the keys to economic betterment both in the East and in the South. In both cases internal and intra-regional economic rationalization is likely to yield more rapid and tangible benefits than any hoped-for *largesse* from the West.

Whatever Happened to the 'Peace Dividend'?

There is one further major question that relates to both the radically changed military security situation and the all-important priority of strengthening security through economic improvements. The question is, "whatever happened to the expected 'peace dividend'?" Many people had anticipated that the lessening of military confrontation between East and West would result in quick and massive benefits both to the national economies concerned and to the health of the global economy. Although the cuts by major military spenders have already been substantial — ten percent in the USSR in 1990, six percent in the US, and five percent for the globe[10]— major positive benefits have not yet been felt.

There are several major explanations for the seemingly weak 'peace dividend' to date. The first, thoroughly consistent with the view that reduced military spending is economically beneficial, recognizes that the excessive, and deficit-financed military spending of the past was even more damaging than has been realized, and thus that its reduction will first serve to limit the damage being done; only much later will it show up as a positive improvement.

Thus a substantial share of the debt-overload in the American economy (still the main locomotive for the international economy as a whole) was built up as a result of the massive military spending drive of the early and mid-1980s. This military spending spree, though providing a strong dose of artificial macro-economic stimulus while it lasted, also entrenched some serious economic and social distortions within the United States' economy, and helped exacerbate global problems with interest and exchange rate imbalances, as well as damaging protectionist pressures. The accumulated weight of past deficits, in turn, tightly constrains the extent to which Washington or other capitals can call upon Keynesian stimuli during the current cyclical downturn, exacerbated as it is by sweeping structural adjustments in the international division of labour.The internal economic strains of the arms race within the Soviet and east European economies were far worse, and helped to deepen, as well as to reveal, the fatal rot in the entire system which Mikhail Gorbachev would courageously unveil and then dismantle. Just as the old east bloc economies