Dear Members:

With this issue, the ECAAR News Network takes on a new look and increased substance. For sometime we have wanted to broaden the scope of the newsletter to cover more than organizational information. The publication goes not only to the domestic and Canadian membership but to numerous institutions, organizations, and foundations. It will also be reprinted in Australia by the organizers of that chapter for their members and selected pieces will be translated for publication by Economien Voor Vrede, the Dutch-Flemish chapter.

At the December meeting of the Board of Directors, it was decided that articles on conferences and meetings, economic and conversion issues facing specific areas, and work in progress, among other topics would be contributed to the newsletter by those board members who so volunteered. Among the current contributors are Jürgen Brauer, Jeff Dumas, Dietrich Fischer, Michael Intriligator, Walter Isard and Robert Schwartz. As we have mentioned in the past, we welcome brief items from our members to be included in the "Notes" section.

We are changing the format of the newsletter for aesthetic as well as economic reasons. We have found that as our activities increase, so does the amount of information we want to pass on to you. This new style will allow us to publish more material in less space and on a lighter paper which, given the new postal rates, will be a considerable saving.

A very important aspect of this edition of the newsletter is the enclosed membership renewal form and areas of specialization survey. Most members joined after receiving the mailing which was sent in December 1989 to all the U.S. and Canadian members of the AEA. The bulk of those responses came in during January, 1990. We cannot stress enough that your continued support through membership dues is vital to ECAAR's continuing growth and development. Your contributions accounted for a large portion of our income, without which many of our accomplishments in 1990 would not have been possible.

We have plans to move the office out of the basement on 95th Street at the beginning of March. We will be sharing space with another organization at 475 Riverside Drive in New York, a building which is home to many peace and church organizations. The move is necessary as we have completely outgrown our current space.

We are dismayed and concerned about the war in the Persian Gulf. It was a sad way to begin 1991 after such a hope filled 1990. We take this crisis as yet further evidence of the need for ECAAR to carry out its goals, as reinforcement for the work our members are doing, and a redoubling of our efforts to use our economic skills toward the creation of a peaceful world.

ECAAR Co-sponsors Five Panels at AEA Meetings
Holds Public and Board Meetings.

As in 1989, ECAAR co-sponsored panels on various aspects of peace economics during the December meetings of the American Economic Association, held this year in Washington, DC. These panels were offered in conjunction with other Peace Science Society (International) or the American Economic Association.

Panel 1. Conflict and Peace Economics was chaired by Manas Chatterji with Jurgen Brauer, Dietrich Fischer and Donald Baum presenting.

Panel 2. Peace Economics: Scope, Nature and Future Directions was presided over by Sol Polachek. Walter Isard and Charles Anderton presented their survey on peace economics.

Panel 3. Problems of Transition to a Peace Economy was chaired by Robert Schwartz. Kenneth Arrow and John Kenneth Galbraith were joined by Alexander Telyukov who attended in the absence of Stanislav Menshikov. This session was recorded and broadcast on C-Span.

Panel 4. Jeff Dumas chaired the panel entitled Economics and Demilitarization: Local, National and International Dimensions. Papers were delivered by Wim Wiewel, Joseph Persky, David Alexander, Murray Wolfson and Homa Shabahang.

The final panel, Transitions Toward a Free Market was also chaired by Robert Schwartz and highlighted foreign perspectives.

Akira Hattori and Miroslav Gronicki presented along with John Tepper Martin. Alexander Telyukov was a discussant.

The titles of these papers were published in the previous ECAAR newsletter. We have nearly all of the papers and can make them available for a copying fee.

Public and Board of Directors Meeting

Co-chair Kenneth Arrow presided at ECAAR's annual public meeting at which the progress and ongoing projects of the organization were discussed. A report of the Notre Dame conference and future publication of those papers was presented as well as reports on the development of foreign chapters, finances, membership, and the essay contest.

Later that evening the Board of Directors held a dinner meeting, chaired by Kenneth Arrow. Board members present were: Jeff Dumas, Robert Elsner, Dietrich Fischer, Margaret Hartnett, Michael Intriligator, Walter Isard, and Robert Schwartz. There were guests also in attendance including Jürgen Brauer, Manas Chatterji, Josephine Martin Schwartz and Alexander Telyukov.

