"Harvard works because we do." That is the motto of the Harvard Union of Clerical Workers, which represents 20 of the 32 members of the staff at the Weatherhead Center for International Affairs. In my decade as the Center’s director, I can vouch for the accuracy of those words.

In recent years, the Center has become a much better workplace. That significant change unfolded under the ungainly name of the “New Work Systems” process, which was sponsored by the union and the FAS Human Resources Department. The process required a careful and collective examination of the organization of work at the Center, the relationship between management and staff and among members of the staff, and the formulation and development of proposals to change how such work had been organized. The process was time consuming and at times even painful. The result was, however, very successful.

New Work Systems enabled the Center’s staff to perform their work more effectively and to derive greater personal satisfaction from it—two highly laudable outcomes even if no others had been achieved. But there were other benefits. Center management responded to New Work Systems in various positive ways. One was to commit the Center, in effect, to retain all staff even during the financial stringencies earlier in this decade, and then to reduce the size of the staff only by attrition, which took place gradually. The Center today supports more research activities, makes more grants, and provides better services with a smaller workforce at lower cost to its budget. The staff deployed the new practices and skills from New Work Systems to make this miracle a reality.

Executive Director Jim Cooney and Associate Director Steve Bloomfield deserve credit for shepherding New Work Systems on the management side and, despite some rough moments, making it work. The bulk of the credit belongs, of course, to the Center’s staff and to the Human Resources Department and the union that launched us on this successful cooperative endeavor.

As I near the conclusion of my time as Center Director, moreover, I want to recognize the extraordinary services to our community of those members of the staff who have served along with me during the past decade.

Pat McVay and Charlie Smith transformed the Center’s financial office. This office continues to perform its traditional functions regarding the Center’s accounts professionally and effectively, but it has also become a fountain of information about research grants and contracts, other university procedures, and the fate of the Red Sox. Pat helped us to navigate through the financial austerity of the early years of the decade and map out a successful strategy to overcome those constraints. Charlie, time and again, demonstrates his good citizenship, most recently through his leading role in helping the Cen-
As I near the conclusion of my time as Center Director, moreover, I want to recognize the extraordinary services to our community of those members of the staff who have served along with me during the past decade.

Contrary to rumor, Tom Murphy was not born at the Center, even if he has spent a good part of his life in our midst. He has now helped to find housing for hundreds of Fellows, associates, and other visitors who have come through the Center over the years. He often has the right answer to our oddest questions and can regale us with the most illuminating facts from his world travels.

Clare Putnam has invented the thirteen-month year during the course of her decade at the Center, as her portfolio of work has grown and grown and grown. The number of graduate and undergraduate students who work with the Center has expanded relentlessly during her years of service at the Center. Clare has made it all seem effortless, as she dispenses advice, support, and good cheer for all who work with her.

Few people know the Center as well as Steve Bloomfield and none knows it better. He has already served the Center with distinction as director of the Fellows Program and associate director. He has played a leading role in launching and implementing many initiatives. These range from the Center’s evolving Web site and the development of a very substantial program to engage undergraduates with the Center to the construction and sustenance of a vibrant and humane community that connects a diverse, talented, and occasionally ornery group of people. This year he has begun a new job as the Center’s executive director.

These men and women are only some of those who have made the lives of so many of us more productive and better. I single them out in part as representatives of many other staff members but, especially, because they have been my continuing partners as fellow members of the staff during the past ten years. On behalf of professors, students, and many visitors, they and all members of the staff deserve our warm and long-lasting gratitude.

