

RADIO TAPE FOR CANADIAN BROADCASTING COMPANY

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I am pleased to appear on this Canadian Broadcasting Company program devoted to the Economic Consequences of Disarmament. I congratulate CBC in developing a program on this important subject.

The questions I have been asked to answer are:

One: Would general and complete disarmament cause economic problems too difficult to solve?

Two: What current planning is being done in the United States to meet the economic dislocations of disarmament?

In answer to the first question--how severe will be the economic consequences of general disarmament--let me observe that I do not believe general and complete disarmament is an immediate prospect. It is a most desirable goal, but the "thaw" in East-West relations has not developed far enough to give expectation of any early, major steps. And even when an agreed program begins, I believe most models in the West expect disarmament to be phased over a dozen years. This emphasizes that we are not faced with a problem of suddenly

providing for a reallocation of all of the resources in money and people <sup>that</sup> ~~who~~ are now employed in defense industry and <sup>in</sup> the military.

It would still be a problem to phase out the entire military even in a dozen years. The world spends \$120 billion annually on arms. Of this the United States spends ~~a~~ little more than one third. To absorb this, or any significant part of it, would be a problem, but proper planning could handle it. This is a consensus of <sup>all of</sup> the economists who have studied the problem.

The U.S. expenditure of more than \$50 billion annually, while more than half of the Federal budget, is less than 10% of the Gross National Product. Less than 10% of <sup>our</sup> ~~the~~ labor force is represented in defense industry too. From this point of view there is no evidence of any war-based economy in the United States. Unplanned cuts would cause economic hardships however, due to the fact that defense industry is concentrated geographically and is concentrated in a few industries. Only 25 companies do more than 50% of all defense business. With only several exceptions these are all aircraft and electronics industries. They are concentrated heavily on the two coasts.

Two years ago I was Chairman of a Subcommittee on Disarmament which made an exhaustive study of the economic impact of the defense industry. As I noted then, the concentration of the problem industrially tells us clearly where to begin.

We found also at that time, that industry in general was most willing to cooperate in studies for conversion from defense production. <sup>The Disarmament Sub-</sup> ~~This~~ committee has not been active in the last 18 months, but there is good reason to believe that the substance of its conclusions is still valid.

In brief, ~~while we need to do much more planning that has been done,~~ we need not fear drastic economic and social dislocation from disarmament, if ~~we~~ do plan for it.

In answer to your question on current United States plans for disarmament conversion, I would say that thinking is closely related to what practical expectations there are for arms reduction.

The U.S. (currently) looks forward to a general lowering of its defense budget. This will be possible and consistent with maintaining ~~still~~ the utmost in security. Within this, it is expected that defense spending can level off at a lower plateau than present. Even without major arms reduction agreements, and of course barring major new developments of an adverse nature in the international scene, defense expenditures may decline from \$5-\$10 billion dollars annually in the next 4-5 years. This will accrue from improvements in defense technology, the fact that we have enough uranium and plutonium, can close up obsolete bases, and stop <sup>the</sup> procurement of some now obsolete military hardware.

Even this amount of cut-back needs considerable planning to absorb the money and the personnel. A one billion dollar ~~saving~~ saving that President Johnson was able to make from the current defense spending, he has earmarked for the first phase of an anti-poverty program in America. As the anti-poverty program develops, it is one possible <sup>place to</sup> ~~source in~~ absorbing more money in projects designed to stimulate new industrial activity, provide job training and re-training, and otherwise support measures to put people to work.

The U.S. has a variety of unmet needs in education, transportation, urban renewal, and more, which could easily absorb investment now spent on arms. And of course, for really sizeable savings, there is the possibility of further tax cuts.

Such plans have to do with using money now spent on defense in a different way. It is perhaps more important to absorb the men and women workers of the defense industry. We have to plan to absorb individuals here <sup>in the labor force</sup> on top of providing for our current unemployed of which we have too many.

At the Executive level, President Johnson is very much aware of the problem. Normal shifts in defense allocation have already presented a model of a larger disarmament problem. The President has appointed a special committee, representing different agencies of the government and headed by the Chairman of the Council of

Economic Advisors to gather data, estimate the dimensions of the problem, and make recommendations.

In the Congress there are several bills designed to broaden the Executive mandate and provide for intensive planning. One of these I introduced and am partial to<sup>4</sup>. This is to provide a Commission on Automation, Technology, and Employment. I see the problem of absorbing people from defense work, and particularly the problem of <sup>how to use</sup> ~~using~~ the highly skilled people who are heavily concentrated in defense ~~to develop new ideas for greater industrial growth~~, to be one part of a large<sup>~</sup> problem. That is how to utilize all of our manpower in a new age of technological revolution which is changing the face and structure of our economic life.

I have confidence that the Congress will enact legislation to further strengthen President Johnson's hand in this area, after our current Civil Rights legislation is won.

In any case, we are not unaware. I believe ~~myself~~ that planning for the economic modifications necessary to defense cut-backs is the best way to make feasible and credible further initiatives in the arms reduction field that can lead to the desirable end-goal of disarmament.



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