Various reports were given covering the state of the organization and its projects. From a financial perspective, ECAAR has
enjoyed steady growth, primarily as a result of the mailing in December 1989. The membership dues provided some of the support for the only paid staff person, the newsletter and basic operations, including pursuing foreign chapter development. It is now time for dues renewal (please see notice and form).

Two volumes of work will be published as a result of the ECAAR activities. Walter Isard has signed a contract with North Holland Press for a book of selected papers (some from the Notre Dame conference), tentatively entitled *Contributions from Peace Economics and Peace Science*. Manas Chatterji will edit a volume of the papers from the Notre Dame conference to be published by New York University Press. We will provide publication date details as we receive them.

Reports on other topics such as the essay contest and foreign affiliates are covered in detail in separate articles in this newsletter edition. Under new business the Board took up matters concerning chapters. There was a general feeling that people in the same geographic area should be encouraged to join together to organize seminars, and that, as possible, the board would provide speakers for public events. A chapter would be constituted by ten or more ECAAR members. There are no domestic chapters to date and no discussion of dues sharing arose.

A lengthy discussion ensued on the wording of the proposed amendment to the By-Laws concerning foreign affiliates. Michael Intriligator voiced concern that the wording was too vague, that anyone could claim to be "in sympathy with and intend to comply with" the goals of ECAAR but we may not know anything about who they are. His comments were considered but it was determined unlikely that such a situation would arise. The proposed foreign amendment was accepted with one dissenting vote.

Another issue brought up concerned pieces written for publication in ECAAR’s name. The discussion revolved around the central point of whether ECAAR members should identify themselves as members of the organization in signing OpEd pieces and other articles. It was felt that the process of "clearing" pieces was slow and would discourage people from writing if they felt the pieces had to undergo scrutiny. Indeed ECAAR should encourage its members to write as often as possible in order to promote the ideas of peace economics into the arena of discussion. They should be encouraged to identify themselves as members but that the views are their own.

Also under new business the Board discussed future projects. The success of the Notre Dame conference encouraged the board to consider future meetings. The Japanese affiliate is trying to secure funding for an international conference later in 1991. We would like to hold one or two in Europe and have had promises of support from Bulgaria. It was felt one conference bringing economists from Eastern and Western Europe together would be good. If money is available we would also like to plan domestic conferences.

Walter Isard, Jurgen Brauer and Robert Schwartz agreed to undertake organizing panels for the next AEA meetings.

The next annual meeting of the Board will take place during the next AEA meetings which will be held in New Orleans in early 1992.

"Economic Issues of Disarmament" Examined at Notre Dame Conference

Compiled from reports by Jurgen Brauer and Robert Schwartz

Under the auspices of Notre Dame’s Institute for International Peace Studies (IIPS), Economists Against the Arms Race (ECAAR) held a two-day conference on November 30 and December 1. The program was co-chaired by Professors Lawrence Klein of the University of Pennsylvania and Jurgen Brauer of St. Mary’s College and Notre Dame.

A wide variety of economists (and some other professionals) from academia, national, and international organizations participated in the conference, giving rise to spirited discussions and exchange. Sessions were designed to cover a broad spectrum of issues, including budgetary matters, economic conversion from military to civilian production both in the U.S. and elsewhere, environmental reconstruction of U.S. defense facilities, the regional and industrial impact of reduced military expenditures and associated adjustment problems, arms trade and arms trade data consideration. Walter Isard and Charles Anderson presented a preview of their forthcoming Peace Economics review article and drew many suggestions for further topics and literature to be included in that article. The conference identified many research needs.

Professor Kenneth Arrow, Co-chair of ECAAR gave the Friday evening keynote address, "The Special Economics of War and Peace." Victor Sidel, M.D., Distinguished Professor of Social Medicine, Montefort Medical Center and past President of Physicians for Social Responsibility lectured Friday night, accompanying his remarks with a very supportive slide presentation. That evening set the conference’s high tone with over one hundred people attending.

At a Saturday luncheon address, ECAAR-Treasurer Robert Schwartz discussed the formation, concepts and future plans of ECAAR. Maybe, he suggested we could change economics from the dismal science to the science of global harmony. One conference hope is that the older generation of economists will encourage and assist the younger generation (young colleagues and graduate students) to take up the field of Peace Economics as a career choice.