Jorge I. Domínguez
Center Director

Book Award Winner


**Entre prójimos: el conflicto armado interno y la política de la reconciliación en el Perú**

Kimberly Theidon is a medical anthropologist focusing on Latin America. She is an assistant professor in the Department of Anthropology at Harvard University, and a Faculty Associate of the Weatherhead Center for International Affairs.
NEW BOOKS

Press Politics and Public Policy in Uganda: The Role of Journalism in Democratization
by Jim Ocitti

This book explores, through the lens of history, the dynamics between the press, politics, and public policy in Uganda. It illuminates and documents the various tensions and struggles for press freedom in the country since the establishment of the first newspaper in 1900. The book demonstrates that despite Uganda’s brush with multiple political systems over the decades—multi-party, one-party politics, military rule, and no-party political arrangements—the press has always been at the receiving end of the “stick.” Consequently, journalists, in their yearnings for a legally unrestrictive media-free environment under a liberal sociopolitical atmosphere, have had to deploy various methods and approaches in dealing with the various state apparatuses.

Jim Ocitti was a Fellow (1998–1999) at the Weatherhead Center for International Affairs and a Postdoctoral Fellow in the Program on International Conflict Analysis and Resolution (PICAR). He worked as a journalist in Uganda, Germany, and the Netherlands before joining the United Nations as a public affairs adviser and spokesman.

Patrolling the Revolution: Worker Militias, Citizenship, and the Modern Chinese State
by Elizabeth J. Perry

This pioneering study explores the role of working-class militias as vanguard and guardian of the Chinese revolution. The book begins with the origins of urban militias in the late nineteenth century and follows their development down to the present day. Elizabeth Perry focuses on the institution of worker militias as a vehicle for analyzing the changing (yet enduring) impact of China’s revolutionary heritage on subsequent state-society relations. She also incorporates a strong comparative perspective, examining the influence of revolutionary militias on the political trajectories of the United States, France, the Soviet Union, and Iran. Based on exhaustive archival research, the work raises fascinating questions about the construction of revolutionary citizenship; the distinctions among class, community, and creed; the open-ended character of revolutionary movements, and the path dependency of institutional change. All readers interested in deepening their understanding of the Chinese Revolution and in the nature of revolutionary change more generally will find this an invaluable contribution.

Elizabeth J. Perry is Henry Rosovsky Professor of Government at Harvard University, director of the John K. Fairbank Center for East Asian Research, a Harvard Academy Senior Scholar, and a Faculty Associate of the Weatherhead Center for International Affairs.

Taming American Power: The Global Response to U.S. Primacy
by Stephen M. Walt

The United States currently wields unprecedented global power. Americans often assume that their global role is benevolent and their dominant position unchallenged, but other states are increasingly worried about U.S. dominance and are beginning to turn their concerns into action. In this elegant and provocative new book, John F. Kennedy School professor and renowned scholar Stephen M. Walt analyzes the different strategies that states employ to counter U.S. power or to harness it for their own ends. These responses threaten America’s ability to achieve its foreign policy goals and may eventually undermine its dominant position. To prevent this, Walt argues, the United States must adopt a foreign policy that other states welcome, rather than one that reinforces their fear of American power.

Stephen M. Walt is the academic dean and the Robert and Renee Belfer Professor of International Affairs at the John F. Kennedy School of Government at Harvard University. He is a Faculty Associate and Executive Committee member of the Weatherhead Center for International Affairs.
The most spectacular event of the past half century is one that did not occur. We have enjoyed sixty years without nuclear weapons exploded in anger.

What a stunning achievement—or, if not achievement, what stunning good fortune. In 1960 the British novelist C. P. Snow said on the front page of the New York Times that unless the nuclear powers drastically reduced their nuclear armaments thermonuclear warfare within the decade was a “mathematical certainty.” Nobody appeared to think Snow’s statement extravagant.

We now have that mathematical certainty compounded more than four times, and no nuclear war. Can we make it through another half dozen decades?

There has never been any doubt about the military effectiveness of nuclear weapons or their potential for terror. A large part of the credit for their not having been used must be due to the “taboo” that Secretary of State Dulles perceived to have attached itself to these weapons as early as 1953, a taboo that the Secretary deplored.

The weapons remain under a curse, a now much heavier curse than the one that bothered Dulles in the early 1950s. These weapons are unique, and a large part of their uniqueness derives from their being perceived as unique. We call most of the others “conventional,” and that word has two distinct senses. One is “ordinary, familiar, traditional,” a word that can be applied to food, clothing, or housing. The more interesting sense of “conventional” is something that arises as if by compact, by agreement, by convention. It is simply an established convention that nuclear weapons are different.

