



ECAAR NewsNetwork

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Reformulating Macroeconomics

The Crisis of Vision in Modern Economic Thought
By Robert Heilbroner & William Milberg
(Cambridge University Press, New York)

Reviewed by John Langmore

For anyone working on economic policy the disarray in macroeconomic theory during the last quarter of a century has been a massive impediment. In exactly the period when economists have had more influence in government and on nations than ever before, there has been remarkably little agreement about what macroeconomic theory has to offer. To the extent that contemporary theories have been applied, they have been of only modest value at best, and some would argue that they have been counterproductive, noting, for example, the massive waste and damage caused by high and rising unemployment. A critical appraisal of recent theoretical work linked with some suggestions of a way forward is immediately appealing.

The title of this book suggests that it is another critique from the left of contemporary economic values and prescriptions. Given the calibre of the authors that would be important enough, for Robert Heilbroner in particular is known and admired throughout the profession for the quality of his scholarship and analysis and for the fluency, attractiveness and succinctness of his writing.

This is, however, an even more ambitious and significant book than that. For the authors present nothing less than a review of the nature and causes of the current conflict and unreality of macroeconomic theory and policy in the context of a brief history of economic thought, and conclude by suggesting a way forward. The book is notable for the breadth of the overview

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ECAAR member John Langmore is a Member of the Australian Parliament.

Real Renewal For America: Time For Change, Time for Sharing

Reprinted from Monthly Review, February 1996

By Adrian W. DeWind

When under stress, we Americans have a long history of listening to snake oil salesmen, con-artists, Ponzi schemers, and, of course, charlatan politicians. Some Congressional leaders and their right wing extremist followers in the 104th Congress are the latest example of the last.

We have lived for over twenty years with decline and stagnation for most. "Insecurity" and "inequality" are the words that best describe the feelings of millions of anxious Americans—feelings that lead to apathy for some and anger and frustration for others. All this is well-known and widely acknowledged. Both the *Wall Street Journal* and *Business Week* express alarm at the growing inequality. The President of the Federal Reserve Bank in New York convened a national meeting of concern.

But not the newly empowered Congressional servants of the endlessly acquisitive rich. They tell us that the national government is the enemy; that services for health, education, environmental protection, and relief from poverty are too generous, often largely worthless, and the source of our troubles; and that taxation, particularly the income tax, is what weighs us down. Spouting this nonsense, they nevertheless support continued large favors for the rich at the hands of the national government. Over the last twenty years the only increases in incomes after all Federal taxes have gone to the richest one percent.

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Adrian "Bill" DeWind is an attorney and a member of ECAAR's new Business Advisory Committee.

In Long Island, N. Y., near Superfund cleanup site, Brookhaven National Lab, the Department of Energy warned nearly 800 home owners that their well-water had been contaminated by radioactive tritium, cesium, and strontium-90 and offered them free water hook-ups to the Suffolk County system. Long Island has the highest breast cancer rate in the country.

See *Chernobyl After 10 Years* by Jay Gould

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HOW HAITI AND PANAMA ABOLISHED THEIR MILITARIES

By Dietrich Fischer

Oscar Arias Sanchez, the 1987 Nobel Peace laureate and a Trustee of ECAAR, played a decisive role in helping Haiti and Panama to abolish their militaries. From informal conversations with many ordinary Haitians over the last few years, he estimated that about 80 percent of them wished the military were abolished. Most Haitians do not see their army as a force that protects them from aggression. They rather see it as a threat to their personal security. It has violently overthrown democratically elected governments and carried out arbitrary arrests, torture and murders.

After Jean-Bertrand Aristide was reinstated as Haiti's President in October 1994, Arias suggested to him to take a bold step before leaving office and to make Haiti join the growing list of countries without a military. Besides Costa Rica, there are about 30 other such countries today, most of them small islands or land-locked countries.