Additional dividends came during the conference, one a Friday luncheon talk by the Reverend Theodore Hesburgh, CSC which was a most interesting series of reflections. Welcoming remarks were delivered by John Gilligan, Director of IIPS and John Keane, Dean of the College of Business Administration. In addition, with both ECAAR Co-chairs and many board members present, an informal ECAAR Board discussion was held, leisurely reviewing the year and discussing future objectives.

UN Conference to Amend Partial Test Ban Treaty Held in New York — ECAAR Testifies

By Dorrie Weiss

The conference was held in the long shadow of the Gulf crisis, a shadow that engulfed it in the last days. This, and the fact that the U.S. was categorically opposed to any change in the treaty, cast a pall over the proceedings. There was little hope of achieving any change with the strong opposition of the United States and a few western powers. The
other delegates instead pushed for a continuance of the conference beyond its scheduled closing date, or for a future date to reconvene the conference. Both moves were opposed by the U.S. delegate, who maintained that the U.S. would not participate and would not contribute beyond the initially scheduled closing date. The U.S. felt that this conference was not a proper forum, but that deliberations should be held instead at the CD, the Conference on Disarmament. The latter does not, however, have a mandate to negotiate a Comprehensive Test Ban.

The president of the conference was Ali Alatas, the foreign minister of Indonesia. The Soviets read and distributed a message expressing their readiness to stop nuclear testing and to amend the treaty. During the course of the debate the following points were made by countries seeking to amend the PTBT. They felt that the original treaty extended only to tests in the atmosphere, under water, and in space, but did not include underground testing. The treaty also had no provision for verification, and included no means to ensure compliance.

The following were the most frequent arguments voiced by the countries seeking the treaty amendment:

- There were severe environmental and health hazards posed by testing. In one Soviet testing area the rate of cancer was 35 times higher than the normal incidence.

- The verification process had advanced technologically so that arguments that testing was not verifiable now served only as a smokescreen. Even low yield explosions are now detectable by seismological means.

- Testing serves no purpose except to develop new and deadlier weapons, despite the fact that countries who test claim that they are doing so to protect the safety and reliability of existing weapons.

- Nuclear weapons exacerbate long standing conflicts, and, in addition, their very existence places pressure on states to use those weapons.

- A ban on testing would discourage new states from trying to produce nuclear weapons and would therefore stop horizontal proliferation, which is expanding at such a rate that it is estimated that there will be twenty nuclear states by the year 2010.

- Testing creates distrust in the third world. Third world countries feel that they have no defenses. Many of them are threatening not to sign the Non-Proliferation Treaty (NPT) in 1995, when it comes up for review.

- Resources allocated to testing would be better used to advance social programs.

- Nuclear power does not lead to deterrence. If it did, it would not be necessary to add to those weapons—about 50,000 of them—already in existence.

The position stated by the U.S. delegate, Mary Elizabeth Hoinikes, was that the U.S. relied on nuclear weapons for deterrence, and that NATO also relied on that deterrence. She held that testing was necessary to detect weaknesses that might otherwise lead to nuclear accidents or to accidental misuse of weapons. She claimed that testing had allowed the U.S. to drastically reduce its stockpile. She cited the bilateral arrangements that had successfully led to a lessening of tensions with the Soviets, saying that it was more productive to bargain that way than to institute a new treaty. She said that the U.S. favored a CTBT eventually, but that reductions in arms should come first, and that it was necessary to go slowly. She emphasized her faith in the NPT and urged third world countries to ratify it in 1995. She reiterated these positions in the briefing for NGOs a few days after the UN presentation, stressing that a CTBT must include France and China or the agreement would be useless. She also reiterated her belief that this was the wrong forum for discussion, which, she felt, would better be addressed in the CD.

ECAAR as an NGO was asked to testify before the UN delegates attending the conference. Robert Schwartz who delivered a statement as a member of ECAAR emphasized specific costs for weapons and what those same allocations could do if utilized in the civilian sector, i.e., inoculations for millions of children, low cost housing, hospital and school construction. He furthermore pointed out that the nations of the Third World spend five times as much on the military as they receive in aid from the Developed Countries. The cost of R&D, testing and storing of nuclear weapons, he added, must be calculated in more than dollars alone because of the tremendous environmental damage done.