This attitude, or convention, or tradition, that took root and grew over these past five decades, is an asset to be treasured. It is not guaranteed to survive; and some possessors or potential possessors of nuclear weapons may not share the convention. How to preserve this inhibition, what kinds of policies or activities may threaten it, how the inhibition may be broken or dissolved, and what institutional arrangements may support or strengthen it, deserves serious attention. How the inhibition arose, whether it was inevitable, whether it was the result of careful design, whether luck was involved, and whether we should assess it as robust or vulnerable in the coming decades, is worth examining. Preserving this tradition, and if possible helping to extend it to other countries that may yet acquire nuclear weapons, is as important as extending the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), now being renegotiated after its first twenty-five years.

The first occasion when these weapons might have been used was early in the Korean War. Americans and South Koreans had retreated to a perimeter around the southern coastal city of Pusan and appeared in danger of being unable either to hold out or to evacuate. The nuclear weapons issue arose in public discussion in this country and in the British parliament. Clement Atlee flew to Washington to beseech President Truman not to use nuclear weapons in Korea. The visit and its purpose were both public and publicized. The House of Commons, believing itself to have been a partner in the enterprise that produced nuclear weapons, considered it legitimate that Britain have a voice in the American decision.

There may be more than enough reasons to explain the non-use at that time in Korea. But I do not recall that an important consideration, for the U.S. government or the U.S. public, was apprehension of the consequences of demonstrating that nuclear weapons were “usable,” of preempting the possibility of cultivating a tradition of non-use.

Nuclear weapons again went unused in the disaster brought by the entry of Chinese armies, and were still unused during the bloody war of attrition that accompanied the Panmunjom negotiations. Whether they would have been used, and where and how they might have been used, had the war ground on for many more months, and what the subsequent
history would have been had they been used in North Korea or in China at that time. Whether the threat of nuclear weapons, presumably in China rather than on the battlefield, influenced the truce negotiations remains unclear.

McGeorge Bundy’s book, Danger and Survival: Choices About the Bomb in the First Fifty Years documents the fascinating story of President Eisenhower and Secretary of State Dulles and nuclear weapons. At the National Security Council on February 11, 1953, “Secretary Dulles discussed the moral problem in the inhibitions on the use of the A-bomb....It was his opinion that we should break down this false distinction (241).” I do not know of any analysis of that time within the government of actions that might tend to break down the distinction and what actions or inactions would preserve and strengthen it. But evidently the Secretary believed, and may have taken for granted that the entire National Security Council believed, that the restraints were real even if the distinction was false, and that the restraint was not to be welcomed.

Again on October 7, 1953, Dulles: “Somehow or other we must manage to remove the taboo from the use of these weapons” (249). Just a few weeks later the President approved, in a Basic National Security document, the statement, “In the event of hostilities, the United States will consider nuclear weapons to be as available for use as other munitions” (246). This statement surely has to be read as more rhetorical than factual. Taboos are not easily dispelled by pronouncing them extinct, even in the mind of one who does the pronouncing. Six months later at a restricted NATO meeting the U.S. position was that nuclear weapons “must now be treated as in fact having become conventional” (268). Again, saying so cannot make it so; tacit conventions are sometimes harder to destroy than explicit ones, existing in potentially recalcitrant minds rather than on destructible paper.

According to Bundy, the last public statement in this progress of nuclear weapons toward conventional status occurred during the Quemoy crisis. On March 12, 1955, Eisenhower said, in answer to a question, “In any combat where these things can be used on strictly military targets and for strictly military purposes, I see no reason why they shouldn’t be used just exactly as you would use a bullet or anything else” (278). Bundy’s judgment, which I share, is that this again was more an exhortation than a policy decision.

