

7, 1963, cited several such cases—among them Presque Isle, Maine; Wichita, Kansas; Farmingdale, Long Island; and Roswell, New Mexico—all of which adjusted successfully to sharp and sudden cutbacks in local defense activity, primarily through the development of industrial parks and attraction of new firms. To this list should be added the lesser successes of Santa Monica, California, in connection with the sudden cancellation of the Skybolt program in January 1963, and Seattle, Washington, with regard to the December 1963 cancellation of the Boeing Company's Dynasoar project.

Citing the experiences of Wichita, Kansas, and Los Angeles, California, one writer has noted that "large diversified cities are inherently less vulnerable to major shifts in industrial activity than smaller cities overly committed to a narrow range of industries and skills."¹⁵ But he considers the outlook bright even for small cities, provided they have a skilled labor force, good public services, and vigorous community leadership.¹⁶

THE CURRENT READJUSTMENT PROCESS

Mention of these instances of economic dislocation to which accommodation was made with varying degrees of success points to the fact that there is already underway a readjustment to the changed pattern of defense/space procurement. Emphasis in the procurement process has shifted from manned aircraft and ships to nonmanned craft and missiles, to aerospace and now space exploration vehicles. Although the national impact of such procurement changes is not appreciable because reduced economic activity in closed-down areas is offset by expansion in opened-up areas, local dislocations are similar to what might be expected from an overall cutback in defense spending.

Even should total defense spending decline, however, overall federal spending probably will not.¹⁷ Witness the Johnson Administration's effort to use the "savings" of defense cutbacks in the fiscal year 1965 budget for its \$1.9 billion anti-poverty and Appalachian regional programs.

The implication of this point is clear: it is impractical to talk about the economics of disarmament in a vacuum. Our present knowledge of the Defense Department's plans suggests the reasonableness of making the following three assumptions as to the economic effects of cutbacks in defense spending:

1. The process will be gradual.
2. The economic problems involved are more likely to be local and regional rather than national in scope.
3. The principal economic problems will not differ in kind, though they may in magnitude, from those facing the economy in its continuous adjustment to technological change and structural shifts in the demand for various labor skills.

Support for this view is found in the March 1962 United States reply to the inquiry of the Secretary-General of the United Nations regarding the economic and social consequences of disarmament, which notes that, "in the absence of specific details on the timing, phasing and duration of a disarmament program it is . . . not possible to discuss the problems of adjustment except in general terms."¹⁸

The report then proceeds to discuss the "two basic problems of adjustment:" (1) maintaining aggregate demand for the economy's output despite declines in demand for defense items, and (2) minimizing "hardships and waste as the human and material resources now devoted to defense find new uses." With respect to the first problem, the report notes that "a dollar reduction in defense spending would cause . . . about a dollar reduction in personal consumption." This estimate is based in part on recognition of certain of the built-in stabilizers of personal income in the economy, notably a lesser income-tax drain and higher unemployment transfer payments as national income declines.

Posing the aggregate demand question, however, appears to beg the question whether this will indeed be a problem, as we have already indicated. In fact, the report notes that¹⁹

¹⁵ C. T. Stewart, Jr., "Peace Trend Will Bring Better Business," *Nation's Business*, June 1964, p. 72.

¹⁶ Stewart, *loc. cit.*

¹⁷ This focus on Federal spending is not intended to play down the desirability of stimulating spending in the private sector—through further tax reductions, for example.

¹⁸ United States Arms Control and Disarmament Agency, *The Economic and Social Consequences of Disarmament*, Part II, *op. cit.*, p. 7.

¹⁹ *Ibid.*, p. 10.