P.O. Box 20365 New York, NY 10025 • FAX (212) 663-3852

Texas Conference Addresses Economic Conversion Issues

By L. J. Dumas

The issue of economic conversion figured prominently in both ECAAR's Notre Dame conference in November and in sessions sponsored at the Allied Social Sciences Association meetings in Washington in late December. Early in January, an important conference focused entirely on that issue was held in Dallas-Ft. Worth, with the keynote address delivered by Lloyd (Jeff) Dumas, jointly sponsored by a number of local chapters of the League of Women Voters, the conference was particularly noteworthy because of its location, its timing and its participation.

Dallas-Ft. Worth has one of the greatest concentrations of military industry in the U.S. If the area were a separate state, it would rank high on the list of states in terms of dollar value of prime military contract. Until very recently, conversion was almost completely ignored by business, labor and the local community at large. A decade ago meetings dealing with conversion were extremely rare and very sparsely attended. The January conference drew more than a hundred attendees. There is still considerable hostility to the issue in the area, but it is clear that significant progress has been made.

Though the conference had been planned months in advance, it actually took place just days after General Dynamics (a major military industrial employer in the area) announced 3500 immediate layoffs at its Ft. Worth facility as a consequence of the cancellation of its A12 aircraft program. As various speakers made clear, the layoffs were not only a consequence of the cancellation of the A12, but also of General Dynamics refusal to take conversion planning seriously in advance of the curtailment. Had the company worked out plans for conversion to alternative civilian production, its employees would be facing an exciting transition to new activities within a restructured company rather than the prolonged period of personal economic trauma they now face.

A broad range of people representing the business, labor, government and the academic community participated.
conservation. While in Moscow, Dietrich Fischer also met with Ksenia Gonchar from the Institute of World Economy and International Relations and with Elena Ivanova and Alexei Izyumov from the Institute for the USA and Canada, who are working to form a Soviet branch of ECAAR.

On January 11, 1991, Dietrich Fischer gave a lecture on “Non-Military Aspects of Security” at the University of Zurich, Switzerland.

MacArthur Foundation Renews Support to ECAAR

In December of 1990 ECAAR received its second grant from the John D. and Catherine T. MacArthur Foundation. The first grant, which covered the 18 month period between August 1988 through 1989, had played a fundamental role in the development of ECAAR. A portion of those funds were used for our 1989-90 membership drive and for the conference held at Notre Dame.

This new grant is for $100,000 over a two year period. These funds have been earmarked for a variety of proposed ECAAR projects and organizational support. This grant was received after an in-depth report on ECAAR’s current projects, future plans and the development of the organization, both here and abroad was sent to the MacArthur Foundation along with a three part budget which represented our expanded program proposal for 1991. This report was part of our ongoing updates which we prepare for the foundation as a part of the grant. The funds allocated for 1992 are contingent on our performance and use of the grant this year.

Survey of Peace Economics Literature Being Compiled

Professors Walter Isard and Charles Anderson are working on a major study of the current literature in the many areas of peace economics. This project was encouraged by the ECAAR Board at the 1989 Directors’ meeting.

The outline, as published here, is a preliminary version stresses Prof. Isard. He and Prof. Anderson are still looking for material to add to the survey. They request that reprints of published materials, in English, that should be covered would be welcome and should be sent to Professor Charles Anderson, Dept. of Economics, Holy Cross College, Worcester, MA 01610 USA.