On the status of nuclear weapons, the Kennedy and Johnson administrations were a sharp contrast to that of Eisenhower. There was also a change in roles within the Cabinet. The anti-nuclear movement in the Kennedy administration was led from the Pentagon and in 1962 Secretary of State McNamara began his campaign—his and President Kennedy’s—to reduce reliance on nuclear defense in Europe by building expensive conventional forces in NATO. During the next couple of years McNamara became associated with the idea that nuclear weapons were not “useable” at all in the sense that Eisenhower and Dulles had intended. Undoubtedly the traumatic October of 1962 contributed to the revulsion against nuclear weapons of some of Kennedy’s key advisors and Kennedy himself.

The contrast between the Eisenhower and Kennedy-Johnson attitudes toward nuclear weapons is beautifully summarized in Johnson’s September 1964 statement: “Make no mistake. There is no such thing as a conventional nuclear weapon. For 19 peril-filled years no nation has loosed the atom against another. To do so now is a political decision of the highest order.” That statement disposed of the notion that nuclear weapons were to be judged by their military effectiveness. It disposed of Dulles’s “false distinction”: “A political decision of the highest order” compared with “as available for use as other munitions.”

I am particularly impressed by the “19 peril-filled years.” Johnson implied that for 19 years the United States had resisted the temptation to do what Dulles had wanted the United States to be free to do where nuclear weapons were concerned. He implied that the United States, or collectively the United States and other nuclear weapon states, had an investment, accumulated over 19 years, in the non-use of nuclear weapons; and those 19 years of quarantine for nuclear weapons were part of what would make any decision to use those weapons a political one of the highest order.

It is worth a pause here to consider just what might be the literal meaning of “no such thing as a conventional nuclear weapon.” Specifically, why couldn’t a nuclear bomb no larger than the largest blockbuster of World War II be considered conventional, or a nuclear depth charge of modest explosive power for use against submarines far at sea, or nuclear land mines to halt advancing tanks or to cause landslides in mountain passes? What could be so awful about using three “small” atomic bombs to save the besieged French at Dien Bien Phu as was...
discussed at the time? What is so wrong about using nuclear coastal artillery against a communist Chinese invasion flotilla in the Gulf of Taiwan?

There are two answers that this question has received, one mainly instinctive, the other somewhat analytical, but both resting on a belief, or a feeling—a feeling somewhat beyond reach by analysis—that nuclear weapons were simply different, and generically different. The more intuitive response can probably best be formulated, “If you have to ask that question you wouldn’t understand the answer.” The generic character of everything nuclear was simply—as logicians might call it—a primitive, an axiom; and analysis was as unnecessary as it was futile.

The other, more analytical, response took its argument from legal reasoning, diplomacy, bargaining theory, and theory of training and discipline, including self discipline. This argument emphasized bright lines, slippery slopes, well-defined boundaries, and the stuff of which traditions and implicit conventions are made. (The analogy to “one little drink” for a recovering alcoholic was sometimes heard.) But both lines of argument arrived at the same conclusion: nuclear weapons, once introduced into combat, could not, or probably would not, be contained, confined, limited.

Sometimes the argument was explicit that no matter how small the weapons initially used the size of weapons would ineluctably escalate, there being no natural stopping place. Sometimes the argument was that the military needed to be disciplined, and once they were allowed any weapons it would be impossible to stop their escalation.

The “neutron bomb” is illustrative. This is a bomb, or potential bomb, that, because it is very small and because of the materials of which it is constructed, emits “prompt neutrons” that can be lethal at a distance at which blast and thermal radiation are comparatively moderate. As advertised, it kills people without great damage to structures. The issue of producing and deploying this kind of weapon arose during the Carter administration, evoking an anti-nuclear reaction that caused it to be left on the drawing board. But the same bomb—at least, the same idea—had been the subject of even more intense debate fifteen years earlier, and it was there that the argument was honed that was ready to be used again in the 1970s. The argument was simple; and it was surely valid, whether or not it deserved to be decisive. It was that it was important not to blur the distinction—the firebreak, as it was called—between nuclear and conventional weapons; and either because of its low yield or because of its “benign” kind of lethality it was feared, and it was argued, that there would be a strong temptation to use this weapon where nuclears were otherwise not allowed, and that the use of this weapon would erode the threshold, blur the firebreak, pave the way by incremental steps for nuclear escalation.