At a meeting in February 1995 with Global Demilitarization, a citizens group founded by Sue and Marvin Clark from Troy, New York, Arias explained that his Foundation for Peace and Reconciliation in San Jose, Costa Rica, sought the relatively modest sum of \$20,000 to hire a recognized polling firm to conduct an opinion poll in Haiti on the question of abolishing the military, and to train Haitians in taking scientific polls. Candidates in Haiti's 1995 parliamentary elections would then be forced to take a stand on this issue, and those who wanted to keep the military would be unlikely to win. Grassroots organizations could hold politicians accountable to keep their promise after the elections.

This strategy worked even better than expected. Global Demilitarization was able to help raise the necessary funds in time from many individual contributions. The poll was taken in March and early April 1995 in Haiti and showed among other results that 62 percent of the Haitian people wished to abolish the army and only 12 percent wished to keep it, with the rest undecided. When Oscar Arias announced these findings at a news conference in Port-au-Prince on April 28, 1995, President Aristide, in a courageous move, stepped to the microphone and spontaneously declared, in front of the assembled Haitian military leaders, that given the clear wish of the majority of his people, he herewith declared the military abolished.

President Aristide was asked in a television interview in December 1995, shortly before he left office, what he considered his greatest achievement during his term as President. He said without hesitation, "Abolishing the Haitian military."

According to the new Haitian constitution, a change in the constitution must be approved by two successive legislatures. The newly elected parliament approved a zero military budget last year, supporting Aristide's decision. The Arias Foundation is now working with Haitian members of Parliament to show them that a country without a military can function well, and seeks to make Aristide's decision a permanent feature anchored in Haiti's constitution.

Arias understood the sensitivity of such an issue: pressure had to come from inside the country, not from abroad, otherwise it could backfire. That is why he recognized the importance of an

opinion poll in Haiti to make the public sentiment—so well hidden under the past repressive conditions—visible.

The agreement brokered by President Jimmy Carter between Aristide and army chief General Raoul Cedras in October 1994, which led to the restoration of democracy without major bloodshed, reduced the Haitian army from about 7,500 to 1,500 troops. But while this was hardly enough to defend the country against an invasion, it was still plenty to overthrow an elected government. Haiti is even better off without any army.

Arias has had previous successes. After President Endara installed in office in Panama in December 1989 by U.S. troops, no Latin American country was willing to recognize him, even though he had won a democratic election. Latin Americans, for good historical reasons, have a strong aversion to U.S. intervention in their internal affairs. Endara desperately sought recognition from some Latin American governments. Arias, then President of Costa Rica, promised that his country would become the first in Latin America to recognize Endara's government if he agreed to abolish Panama's military. Since the military had just been defeated and disbanded, this required no special effort. Endara gladly agreed. The Arias Foundation then invited some Panamanian legislators to Costa Rica to show them that a country without a military is possible and functions normally. Some initial contacts with Panamanian voluntary organizations helped them launch a campaign to abolish the military.

A first attempt to pass a constitutional amendment to abolish the Panamanian military failed, because it was one of 47 provisions in a comprehensive package of constitutional reforms, and many legislators found one or another among these many provisions that they did not like, so the whole package was defeated. But Arias was undeterred. He patiently worked with members of Parliament in Panama, to resurrect the abolition of the military and bring it to a separate vote. That strategy succeeded, and in October 1994, a provision was enshrined in the Panamanian constitution that the country will have no military.

Arias has also suffered some setbacks. He tried hard to persuade President Violetta Chamorro to abolish the Nicaraguan army after her election victory in 1990, but she did not quite have the courage to do so. The Sandinistas had just lost an election and would not have dared to overthrow her government. At least, the army was reduced from 80,000 to 20,000 troops.

In El Salvador, a reduction in the size of the army is part of the recent peace accord. In Guatemala, this question is under negotiation. Arias dreams of a totally demilitarized Central America, and ultimately a demilitarized world. We can all take courage from this example of how a totally nonviolent, patient and skillful strategy can defeat the most brutal armies.

Dietrich Fischer, a Professor at Pace University, is a board member of ECAAR and of Global Demilitarization.