Survey of Peace Economics Literature

Chapter 2
The Economic Impacts of Arms Production and Disarmament:
2.1 Introduction
2.2 Macroeconomic Impacts
2.2.1 Inflation
2.2.2 Employment/unemployment at the national level
2.2.3 Budget deficits and defense/welfare tradeoffs
2.2.4 Balance of payments and trade
2.2.5 Investment, technology and economic growth
2.2.5a Country-specific studies
2.2.5b Cross-national studies
2.2.5c Economic decay of empire
2.2.6 Peace dividend allocation
2.2.7 Concluding thoughts on the macroeconomics of defense spending
2.3 Sectoral Impacts of Defense Spending
2.3.1 Regional effects
2.3.2 Industrial and occupational effects
2.3.3 The conversion problem
2.3.4 The microeconomics of the defense firm
2.3.5 The political economy of military spending
2.4 Developing Country Studies
2.4.1 Demand for arms
2.4.2 Arms production
2.4.3 Arms transfers and trade
Chapter 3
Economic War, Trade and Conflict, and Economic Analysis of Terrorism
3.1 Introduction
3.2 Economic War
3.2.1 International economic sanctions, boycotts, and blockades
3.2.2 Wolfson’s economic warfare
3.3 Trade and Conflict
3.3.1 Empirical analysis
3.3.2 Economic models of trade wars
3.4 Terrorism
Chapter 4
Economic Models of Conflict, Rivalry, War and Conflict Resolution
4.1 Introduction
4.2 Economic Models of Conflict
and Conflict Resolution
4.3 Economic Causes and Models of War
4.3.1 Expected utility theories of war
4.3.2 Models of revolution and guerrilla war
4.3.3 Arms-using models
4.4 Economic Models of Rivalry, Strategy and Tactics
4.4.1 Arms rivalry as an economic phenomenon
4.4.2 Arms Control
4.4.3 Alliance behavior and burden-sharing
4.4.4 Military technology
4.4.5 Economic approaches to strategy and tactics

Foreign Affiliates
As mentioned in the AEA meeting report, the Board took up the issue of our official relationship to foreign chapters. It was agreed that once an affiliate is formed it must have a formal structure with a constitution and officers and express in its written application agreement with ECAAR’s goals as stated in our brochure. The Board would then consider the request and vote on its status as an affiliate. This was followed by discussion of the affiliates currently formed or being formed. Since we had written confirmation that constitutions, governing bodies and members were extant in the Australian, Dutch-Flemish and Japanese organizations, these three received unanimous votes of approval as affiliates. It was decided to wait for further developments and confirmations from Bulgaria and the Soviet Union. Also we will contact the Norwegian group to determine whether or not it exists, as it has been some time since we have heard from them.

The Board decided to name an individual board member to act as liaison with each foreign affiliate, both formed and forming. They are: Australia—Robert Schwartz, Dutch-Flemish—Walter Isard, Japan—Lawrence Klein, Soviet Union—Dietrich Fischer. Michael Intriligator has initiated contact with colleagues in England and France, Jürgen Brauer is following up on initial inquiries from Germany and Robert Schwartz with Bulgaria.

We have had visits from three foreign colleagues in the past few months. Dr. Annemarie Rima, President of the Economen Voor Vrede (EVV) (Dutch-Flemish chapter) attended the conference at Notre Dame in November and participated in the informal ECAAR Board meeting that took place there. She reports that EVV had its first general meeting on November 9, 1990 in The Hague at which time a Board of Directors was elected with Professor Jan Tinbergen, Honourable President, Dr. Rima, President, Hans Opdam, Secretary, John van de Pol, Treasurer, and Chris Kortekaas, Second Secretary. Other Board members include P.A. van Dewall, B. de Gaay Fortman, Ph. Nauelaerts, P. Terhal, and G.J.M. van Zantwijk. EVV now has a membership of nearly two hundred, the majority being in academia. EVV members also formed four working groups which will gather information, stimulate research and published papers in the areas of: 1. The role of peace economics and disarmament in handbooks and textbooks used in the Netherlands; 2. Arms production and arms trade in international economics, the relation between military and civil sectors; 3. Conservation and labor employment; and 4. Disarmament and development.

Professor Akira Hattori of Japan participated on one of ECAAR’s AEA panels and has been diligently working on plans for an international conference to be held in Japan in October 1991. They have asked ECAAR-USA to participate and plans are being finalized. They have also invited ECAAR to send a representative to the meetings of the Japanese Economic Association in September, at which time ECAAR-Japan will hold a meeting to introduce the organization and its activities.

Professor David Throsby was in New York in January and reported on the founding meeting of the Australian affiliate which was held during the Australian Economic Society meetings last September. They still have a small membership spread across the country and will continue to build a base at the various universities where there are members.

