as "like a gigantic barroom drunk who will pick a fight with any smaller bully to get the last drink of liquor."

Touching on issues close to those attending the afternoon reception, Dr. Kaku discussed the safety of the nation's nuclear power plants. He described the two-reactor Indian Point station, north of New York City, as potentially one of the most dangerous. An accident there could disperse 1,000 times the radiation that was released at Hiroshima and affect a 100-mile region in which 10 percent of the country's population lives. Dr. Kaku, who lost family members in the bombing of Hiroshima, closed his remarks with a description of the dream which helps sustain his many efforts; his dream of a "world without fear, a world without weapons."

In addition to research and teaching, Michio Kaku publishes widely, including his recent book *Beyond Einstein: The Cosmic Quest for the Theory of the Universe*. ECAAR Trustee Dr. Robert Schwartz hosted several economists, scientists and journalists, along with the ECAAR staff and Board member Michael Intriligator at a dinner party to honor Dr. Kaku on the evening before the event.

Panel Topics and Participants Scheduled for AEA Meetings

Again this year ECAAR will co-sponsor a series of panels at the meetings of the American Economic Association, to be held in New Orleans, LA, January 3-5, 1992.

Professor Walter Isard has coordinated the organization of the five panels, all of which will explore issues of the general theme entitled "*Conflict and Peace Economics*."

The first panel, with Professor Isard presiding, will have papers contributed by Professors Jurgen Brauer (August Col.) "*Military Expenditures and Human Development Measures*" and Manas Chatterji (SUNY-Binghamton) "*Regional Conflict and Disarmament Issues for Developing Countries*." Professor Jim Horner (Cameron University) is the scheduled discussant.

Dr. Robert Schwartz will chair the second panel, "*Utilizing Military Funds for Economic Development*." Professor Lawrence Klein (University of Pennsylvania) will present work on "*The Reappearance of the Peace Dividend*." This will be further developed by Professor John Kenneth Galbraith (Harvard) in "*A U.S. Viewpoint*." They will be joined by colleagues from Eastern Europe, Professor Stanislav Menshikov (Prague) offering a Soviet view and Dr. Jiri Jonas (IMF-Czech) giving the Czech perspective. Professor Michael Intriligator (UCLA) and Dr. Betty Lall (NYU) will be the discussants.

Jurgen Brauer will lead the third panel, this on "*Economic Analysis of Military Expenditures of Developing Nations*." Presenters will include Daniel Hewitt (IMF), Simon Cunningham (United Nations) and Professor Jacques Fontanel (Université de Grenoble, France).

"*Economic Conversion and Structural Economic Change*" is the topic of the fourth ECAAR session, Professor Lloyd J. Dumas (University Texas-Dallas) presiding. Walter Isard (Cornell) will contribute a paper on "*Conversion as a Conflict Management Problem*." He will be joined by John Tepper Marlin (JTM Enterprises, New York) discussing "*Economic Conversion in the U.S.A. and the U.S.S.R.*"

and Michael Closson (Center for Economic Conversion, Mountain View, CA) speaking on "*The Role of State and Local Government in Economic Conversion*."

ECAAR's fifth panel focuses on "*Models Relating to Military Expenditures, Their Reduction and Terrorism*" and will be chaired by Professor Sol Polachek (SUNY-Binghamton). "*Sectoral Effects of Multilateral Reductions in Military Expenditures in the Major Industrialized and Developing Countries*" will be presented by Professors Jon D. Havemann, Alan Deardorff, and Robert M. Stone (University of Michigan). Professor Carlos Seiglie (Rutgers-Newark) discusses "*Defense Spending in a Ricardian World*" and Professors Todd Sandler and Walter Enders (Iowa State University) present "*A VAR-Intervention Analysis of Anti-Terrorism Policies*."

Four of the five panels are being co-sponsored by Peace Science Society (International). Session II is presented jointly with the AEA. Final times have not been determined. Along with the panels, ECAAR will hold its annual public meeting and its Board of Directors' meeting during the AEA. Further information on all these events will be in the next newsletter and will be listed in the AEA program guide.

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NEWTON MEYERS

Essay Contest Delayed

ECAAR's international essay contest *Global Reconstruction and Arms Reduction: A Blueprint for the Next Five Years* has been temporarily postponed due to financial considerations. Months of planning and negotiations took place following a letter of February 25, 1991 from Mr. Eiichiro Tameda, General Manager of the Center for Research and Analysis of The Asahi Shimbun, a leading Japanese media corporation, which stated, "you have our agreement on your proposal in principle, and that we would be ready to serve as co-sponsor."