Editor's note: ECAAR economists are working with the Arias Foundation to develop and disseminate an economic model that can be used to inform the peace negotiators and public in Guatemala of the drain on civilian resources caused by military spending. The project, Economic Benefits of Demilitarization: Phase I, Guatemala, has had the generous support of the Columbia and General Service Foundations.

The War On Drugs: A Replacement for the Cold War?

By Jim Horner

The fall of the Soviet Empire and the presumed end of the Cold War in the late 1980's did not result in decreased total military expenditures to the extent which advocates of arms reduction had hoped. Nonetheless, the possibility of conversion and a smaller military prompted some to search for new avenues for increasing, or at least maintaining, a large military budget. The War on Drugs provides potential opportunities for channelling part of a "peace dividend" toward a new type of Cold War. The Cold War and the War on Drugs share four common factors.

- **State-sponsored violence is required to maintain control.** State violence may be external or internal. External violence is usually undertaken by the military in the form of invasion, bombing, and sabotage in foreign territory. Internal violence is normally undertaken by domestic law enforcement through execution, imprisonment, and denial of constitutional rights. The War on Drugs obfuscates the demarcation between internal and external state violence. The military is uniting with civilian law enforcement in fighting the War on Drugs through several different avenues including intelligence operations, sabotage, armed conflict, arrest, and forfeiture/seizure.

The National Guard, historically called into action on a temporary basis in a specific locality, now participates in the War on Drugs on a continual basis that is not limited to specific geographical areas. Marines are involved in the destruction and sabotage of drug crops. The Department of Defense program, Operations Other Than War (OTW), tasks the Army with the duties of fighting "narco-terrorism", drug production, and drug manufacturing. The Navy provides intelligence about the movement of drugs and those suspected of drug-related activity, including American citizens. The Coast Guard conducts joint operations with the Navy.

- **An ideology is required for the rationalization of state violence.** The containment of communism served as an ideological weapon during the Cold War to justify massive military expenditures, violence, and suppression of freedoms. The intensification of the War on Drugs coincided with the collapse of the Soviet empire. The specter of communism is being replaced by a new enemy—the War on Drugs is based on a philosophy which justifies inequality, violence, and violations of constitutional rights in confronting the perceived threat from illegal drugs. Domestic and international drug dealers may succeed the commu-

nists as the new villains of the age. The power of the new ideology has resulted in military actions against many developing countries.

- **Greater levels of expenditures and activities exacerbate the problem they are intended to address.** The production of military goods and services during the Cold War increased rather than decreased the threat of armed conflict. The War on Drugs has a similar perverse effect as it increases rather than decreases crime. Drug prohibition artificially raises prices. Higher prices induce users to finance drug purchases through prostitution, robbery, burglary, and drug sales. A higher than normal profit breeds corruption in law enforcement. Dealers are able to offer lucrative bribes in order to avoid arrest and punishment. Military involvement in interdiction only exacerbates these problems of the supply-reduction policies of the War on Drugs.

- **Special interest groups influence public policy toward protection of their economic position.** There is political gain for both major American political parties and political persuasions in continuing the Cold War and the War on Drugs. Congressional conservatives and liberals often support military projects which provide more federal spending for their constituents. A similar scenario is emerging in the support for spending on prisons. Many communities resisted the location of prisons in their vicinity during the 1970's and early 1980's. However, the Base Closure and Realignment Act, potential loss of jobs in certain localities, and a prison boom enhanced by the War on Drugs had a marked impact on attitudes toward prisons. An ideology developed to justify the increased expenditures on prisons and state violence. The War on Drugs has the potential to become the equivalent of the Cold War.

The annual cost of military involvement in the War on Drugs is less than \$1.3 billion dollars. Although the dollar amount is relatively small, the War on Drugs provides an ideology which paves a new road for the escalation of spending on death and destruction. Public awareness of such treachery is often slow in coming. Now is an opportune time to stop all military involvement in the War on Drugs before it escalates even further.

