

THE PEACE- KEEPING ECONOMY



*Using Economic Relationships to
Build a More Peaceful,
Prosperous, and Secure World*

LLOYD J. DUMAS

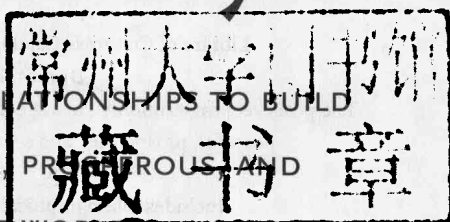
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THE PEACEKEEPING ECONOMY

To the dove, the olive branch, the rainbow
and all the other signs of peace,
in the hope of helping to fulfill
the promise they represent

PREFACE

For all of my professional life, I have been deeply concerned about the extent to which the United States has embraced military force as the guarantor of the nation's security and that of the wider world. It is easy enough to understand why the country turned in this direction. After the existential threats posed by the Second World War and the ultimate spectacular victory of the U.S. and its allies, it seemed obvious that those who would do us and our way of life grievous harm could not be stopped by mere diplomacy and negotiation. They had to be faced down with overwhelming force. And so the U.S., a country that had essentially disbanded its military after every other war in its history to return to the ordinary business of life, built and maintained, through years of war and years of peace, the world's most powerful military.

As an economist, I understood that prosperity, whether of a company or of a nation and its people, depended crucially on how it used its productive resources—the skill and effort of its workforce, the productive power of its machinery and equipment—especially in the long run. While I did not and do not deny that the threat or use of military force is sometimes helpful, even unavoidable, I became concerned that, as rich and capable a people as we are, the enormity of our military burden would eventually drag the country down. In the presence of the diversion of so much of the country's critical economic resources (especially technological talent) in support of our military power, it seemed we were in danger of losing the widely shared prosperity

basic to the American dream. So, in the mid-1980s, I wrote *The Overburdened Economy*, the first book in what was to become an unintended trilogy on the multiple connections between security, the economy, and the primacy accorded to military force.

The second book in the trilogy, *Lethal Arrogance*, came thirteen years later and took a very different turn. Having nothing to do with economics, it relied heavily on my training as an engineer as well as a social scientist. I argued that our implicit assumption that we could always control whatever technologies we produced, no matter how complex, no matter how powerful, was a lethal piece of arrogance. Our innate fallibility as human beings made it impossible for us to design, build, operate, and maintain extremely dangerous technologies with any real assurance that nothing would go catastrophically wrong, by accident or by intention. Focusing heavily on technologies capable of causing the most devastating harm, most especially nuclear and other weapons of mass destruction, the book was an attempt to explain, on the simple grounds of who we are, why even our own arsenals of weapons of mass destruction threaten us, rather than making us more secure. (A revised and updated version of this book was published in 2010 under the title *The Technology Trap*.)

This book, *The Peacekeeping Economy*, completes the inadvertent trilogy. For if we are to reject high levels of military spending on the grounds that they seriously injure the economy in the long run, and accept that accumulating massive military force can endanger rather than protect us, then what are we to do to achieve the security we value so highly? The core argument here is that it is possible to structure international (and intranational) economic relationships in ways that create strong positive incentives to build and keep the peace. A peacekeeping economy does not rely on any fundamental change in human nature, ethics, or deep social understanding. It is instead an approach primarily focused on harnessing the power of self-interest to provide both prosperity and security. It does not require altruism or empathy, although it is compatible with any empathetic or altruistic impulses there may be. I certainly do not claim that it is a complete security strategy by itself, obviating the need for diplomacy or even military force. But it should strengthen the hand of the diplomats and make the need or impulse to call on military force much more rare.

I have tried to lay out here not only the principles underlying a peacekeeping economy, but also practical strategies for putting it in place. While I cannot provide a blueprint, I have provided approaches to implementation that can be undertaken by the public at large, as well as by government and the private sector. If the efforts of any one of these actors fall short, there are always alternative approaches the others can take to continue to move the project of building a peacekeeping economy forward.

It is difficult to change long-held and deeply embedded habits, such as the belief that military force is the essential and ultimate source of security. But that habit of thought has cost the world a great deal in terms of both blood and treasure. There are enormous benefits to be had and dangers to be avoided by considering that there may be a better way to achieve security. I offer the peacekeeping economy as one serious and practical attempt at finding that way.

ACKNOWLEDGMENTS

In a telephone conversation more than twenty years ago, my friend and colleague, international lawyer Burns Weston, raised an important challenge: What can economists contribute to the search for security without reliance on nuclear weapons? The thinking he inspired with that simple question lies at the core of this book, and for that inspiration, I am deeply grateful.

The book brings together a number of threads of my work, spun over quite a few years. As always in such an enterprise as this, there are many people to thank for their stimulation and encouragement. Seymour Melman, my teacher, my colleague, and my friend, was always an impassioned voice for peace and constant source of provocative ideas. With his usual insight, wit, and style, Kenneth Boulding created the “chalk theory” of war and peace, providing just the right perspective from which to see the potential of a peacekeeping economy most clearly. John Ullmann, Greg Bischak, Joel Yudken, and Miriam Pemberton were important partners in the development of strategies for economic conversion. Gene Sharp completely changed my thinking on the viability of nonviolent action as a pragmatic element of security strategy.