A contract covering various topics such as the terms of the contest, awards, judges, copyrights, and responsibilities of sponsors was drawn up by Diana V. Lopez, an attorney working pro bono for ECAAR, and was sent to The Asahi Shimbun. In late August we were informed by Mr. Tameda that the Asahi Shimbun is "unfortunately unable to conclude a sponsorship agreement on the essay contest. In light of the poor business showing since this spring, the board has decided to cancel all new projects..."

Though disappointed by these developments, we believe that given the rapidly changing world events, a postponement will contribute to a more meaningful contest. During these

months of financial negotiations, we were also securing the support and participation of various non-economist world leaders. To date, two Nobel Peace Prize recipients, former President of Costa Rica, Dr. Oscar Arias and The Most Reverend Bishop Desmond Tutu, along with Ambassador Rita Klimova of the Czech and Slovak Federal Republic, and former Secretary of Defense Robert McNamara have agreed to join the panel of Nobel laureates in economics who will judge the essays. Though unable to participate, we have also received letters of support for the contest from former President Jimmy Carter, Norwegian Prime Minister Gro Harlem Brundtland, former Chancellor Willy Brandt and the current President of Germany, Richard von Weizsacker.

We are currently following leads for alternative sponsors at foundations and with corporations. We would appreciate suggestions and assistance for additional sources from our members, readers and friends.

UN Report "New World Order" Focus of NGO Conference

By Dorrie Weiss

The annual conference of the Department of Public Information for non-governmental organizations

(NGOs) was held in early September. The conference, entitled *Peace, Justice, and Development: Ingredients for an Emerging World Order*, was a three-day marathon that presented an assemblage of experts from both the U.N. and the private sector. They transmitted enough information to make anyone's head spin.

Several major themes emerged during the conference. There was a detailing of transboundary threats to world security, especially the threat arising from the movement of 16 million refugees worldwide. The North-South conflict, the widening gap between rich and poor, the role of military spending in destabilizing world equilibrium, and the changing role of the U.N. itself were all explored. Threats to the environment were dealt with only peripherally because large-scale preparations are being made for a conference on the environment and development to be held in Brazil in 1992, which will provide a larger forum for environmental issues.

Illicit arms transfers, drugs, and refugee movements are major transnational concerns. Refugees and migrants especially are considered a threat to world peace. Population shifts have vastly increased in recent years as waves of displaced persons move across borders and threaten the stability of established communities. People are driven from their homes by armed conflict, by persecution, and by underdevelopment, which makes it impossible for them to get jobs and food at home. Over one billion people live in poverty. The close links between poverty and persecution often make it difficult to distinguish between migrant and refugee. Many of those unhappy people spend long periods of time in camps for the displaced, in unwilling host countries that regard them as sores on the corpus of the state. If global opportunities are not equalized there will be mass migrations of people seeking the fulfillment of basic human needs. These movements will be unstoppable. It is estimated that nearly one third of the world's population will soon be in flux. This does not augur well for peace in our time.

The North-South imbalance is closely allied with the question of military spending, since arms sales are responsible for most of the outflow of capital from the South to the North.

One million dollars a minute are spent on defense worldwide, much of it by less developed countries. According to Mahbub Ul Haq from UNDP, two hundred billion dollars a year are spent on the military by third world countries—twenty percent of all military expenditure, although these countries generate only five percent of the world's income. As tension between the superpowers lessens, arms suppliers need to consume less of their own production and encourage the Third World to make up the difference. In the U.S., for example, the Export-Import bank has introduced subsidies for the purchase of arms. Eight-five percent of all arms sales are made by the five permanent members of the Security Council. Arms shipments are sanctioned by governments at the same time that restrictions are placed on exports like computers. The IMF until last year put ceilings on development spending, but none on military spending. Only twenty-five percent of all bilateral aid is used for education and health.