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ECAAR
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Chernobyl After 10 Years

By Jay M. Gould

Two international conferences took place in Vienna in mid-April to assess the consequences of the Chernobyl disaster in 1986. Despite epidemiologist and Ukrainian Ambassador to the US Dr. Yuri Scherbak's declaration in the April issue of *Scientific American* that Chernobyl—as the worst accident in human history—had made much of his country uninhabitable for thousands of years, the International Atomic Energy Agency took a decidedly contrary view. On April 12, they declared that the 31 persons who put out the fire and died almost immediately were the sole victims, ignoring Russian epidemiological evidence that male life expectancy has declined by 8 years since 1986, with a current death rate that now greatly exceeds a sharply declining birth rate.

The obscene nature of the IAEA declaration was in sharp contrast with the evidence heard in Vienna as the Permanent Peoples Tribunal, a panel of six distinguished jurists, convened to hear expert testimony on the health effects of Chernobyl by Dr. Rosalie Bertell's International Medical Commission on Chernobyl.

From April 12 to April 15, the Tribunal heard the most heart-breaking accounts, completely unreported by the international press, mainly from a dozen courageous Soviet physicians and scientists, ten of whom were women, of the extraordinary health effects of ingesting radioactive food over the past 10 years. Food from the affected areas has been widely shipped to all parts of the former Soviet Union. They asserted that hardly a child in Belarus, the Ukraine and in such affected areas in Russia as Bryansk, having consumed contaminated milk, will escape contracting thyroid cancer, which in some areas has increased by 600%.

I cannot in this short note hope to do justice to the overwhelming impact of their reports, and hope that Dr. Bertell will find it possible to have them published so that we can all understand the true horror of Chernobyl. I can report that both my wife and I were moved to tears hearing that in some of the affected areas, the proportion of hideously malformed live births had risen to the point that all pregnancies are now immediately terminated. What kind of society, we thought, can be sustained without live births? We note that we had the same reaction that Michael Marriotte of the Nuclear Information Resource Service (NIRS) had after his visit that very same week to Chernobyl, when he reported, "This is how the world ends." It will be impossible for the IAEA to conceal indefinitely this epidemiological anomaly and its causes.

The Soviet scientists were amazed by my own report of the health effects of Chernobyl radiation arriving over the US in the months of May and June of 1986, as recorded by the EPA as sharp increases in concentrations of radioactive iodine in the milk. They had no realization that the effects of Chernobyl were world-wide. I presented a paper, jointly prepared with my colleagues E.J. Sternglass and J.J. Mangano, who had just published an article in the January issue of the *European Journal of Cancer Prevention*, which demonstrated that a significant rise in childhood thyroid cancer had been recorded by the Connecticut Tu-

mor Registry five years after 1986, just as had happened in Belarus and the Ukraine.

Our paper, entitled "Post-Chernobyl Thyroid Disease in the US," also pointed out that since 1981, our state health departments had developed sensitive tests of newborn hypothyroidism, a precursor of thyroid cancer in that it reflects possible damage by radioactive iodine to the fetal thyroid. In three states with tumor registries—Connecticut, Utah and Iowa—we showed a significant increase occurred in both thyroid cancer and the newborn hypothyroidism rate in the years 1986-87 over 1984-85, which could only be attributed to Chernobyl radiation. Even more ominous, we showed that the newborn hypothyroidism in the 30 states, accounting for two thirds of all births, has been systematically rising by six percent each year (through 1995!) since 1986, for reasons that are still not clear to us, since radioactive iodine from Chernobyl has long since dissipated.

The testimony of the Soviet scientists has just been further supported in an article in *Nature* (April 25, 1996) by a team of British and Soviet scientists who found chromosome mutations in the offspring of parents living near Chernobyl in Belarus. These are among several other tests of damage from low-level radiation, which we hope to replicate in the many counties close to US reactors, which the Radiation and Public Health Project has found to have the nation's highest breast cancer mortality rates. Interested ECAAR members can consult *The Enemy Within: The High Costs of Living Near Nuclear Reactors*, published by Four Walls Eight Windows, June 1996, available by calling 1-800-626-4848.

