Based on potential real GNP of $645 billion in 1965 and $970 billion in 1977,[10] a defense reduction of $22 billion would amount to considerably less than 4 per cent of GNP, although such a reduction could represent about 7 per cent of the growth in GNP during the period. This would be true even if the Council of Economic Advisers' estimates of GNP were on the high side due to the building into their projections of too large defense outlays.

The Benoit group's estimates were made on the assumptions that disarmament would begin in 1965 and that military spending would be approximately $60 billion that year. The $32 billion cutback would break down into a $22 billion reduction in government procurement and a $10 billion decrease in payrolls. The multiplier effect could magnify this spending decline into a GNP decrease of as much as $48 billion over the entire 12-year period. The corresponding decline in employment would be 5 million.

In a more recent analysis [11] Dr. Benoit has stated that in contrast with the post World War II conversion, "the economy has become much more vulnerable to the deflationary influences that would be generated by any major defense cuts." He holds the following factors responsible for this circumstance: (1) a lower ratio of money supply to GNP than in 1945—27 percent in 1962 compared to 47 percent in 1945; (2) greater vulnerability of consumer indebtedness, which has risen to almost 16 percent of disposable personal income from 5 percent in 1945; (3) greater vulnerability of stock market prices to corporate income declines, because of high and rising stock price-earnings ratios; (4) "substantial" excess capacity throughout the economy; and (5) a "troublesome amount of continuing, stubborn unemployment."

At the opposite extreme from the Weidenbaum-Benoit position, Dr. Grampp of the University of Illinois estimates that federal government spending under disarmament conditions would not decrease by anything like $32 billion in the next twelve years. His "guesstimate" is $8 billion. This figure is calculated as follows: (1) an upswing from $18 billion to $27 billion in U.S. spending on its national force and contribution to the United Nations; (2) increase from $10 billion to $20 billion in spending on space projects and atomic energy; and (3) a rise of $5 billion in expenditure on "other forms of rivalry" resulting in total annual defense spending of $52 billion, compared to an estimate for 1965 of about $60 billion.[12]

THE REGIONAL AND LOCAL ECONOMIC PROBLEM

A 1963 survey by the Seminar on Industrial Conversion at Columbia University that covered concerns in New York, New Jersey, Massachusetts, Colorado, California, and Washington State found that close to 67,000 workers had recently been laid off or were scheduled for layoff by 19 major defense contractors. In commenting on the results of the survey, Professor Seymour Melman pointed to the concentration of layoffs among highly skilled workers as indicating "the special problems of converting from military to civilian work." [13]

Illustrative of this problem are the results of a study also made in 1963 of four large firms that had recently succeeded in making the transition from defense work to civilian production. The authors' general observation was that "at best it is difficult to make such a transition." [14] Identified as success factors were: picking a product with which the company was familiar; establishing a separate organization for the civilian product; and giving greater emphasis to sales activities and customer service than previously (when Uncle Sam was the only customer).

Distinguishable from but related to the problems of a privately initiated conversion from government work to output for the civilian market, are the instances of shorter-term community "crash" programs that have attempted to offset the effects of suddenly terminated defense contracts or military installations. Donald Bradford, Director of the Office of Economic Adjustment in the Department of Defense, in testimony before a Senate Subcommittee on November

[10] Estimated on the basis of the Council of Economic Advisers' 3½ per cent trend line through the middle of 1955.
[11] Emile Benoit, "Defense Cutbacks and the U.S. Economy," *Business Scope,* Cambridge, Massachusetts, May 2, 1964.
[12] William D. Grammp, "False Fears of Disarmament," *Harvard Business Review,* January-February 1964, p. 179.
[13] *New York Times,* March 26, 1964, p. 10.
[14] Harold E. Fearon and Ralph C. Hook, Jr., "The Shift from Military to Industrial Markets," *Business Topics,* Indiana University, Winter 1963, pp. 50–51.