According to Ambassador Luna of Peru, the North-South dialogue is stalemated because the developed countries are not interested in addressing the wrongs of the Third World. Developing countries have for years looked to the U.N. for redress of wrongs, while developed countries see this as a threat. The U.N. was in a subordinate role for forty years because of the East-West standoff. Now that the body is strengthening, it is being threatened in a new direction by heightened nationalism. Governments must yield up some of their authority in order for the body to function, and many are jealous of their sovereignty. Increasingly, according to many of the conference speakers, "rights" have come to mean individual rather than national rights, human rights that transcend borders. The U.N. is seeking world permission to cross borders for humanitarian access anywhere that

human rights are being violated. Transnational concerns call for global negotiations; peace building requires a stronger U.N., one less beholden to powerful states; these in turn call for a reorganized and more democratically constituted United Nations.

Also at the UN: Arms Control Curriculum Commission Meets

As members of the International Association of University Presidents/United Nations Arms Control Commission, ECAAR participated in the first fall seminars held September 25 at UN Headquarters in New York.

This first substantive meeting was divided into two sessions, the morning one featuring a presentation by Dr. Jean Mayer (President, Tufts University) about the university's Talloires Project, including a curriculum on Global Peace and Security. The session also included Professor Martin Sherwin (Tufts) presenting excerpts from the Tufts/Moscow State University Telecommunications project in Nuclear Age History.

In the afternoon session, Professor Andrew Murray, Director, Baker Institute of Peace & Conflict Studies (Juniata College-PA), Dr. Robin Crews, Executive Director, Peace Studies Association (University-CO) and Dr. John Brighton, Executive Vice President (Penn State University) analyzed arms control and related curricula at the 100 or so U.S. and Canadian institutions comprising the Peace Studies Association.

These meetings, and future ones, will focus on the issues raised at the June 13 meeting, specifically; "What is the best service the Commission can render in advancing arms control teaching worldwide?"

Since its inaugural meeting earlier this year, the Commission has been joined by the chief of the European Division of the U.S. Arms Control Agency, an Indian major general who is a Visiting Fellow at the U.S. Institute for Peace; the Director of National Security Law at the University of Virginia; and the new UN Ambassador to Egypt.

ECAAR is represented on the commission by NGO representative and alternate, Dorrie Weiss and Robert Schwartz.

Texas Task Force Looks at Conversion of Military Bases

by Debra Gates

Early this summer, Texas Governor Ann Richards established a special Task Force on Economic Transition to look into the issue of conversion of military bases and defense contractors in the state. Recent cuts in the military budget have already resulted in substantial worker dislocation in Texas. With three Texas bases currently on the closure list and more contract terminations certain to come, the Governor charged the Taskforce with recommending what the state could do to help smooth the transition to productive civilian work.

The group is composed of 22 members representing the state's system of higher education, organized labor, the military and military industry, civilian business, and local and state government. It is chaired by Secretary of State John Hannah; ECAAR Board member Lloyd (Jeff) Dumas is Vice Chair.

At the initial meeting on July 19, 1991, Governor Richards gave an overview of the Task Force mission: to investigate defense dependency in the state; to recommend actions that state government can directly undertake to aid the conversion process; and to recommend actions by the state that would be effective in encouraging other appropriate public and private entities to begin advanced planning for conversion of military-oriented workers and facilities to economically viable civilian activity.

At the second meeting, Jim Wright, former speaker of the U.S. House of Representatives, discussed how best to work with the Congress on economic transition issues. Mayors of local communities discussed the impact of military facility closings and defense contract loss on their cities.

A preliminary report on responses to short term needs is expected to be completed by late December 1991; a report on longer term questions should be ready by late May. It is hoped that the activities of the Task Force will not only help to revitalize the Texas economy, but also encourages other states to take a more pro-active role in the conversion process.

Dear Members & Correspondents

Now that we have settled into
our new office,
please send mail to:

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EVV Announces "Economics of International Security" Conference and Calls for Papers

by *Annemarie Rima*

Economen von Vrede, ECAAR's Dutch-Flemish affiliate has made a first announcement and call for papers for an international conference on "Economics of International Security." The conference, co-sponsored by the Tinbergen Institute, will be held May 21-23, 1992 in The Hague, The Netherlands at the Academy Building of the Peace Palace.

The conference is organized on the occasion of the fifth anniversary of the Tinbergen Institute, the Netherlands Research Institute and Graduate School for General and Business Economics. The Tinbergen Institute was founded in 1987 by the Economic Faculties of the Erasmus University in Rotterdam, the University of Amsterdam and the Free University of Amsterdam. Since January 1991 the Economic Institute of the University of Leyden has also participated in the institute. Because of the specific expertise of the Association of Economists for Peace on the conference topic, this association was invited to become a co-organizer. The Dutch Association of Economists for Peace (EVV) was founded by professor Jan Tinbergen in May 1990.