ECAAR member Jay M. Gould is Director of the Radiation and Public Health Project.

Report on Costly US Nuclear Modernization Plan

Nuclear Weapons Stockpile Stewardship and Management: What Will It Really Cost was published in April by ECAAR's Community Education Campaign. Written by Project Director William Weida, the report estimates the life-cycle costs, or the costs over the expected duration, for the DOE's Science-Based Stockpile Stewardship program to be between \$39.2 and \$53.3 billion. Although touted as a program to maintain the "safety and reliability" of the US nuclear arsenal, this program will also enable the DOE to continue the design, development and fabrication of new nuclear warheads without underground testing, thus posing proliferation dangers and threatening to start a "virtual arms race." The existence of this program is one of the reasons cited by India for its refusal to sign a "discriminatory" Comprehensive Test Ban Treaty now being negotiated in Geneva.

Weida's study was widely distributed in Washington, D.C., through the Military Production Network, a group of over 40 grassroots organizations who live in the shadows of nuclear weapons facilities, of which ECAAR is a member.

Macroeconomics (Continued from page 1)

presented, for the knowledge on which the argument is based and the clarity with which it is presented, and for the interest of the suggested intellectual development.

A couple of propositions are central to the book. First, the authors are trenchantly critical of the distance between contemporary theory and the real world—to a degree “that can be matched only by medieval scholasticism.” This “socially disembodied study” involves “an extraordinary combination of arrogance and innocence” which leads to such passivity that, for example, full employment is simply redefined as ever higher levels of unemployment. A second and related criticism is that current economic theory is treated as an expression of the natural law—revealed universal truth—rather than as a product of the particular social order and period to which it relates: capitalism of “advanced” industrial countries at the end of the twentieth century.

The authors contrast past “classical situations”—periods of “stasis and consolidation marked by widespread agreement” such as the Anglo-American Marshallian ascendancy earlier in the century and the post-war Keynesian consensus (also in English speaking countries)—with the disorder of theory and policy since the early seventies, the extent of which is unprecedented in the history of economics.

They cite the criticisms of Keynesianism that led to its unravelling: the lack of a coherent theory of inflation in the General Theory—a gap which was initially filled by the Phillips curve; failure to include a concept of stagflation (though in relation to this criticism, too, it is possible to include modifications in this case to allow for the increased market power of both labor and corporations); and inadequacies about the way money is handled.

The most important criticism, in the authors’ view, is the bifurcation of the analysis into, on the one hand, a Marshallian approach in which the economy is treated as a set of interconnected markets—a summation, later called microeconomics—and, on the other, the aggregate approach, macroeconomics, which lacked the underpinning of the law-like concept of utility maximization in microeconomics.

They argue that though the decline in Keynesian economics was aided by its analytical shortcomings, the principal cause was widespread changes in circumstances, ideology and world view. They show that attempts to replace the Keynesian consensus have been unsuccessful. Monetarism failed because the empirical relations broke down, Friedman’s over-simplified policy recommendations—such as an unvarying money supply target—were unconvincing, and because of the extremism of his sociopolitical values.

The next theoretical development, the rational expectations approach, is a technique for applying optimization analysis to the formation of expectations rather than a school of thought, and a tautological technique at that for “the markets movements could not have occurred had marketeer’s expectations-guided actions been other than what they were.”

New Classical economics simply assumes the efficiency of all markets and that individual preferences are formed naturally—outside of the economy—presumptions so far from real-

ity that it is difficult to understand why first-year students don’t simply laugh any proponent out of the lecture room.

The New Keynesian school explicitly acknowledges that markets do not clear automatically, because of the stickiness of wages and prices. But New Keynesians consider that supply factors are of principal importance, thus abandoning the central Keynesian insight that unemployment may be due to inadequate effective demand. They consider there is a quite limited role for policy.