The list of old and new friends who have motivated and encouraged this work is long. Among others it includes Lynne Dumas, Roger Kallenberg, Alice Barton, Martha Hurley, Dana Dunn, Yolanda Eisenstein, Warren Davis, Joelle Rizk, Leila Bendra, and Jennifer Hubert. Thanks to Kaikaus Ahmad for his support and valuable research assistance. In this and every other

project I have undertaken, I have been buoyed by the unswerving confidence and encouragement of my parents, Marcel and Edith Dumas. And I will always be grateful for the day this work led me to a chance meeting in a Houston classroom that began a long personal journey of discovery, infused with the inspiration, adventure, and optimism that underlies this work, in the company of my intellectual partner and soul mate, Teresa Nelson Dumas.

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PART ONE

A NEW PARADIGM FOR ACHIEVING
NATIONAL AND INTERNATIONAL SECURITY

The Hopeful Science

The international system that relies on the national use of military force as the ultimate guarantor of security, and the threat of its use as the basis for order, is not the only possible one. To seek a different system with a more secure and a more humane basis for order is no longer the pursuit of an illusion, but a necessary effort toward a necessary goal.

—Carl Kaysen, Professor of Political Economy, MIT

WE LIVE IN A TROUBLED AND INSECURE WORLD. As the economic, political, and cultural processes of globalization draw us closer together, enabled by technological revolutions in transportation and telecommunication, it becomes increasingly obvious that the problems of any one part of the globe are now problems for us all. The collapse of the Thai currency in 1997 not only caused major economic shock waves in nearby Malaysia, Korea, the Philippines, and Indonesia but also threatened the economies of nations as far away as Russia, Nigeria, and Brazil.¹ The discontent of a handful of Saudis, encouraged and supported by the scion of a wealthy Saudi-based family holed up in Afghanistan, destroyed a world-famous New York City landmark on September 11, 2001, and with it the lives of thousands of innocent people, in the single worst international terrorist attack to date.² The SARS virus, contracted in China in 2003, became, with alarming speed, a serious threat to the health of people living in Europe and North America. When an avian influenza virus that could infect and kill humans made its way from Asia to Europe in 2005—despite desperate attempts at containment—fears of a lethal flu pandemic propagated around the world. By late 2008, problems that began to surface in one piece of the U.S. mortgage market (sub-prime mortgages) only a year and a half earlier had propagated around the world, brought down a number of major financial institutions, and threatened the world's economy with the worst global

retrenchment since the Great Depression. In such an interconnected world, security has become everyone's business.

Seventeen centuries ago, the Roman military analyst Vegetius wrote, "If you want peace, prepare for war." For many years, national and international security analysis and policy have been dominated by those who believe that Vegetius was right, that force and the threat of force are the most effective means of keeping the wolves (or should I say, the hawks) at bay. The long stretch of history over the millennia since the time of Vegetius has been filled with attempts to deter aggression through military strength, to preserve peace by improving the technology and building up the capacity to use powerful military force. It has also been filled with many hundreds of wars, taking a sickening toll in human life and wasted treasure. In the twentieth century alone—a century in many ways remarkable for its scientific, economic, and political progress—there were over 230 wars, more than half of which were fought after the end of World War II.³ The cost of these wars in human lives was somewhere between seventy and one hundred million dead, despite the fact that we somehow managed to avoid a nuclear holocaust, the war we all feared most. The cost in wasted economic resources, in economic opportunities foregone, may be incalculable. All this, and still we do not have peace. All this, and still we are not secure.⁴

Not only have our vast arsenals of powerful weapons and other military preparations failed to prevent war, they have proven to be nearly useless against the threat to peace and physical security that most troubles and constrains the daily lives of those of us who live in the relatively politically stable and economically prosperous parts of the world—the ongoing threat of terrorism. The world's most powerful military, backed up by thousands of nuclear weapons, failed to deter or defeat those who attacked the United States by flying hijacked American airliners into the twin towers of New York's World Trade Center and the headquarters of the U.S. military command itself. Virtually all of the successes we have had in capturing terrorists and in thwarting terrorist attacks have been the result of a combination of accurate intelligence, international cooperation, and quality police work, not the threat or use of military force. It seems that Vegetius was wrong: preparation for war brings neither peace nor security. Seventeen centuries

of following the same failed advice should be enough. It is time for a paradigm shift, time for us to change our ways of thinking.

Economic Thinking and Security Strategy

Rather than thinking of national and international security strategy so much in terms of weaponry and coercive physical force, maybe it is time to think more in terms of creating the conditions that make keeping the peace a natural outcome of the pursuit of regional, national, local, and individual self-interest. In this, the way economics looks at the world has much to offer. For we economists do not live in a world dominated by violence and power. Our paradigms have much more to do with choice and incentive than with force and coercion.

The fact is, security is not and never has been primarily a matter of weapons and violence. Security is primarily a matter of relationships. The proposition that security depends primarily on relationships, not on weaponry, is easy enough to illustrate. During most of the Cold War, the Soviet Union was not the only nation with sufficient nuclear weaponry and delivery systems to launch a devastating nuclear attack against the United States. Britain and France also had that capability. Yet for all the time, money, and energy that we devoted to thinking about how to counter the Soviet nuclear threat, I doubt that we spent ten dollars or ten minutes worrying about a British or French strike. Why not? We had our disagreements with Britain and France, but underneath it all, the French and British were our friends, our allies. And in the late 1980s, when our relationship with first the Soviet Union and later Russia began to warm, we all felt (and were) more secure. All that nuclear weaponry was still there, still ready to go. But the relationship had change profoundly for the better, and that made all the difference.⁵

Economists are especially well positioned to understand and explore this question of security because, at its most fundamental, economics is not really about money, nor is it about statistical analysis, or mathematical or game theoretic models; it is about relationships. Economists are not simply technicians manipulating models and data; we are students of human behavior. Most of economics may focus on behavior in relationships