Funding for Essay Contest Being Negotiated
At the December 1989 Board of Director’s meeting it was decided to seek funding for an essay contest which would focus on the “Peace Dividend: How to Get It, How to Use It.” During the past year funding for this project has been vigorously pursued. Volunteer staff person, Mary Camper-Titsingh compiled a lengthy report on foundations which might consider supporting the project from which initial letters were sent. Robert Schwartz approached contacts within corporations which have focused their charitable contributions on peace, redevelopment and environmental concerns. In all cases we received support of the project in general but no commitment of financial support except from the Amalgamated Bank of New York which would fund one of the prizes.

In October, through our contacts in ECAAR-Japan, Mr. Nagaharu Haybusa, Senior Staff Writer of the Asahi Shimbun newspaper organization, visited New York and interviewed Robert Schwartz on ECAAR’s goals, development and projects. The essay contest was one of the projects mentioned. Subsequently the president of the Asahi Shimbun has expressed great interest in supporting the contest. The contest’s original form has undergone changes.

Given the current crisis in the Middle East, it is no longer expedient to speak in terms of a Peace Dividend. The name now being considered is “Global Reconstruction and Arms Reduction: A Blueprint for the Next Ten Years.” The judges would have come solely from the Nobel Laureates on ECAAR’s board, but now would be increased to include Japanese scholars, as well as other foreign colleagues. The contest still consists of three prize levels, $25,000, $10,000 and $5,000. Although the negotiations are not finalized, there is renewed hope with its change of focus and expectation of funding.

Brief Notes
• We are pleased to note that Dr. Barbara Bermann, ECAAR Board member, was elected president of the American Association of University Professors through 1992. She has also established a new field in Economics of Gender at the American University.
• Professor Jürgen Brauer asks anyone who has taught defense economics courses within the past five years to forward a copy of the syllabus to him. Dr. Jürgen Brauer, St. Mary’s College, Department of Economics, Notre Dame, Indiana 46556-5001.

P.O. Box 20365 New York, NY 10025 • FAX (212) 663-3852.
The meetings of the Eastern Economic Association will be held March 15-17, 1991 in Pittsburgh, PA. Anyone attending who would like to take some ECAAR brochures should contact the office by phone or fax at (212) 663-3852. We are prepared to help organize ECAAR panels for future regional conferences.

ECAAR Members Survey & Renewal Form

We want to know about you
We want you to join us and make a contribution
We want to help you in your efforts
We want to recommend members for paid consultations
We want to recommend members for volunteer projects

Areas of Specialization Survey
ECAAR would like to create a resource base focused on the areas of specialization and expertise of our members. From time to time we are contacted by the media, individuals and organizations for the names of people knowledgeable in specific areas and topics. We would like to broaden the base of people to recommend and the scope of the issues.

To aid in the compilation of this information, we are using categories of our own creation and some of the major fields delineated by the AEA. We realize this list is not exhaustive and invite you to use the "Other" category to describe your areas not covered.

1. Peace Economics
2. Economic Convergence
3. Military Production and Arms Trade
4. Game Theory & Conflict Resolution
5. Environmental Issues and Resource Allocation
6. Human Capital: manpower, labor, education, population
7. Eastern European and Soviet Economics
8. Third World Development
9. Terrorism
10. Domestic Issues: monetary and fiscal policy, welfare, infrastructure, consumer economics
11. International Economics and Trade Frictions
12. Gender and Race
13. Finance, Banking and Investment
14. Corporate Development and Business Structure
15. Marketing
16. Medical Economics: health care, public health, aging
17. Social Security: retirement benefits, pension plans
18. General Economics: theory, history, systems
19. Economic Growth: development, planning, fluctuations
20. Quantitative Economic Methods and Data
21. Other

Membership Renewal Form
I would like to renew my membership in Economists Against the Arms Race in the following category:
Benefactor, with a contribution of $1000 or more
Patron, with a contribution of at least $500
Sustainer, with a contribution of at least $100
Regular member, with a contribution of $35
Student member: $10 and a copy of my current student ID card are enclosed.
I would like to form a chapter. Please contact me.

Name (please print) ____________________________________________
Affiliation (for identification) _________________________________
Address ____________________________________________________ Phone ( ) ___________
City ___________________________ State ____________ Zip ___________

Please make check to ECAAR. Contributions are tax deductible. Thank you.

P.O. Box 20365 New York, NY 10025 • FAX (212) 663-3852

ECCAR NewsNetwork6