Even econometrics, the authors comment, is in disrepute as a research tool because of such inadequacies as the difficulty of replication, the problem of calibration, and the abuse of data and of significance tests.

Based on this survey, Heilbroner and Milberg argue that while there are a number of possible explanations for the failure of these or other theoretical departures to take hold, two are of particular importance: the emphasis on economics as a science based on the natural law and the failure to place economics explicitly in the context of the current capitalist social order. They identify three of the principal characteristics of capitalism as capital accumulation, market allocation, and the dual private and public realms of the system. Conventional economic formulations such as rational choice or diminishing marginal utility have little relevance to the process of accumulation, which has more to do with the goals of power and prestige which motivate all social systems. Understanding how markets work is important, but says almost nothing about the human origins of those activities. And current theory has little to say about the public sphere.

Heilbroner and Milberg’s main point is that the “divorce between social vision and technical analysis has been the great impediment to the formation of a new theoretical center.” They recommend recognition of the necessity for “deepening [the] penetration of public guidance into the workings of capitalism itself.” Doubt about the legitimacy of the public sector, in their view, is at the core of the contemporary crisis in economic thought.

They argue that “the vision most likely to form the basis of a new classical situation in economic thought in the advanced nations will presuppose a much more far-reaching application of governmental power, and a much greater recourse to government-sponsored social coordination than was acceptable in the past.” While this does not require giving automatic priority to the public sector as in war, it will involve a striking change in the vision of the roles of the two sectors. For example, government expenditures need not always be treated as consumption, capital budgets should be introduced, and some private activity should receive social cost-benefit evaluation.

This proposed vision is described too briefly. The currently conventional justifications for attacking the public sector flood into the mind as the final chapter is read. The authors’ refusal to be dragged down into debating them gives elegance to their vision, but leaves for another occasion or other writers a crucial task. Spelling out more fully the value of a more active role for public policy could have strengthened their case.

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Arias Campaign on Military Spending

The Arias Peace Pledge Campaign was launched in Washington on May 16 as Dr. Oscar Arias handed US Representative Joe Kennedy a copy of the pledge. Kennedy was the first to sign, promising to take specific steps to pressure the government to reduce military spending, end arms exports to non-democratic governments, and oppose loans to countries that don't accurately report their military budgets. To participate call: Pamela Richardson, 202-319-7191 (tel.); 202-319-7194 (fax).

Real Renewal (Continued from page 1)

Can this journey to a "disUnited States" be stopped? Our path is leading us to widespread poverty and middle-class anxiety, with their offspring of ill health, racism, discrimination, crime, drugs, and violence. We could be rid of it, if we also rid ourselves of what Philip Stern aptly called "the best Congress that money can buy." Phil Gramm should no longer be able cynically, but cogently, to proclaim that he has "the best friend a politician can have, money." If we take the money out of politics, end the need for vast sums to achieve office, provide equal access to the media for all candidates, and prohibit large contributions and gifts, we could be on the road to real change. We could then hope for an effective, truly democratic government serving all.

But that won't happen unless and until the many millions of anxious people are presented with clear-cut social and political alternatives, programs they could rally behind to compel the needed changes. Right now, as the 1994 election showed, large numbers are either passive or nonvoting, while others in their anger and frustration opt for snake oil salesmen and, on the fringes, for cults and militia.

Alternatives do exist. All of them to be effective would share a common factor: the need for community and sharing—at this political moment an impossibility. But here are some steps of the sort that could be reality in an "unmoneyed" political world.

First, double the minimum wage by raising it each year for three years by roughly \$1.50, to \$10, with an inflation adjustment built in for the future. The boost this would give to all wages and the greatly enhanced purchasing power for millions would far outstrip any resulting price increases. Cries about jobs lost would be a smoke screen for our inflation-eaten status quo.

Second, over three years, shorten the work week to thirty-two hours. Not only would this spur jobs, but it would give time for family and community. And with the new minimum wage, all workers would rise above poverty for the first time.