Different key issues in economic research in the field of international security and conflict resolution will be discussed during the conference. Famous scholars in economics and Nobel prize laureates will present papers in the plenary sessions, which are scheduled on Thursday, May 21. In addition, researchers can present contributed papers in one of the 10 workshops, which are scheduled for Friday, May 22. The conference will end with a concluding session on Saturday morning May 23 and a panel discussion with policy makers.

On Thursday, May 21 the opening address will be given by Jan Tinbergen, followed by a lecture by Lawrence Klein, co-chair of ECAAR. Also on Thursday the Isaac Roet prize of US\$7,500 will be awarded for the best essay or Masters thesis of 1991 on "The Promotion of World Peace Through More Efficient Distribution." This prize is issued by the Faculty of

Economics and Econometrics of the University of Amsterdam by testamentary disposition of Isaac Roet.

In due course an updated announcement will be distributed providing further details with respect to the invited speakers, the conference fee, travel grants, registration, provisional program, etc. If you want your name to be put on the mailing list or desire to receive further information, please contact the Tinbergen Institute. Contributed papers should be sent to its address below.

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UNIDIR Expert Group on Economic Aspects of Disarmament Meets in Geneva

By resolution 45/62G of 4 December 1990, the United Nations General Assembly requested the United Nations Institute for Disarmament Research (UNIDIR) to prepare with the assistance of independent experts a research report on the economic aspects of disarmament.

The report is to develop methodologies for analyzing the economic impacts of disarmament; to forecast the economic effects of disarmament; and to evaluate in this respect public policies related to disarmament and its adjustment problems.

The following questions will be considered: What would be the effects of particular disarmament measures on the military budgets of the States concerned? What would be the consequences for the structure of military expenditure? What would be the costs of destroying, transforming or converting the relevant arms? What would be the impact on civil and military industries? Which part of national budgets and national economic activity for military purposes could be re-oriented to which type of activity. What would be the consequences for international trade, especially transfers of sensitive technology? What would be the impact on the development of particular States, notably developing countries?

The costs of disarmament will be considered at three different economic levels: at the micro-economic level of the firm and industry in terms of employment and R&D; at the macro-economic level of

the region and nation in terms of unemployment, inflation and the balance of payments; and at the international level in terms of trade, capital movements, and development assistance.

The report, which is to be submitted to the 47th session of the General Assembly (September 1992), will be prepared by a UNIDIR consultant in collaboration with a group of qualified experts. ECAAR Board member, Michael Intriligator of UCLA is the U.S. member of the expert group. Experts have been selected on the basis of their scientific qualification and participate in the group in their personal capacity. The first meeting of the group took place in Geneva June 17-19, 1991; a second and final meeting of the Group is scheduled in the first semester of 1992.

Membership Report from the Treasurer

In the last two issues of the newsletter, we have requested members to renew their membership by sending their \$35 dues. A review of our financial records indicates that while many members have sent a contribution along with their dues, a surprising number have not even renewed. The majority of our funding comes from foundations, especially the John D. and Catherine T. McArthur Foundation, and while monies for certain projects are guaranteed, we should not rely heavily on these sources for basic organizational support. We, therefore, must build a secure source of funding for basic sustenance and believe the best way to do this is through membership dues. We now have about 1,000 members and without counting foreign membership, the renewal is too low. Over the last three years, a few hard-working individuals have been developing a base for concerted action by economists, as well as an ability to offer services to our members. We believe this will grow over time

and if you have any suggestions, please write or call us.

In a recent letter, in regard to a chapter in China, a Chinese economist wrote, "The annual fee [of] \$35 is a very small amount [of] money of an American economist but it occupies over 50 percent of the monthly salary of an economist in China."

Yes, \$35 is not a large amount of money in the U.S. and I strongly urge each of you to at least keep your dues up-to-date. We operate on a tight budget and hope we need not send a special reminder with a return, stamped envelope. In the new year, we may have the unpleasant task of removing from our mail list the names of members who have not sent in their dues.

NOTES:

ECAAR Board Member Needs Help with Three Projects

ECAAR Board member Jurgen Brauer is working on three projects and would appreciate members' assistance.