Third, assure high levels of employment by instituting joint government-private sector capital projects for the building and rebuilding of an infrastructure—housing, schools, high speed national freight and passenger rail systems, urban reconstruction, neighborhood clinics, science and other research facilities, and more. Jobs would be created at all levels of skill, experience, and age, providing purchasing power in ways that "free markets" have not, will not, and cannot accomplish.

Fourth, initiate focused job training and rehabilitation programs aimed at meeting the new job openings, the capital infrastructure projects, and all the other expanding job opportunities that would be promoted. Under this program, welfare rolls

would greatly diminish given the incentive of higher wages.

Fifth, to the extent of any remaining need, provide for prenatal, postnatal, and early childhood care and education for school and college, so that all young people would be assured access to their full potential.

Sixth, maintain Social Security and create a single payer health system for all.

Seventh, strengthen environmental protection to prevent (before it happens) degradation of water, soil, bio-diversity, and resources essential to our—and our descendants'—well-being.

How to pay for the cost of these reforms, some of them expensive, is an essential ingredient. It will be imperative to enact measures to bring about a sharing of the vast wealth, past and future, that otherwise has been and will be increasingly concentrated in the hands of a very small part of our people. At present, some \$15-20 trillion is possessed by the wealthiest 10 percent of families, roughly half of it in the top 1 percent. The bottom 90% have about the same as the top 10%, most of it invested in housing. At the very bottom, large numbers live in abject poverty.

Here are some ways to correct this vast inequality and to serve the programs above recommended:

First, we should restore corporate and personnel income tax rates to their 1960 levels, under which we flourished for twenty-five years after the Second World War. Personal taxes would go back to a range of 15 to 80 percent, with, of course, large increases in exemptions and brackets to account for inflation. The corporate tax rate would be about 50 percent. Loop-holes would be closed and great simplification achieved.

Second, a one time wealth tax would be imposed on fortunes, say, above \$1 million (accumulated over the past fifty years, much of which has never borne any taxation) at rates ranging from 20 to 30 percent. The tax could be payable over three years to aid liquidity problems. The proceeds would be dedicated solely to the capital infrastructure projects above described. Thus, a family with \$2.5 million would retain \$2.2 million and one with \$100 million some \$70 million. They could still get along nicely and the infrastructure projects would stimulate the whole economy. Spent over twenty years, the tax could yield \$6-8 trillion.

Third, if necessary, a tax on gasoline, at rates still leaving our cost far below the rest of the world, could easily produce over \$100 billion a year.

Fourth, eliminate waste, unneeded weapons, and personnel from the military and require appropriate sharing of costs with our allies, to produce again over \$100 billion annually.

Short of arriving at international agreements, these measures would require prevention of capital flight; difficult but not impossible, even in this transfer-by-push-button world.

Can such a complete turn around from our present direction even be imagined? Yes, but only if many millions of Americans should rise up, demand basic campaign and lobbying reform, and vote for adherents to such programs as those proposed. Strong, at first no doubt largely nonpolitical leadership would be required, to be followed by political awakening. Possible? We should all hope so, for a reinvigorated nation.

You're Invited

**Saturday, August 24th
5:00 - 7:30 p.m.**

**ECAAR Summer Benefit Forum
with**

**Oscar Arias
Nobel Peace Laureate**

**at the home of
Patti and Jeffrey Kenner**

East Hampton, New York

call 212-768-2080 for more information

Macroeconomics (Continued from page 5)

Their hint about reclassifying public outlays conceals the benefits of expanding education and health services, care for the old and the young, and increased support for the arts and the environment—not only for economic development and the quality of social life but also for expanding employment.

Dealing more fully with the consequences of growing global interdependence could also have made their prescription more persuasive. For example, the integration of financial markets reduces the capacity of governments to act intentionally, but the usual response of current theorists—to simply regard this as confirmation of their belief in public passivity—is clearly inadequate. An alternative response is to recognize global financial integration as a stimulus to greater cooperative international activity. The more interdependent national economies become, the more public goods will have to be provided globally. Expansion of international collaboration in fields as diverse as setting standards for goods and services, of health and safety regulations, and of reduction of financial instability and risk, let alone of cooperation in development and peace and security activity, is inevitable.

In a sense, Heilbroner and Milberg simply argue for a less doctrinaire economics that comprehensively and accurately observes the world and responds to that reality. They are proposing more concern about the failures of our societies, greater breadth about what is included in economic theory, and more willingness to take intellectual risks. To practicing policy makers this can be explained in terms of being more strongly committed to humane ends and pragmatic about the means for achieving them. Removal of the self-imposed refusal among most contemporary economic theorists to recognize the potential role of public policy would indeed enable a start in the development of a new vision of economic thought.

News & Announcements

Vieques Project Wins Prize

The Columbia Urban Planning Studio was selected by the senior faculty as the best studio for the presentation of their recommendations for the community client, The Committee for Rescue and Development of Vieques (CRDV). The studio, led by Professor Lionel McIntyre, presented the CRDV with its recommendation for a community land trust as part of ECAAR's **Vieques Conversion Project**.

ECAAR-Dutch/Flemish Chapter

The international Isaac Roet Prize 1996 essay-competition has been announced in 180 countries at 750 economic faculties. The deadline is December 31, 1996. The subject of this essay competition is promotion of world peace through economic interaction. For information contact Economen Voor Vrede (EVV) at its new number, tel: +31-10-4082168 and fax: +31-10-4528468. EVV's homepage is: <http://www.ouh.nl/ew/evv.html>.

ECAAR-UK in Formation

A planning meeting was held in London, organized by ECAAR member Paul Dunne, to form an ECAAR affiliate in the UK. A launching meeting will be held in December at Birmingham University as part of another conference on international relations and the arms trade. Dunne is also working with ECAAR member John Lovering and others to plan a European meeting of ECAAR's Peace Economics and Conversion Resource Network. To participate contact Paul Dunne at 181-362-5981 (fax); e-mail john6@mdx.ac.uk

Business Advisory Committee Organized

Jack Sheinkman, Co-Chair of ECAAR's new Business Advisory Committee hosted the first meeting at the Yale Club and announced that Archbishop Tutu had agreed to serve on the committee together with Robert Boehm, Ben Cohen, Adrian DeWind, Gary Ferdman, Susan Halperin, Jeffrey Kenner, Lawrence Klein, Bruce Llewellyn, Leonard Marks, John Tepper Marlin, Eudora Pettigrew, Robert Schwartz, Donald Shaffer, Stanley Sheinbaum, Stanley Weithorn, and Alan Woltz. The Committee heard a report from ECAAR Co-Chair, Lawrence Klein on new trends in military spending.

New Training Center-India

ECAAR Board Member Manas Chatterji recently established the Mahatma Gandhi International Training Center for Conflict Prevention and Management at Sardar Patel Institute of Economic and Social Research, Ahmedabad, India. The Center, endorsed by ECAAR's Board, will offer management training to academics, public officials, business executives, and others about how to cooperate, negotiate, prevent conflict and make and keep peace by non-violent means. Topics such as international relations and energy-environmental conflicts, water resources disputes, litigation, and conflicts in business will be addressed. The first Seminar on Conflict Management of Water Resource Use is on January 28-29, 1997. Contact Professor Chatterji at 607-777-4422.

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Please contact me to:

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_____ Form a chapter in my community
_____ Work with ECAAR's UN team
_____ Work with the **Community Education Campaign** at US nuclear weapons sites
_____ Volunteer in the ECAAR New York Office

Please send me the following:

_____ *Global Register of Economists and Experts on Military Spending* on IBM-compatible disks (\$10)
_____ *After Hiroshima: Remembrance, Reflection, the Future*, video (\$19.95)
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_____ *ECAAR UN Symposium*, video (\$20)
_____ *An Evening with Robert Heilbroner*, transcript and video (\$15)
_____ *Peace Economics, Peace Science and Public Policy Journal* @ \$10 each (please specify)
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