First is the Ford Foundation supported project to construct a roster of Third World and Eastern European economists actively engaged (or engageable) in defense/peace economics and related topics (such as conversion). Please do take a minute and send a list of names, addresses, and positions of personal acquaintances in the Third World and Eastern Europe who are working on defense and peace economics and who might wish to be included in the roster to Jurgen (School of Business, Augusta College, 2500 Walton Way, Augusta, GA 30910).

Second, the *Journal of Economic Perspectives* has solicited an article discussing the economic impact of the coming U.S. defense cutbacks. The article is tentatively scheduled for publication in the Fall 1992 issue; a first draft is needed by March 1, 1992. Dr. John T. Marlin of the Council on Economic Priorities will likely serve as co-author. If you are conducting research or have recently written or published in this area (disarmament impact and conversion), please let Jurgen have copies of your work and/or contacts.

Third, Jurgen is preparing a publication to foster the teaching of defense/peace economics issues in our colleges and universities. If you have taught defense/peace economics in the last five years or so, please forward a copy of your syllabus to Jurgen. If you have used articles/books dealing with defense issues to illustrate economic concepts, please also send a note to Jurgen (e.g., using Leontief/Duchin's *Military Spending* book to illustrate the use of Input-Output Analysis or employing arms race models in Game Theory courses, etc.).

Your assistance is deeply appreciated!

Board Members to Visit China to Help Develop Affiliate

ECAAR Board members Manas Chatterji and Robert Schwartz will be traveling to China during October on behalf of ECAAR.

During their two-week stay Chatterji and Schwartz will be the guests of the Chinese People's Association for Peace and Disarmament (CPAPD), headquartered in Beijing. Additional meetings are scheduled with Professor Zhou Jian Ping of the Economic, Legal & Social Consultancy Centre, Shanghai Academy of Social Sciences in Shanghai. Efforts will be made to lay the groundwork for the development of an affiliate in China.

Professor Chatterji also reports that he has three publications due for release later this year. They include the volume co-edited by Prof. Jurgen Brauer which includes some selected

papers presented at the conference organized last year by ECAAR at Notre Dame University. The volume takes its title from the conference: *Economic Issues of Disarmament* and is published by New York University Press. His other works are *Analytical Techniques in Conflict Management*, Gower Publishers, London; and *Disarmament, Economic Conversion and Management of Peace* (Editor), Praeger Publishers, New York.

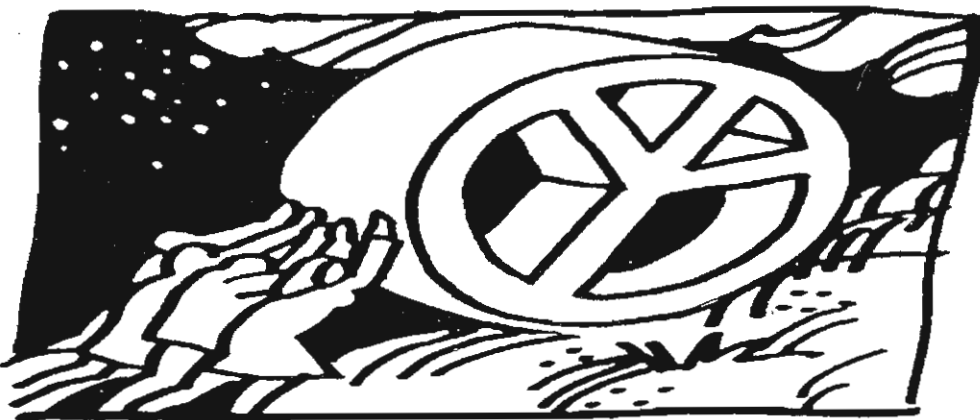
Two New Resource Lists Available from ACCESS

ACCESS, a Washington, DC-based, non-profit, non-advocacy clearing-house of information on international security has recently released two publications on current critical areas of interest.

A *Resource Brief* on "Independence for the Baltic States" provides background information and an overview of current and pending issues. It also includes nation-wide, government and non-government information contacts (with phone numbers) and a brief reading list.

The more lengthy *Security Spectrum* on "The Arab-Palestinian-Israeli Conflict: US Policy Options" presents an introduction to the general subject while delineating specific schools of thought and a range of perspectives. It includes a lengthy reading list divided into topics such as background and history, the PLO and Palestinians and policy proposals and the peace process.

For further information contact ACCESS at (202) 785-6630 or write to 1735 M Street NW, Suite 605, Washington, DC 20036.



HEWTON MEYERS