A revealing demonstration of this antipathy was in the universal rejection by American arms controllers and energy-policy analysts of the prospect of an ecologically clean source of electrical energy, proposed in the 1970s, that would have detonated tiny thermonuclear bombs in underground caverns to generate steam. I have seen this idea unanimously dismissed without argument, as if the objections were too obvious to require articulation. As far as I could tell the objection was always that even “good” thermonuclear explosions were bad and should be kept that way. (I can imagine President Eisenhower: “In any energy crisis where these things can be used on strictly civilian sites for strictly civilian purposes...
I see no reason why they shouldn't be used just exactly as you would use a barrel of oil or anything else." And Dulles: "Somehow or other we must manage to remove the taboo from the use of these clean thermonuclear energy sources.")

But it is important not to think that nuclear weapons alone have this character of being generically different, and independently of quantity or size. Gas was not used in World War II. The Eisenhower-Dulles argument could have applied to gas: "In any combat where these gases can be used on strictly military targets and for strictly military purposes, I see no reason why they shouldn't be used just exactly as you would use a bullet or anything else." But as Supreme Commander of the Allied Expeditionary Forces, General Eisenhower, as far as we know, never proposed any such policy. Maybe, if at the time, he had been put through the exercise he would have convinced himself, not that gas should never be used but that gas was at least different from bullets, and decisions on its use raised new strategic issues. And ten years later he might have recalled that line of thinking when, I think reluctantly, he let his secretary of state urge doing for nuclear weapons what Eisenhower apparently never thought of doing for gas in the European theater.

Some other things have this all-or-none quality in warfare. Nationality is one. The Chinese did not visibly intervene in the Korean War until it was time to intervene in force. American military aid personnel have always been cautioned to avoid appearing to engage in anything that could be construed as combat, the notion being that contamination could not be contained. There was some consideration of American intervention in Indochina at the time of Dien Bien Phu, but not on the ground; and in the air it was thought that reconnaissance would count less as "intervention" than would bombs. There is typically the notion that to provide equipment is much less participatory than to provide military manpower; we arm the Israelis and provide ammunition even in wartime, but so much as a company of American infantry would be perceived as a greater act of participation in the war than $5 billion worth of fuel, ammunition, and spare parts.

I mention all this to suggest that there are perceptual and symbolic phenomena that persist and recur and that help to make the nuclear phenomenon less puzzling. And I find it remarkable how these perceptual constraints and inhibitions cross cultural boundaries. During the Chinese phase of the Korean War the United States never bombed air bases in China; the "rules" were that Chinese bombing sorties originated from North Korea, and to abide by the rules Chinese aircraft originating in Manchuria touched down wheels at North Korean airstrips on the way to bombing their American targets. That reminds us that national territory is like nationality: crossing the Yalu, on the ground or in the air, is a qualitative discontinuity. Had General MacArthur succeeded in conquering all of North Korea, even he could not have proposed that penetrating just "a little bit" into China proper wouldn't have mattered much because it was only a little bit.

Still, these qualitative all-or-none kinds of thresholds are often susceptible to undermining. A Dulles who wishes the taboo were not there may not only attempt to get around it when it is important, but may apply ingenuity to dissolving the barrier on occasions when it may not matter much, in anticipation of later opportunities when the barrier would be a genuine embarrassment. Bundy suggests that in discussing the possibility of atomic bombs in defense of Dien Bien Phu, Dulles and Admiral Radford, the Chairman of the Joint Chiefs of Staff, had in mind not only the local value in Indochina but the use of Dien Bien Phu in "making the use of atomic bombs internationally acceptable," a purpose that Dulles and Radford shared.

The aversion to nuclear weapons—one might even say the abhorrence of them—can grow in strength and become locked into military doctrine even without being fully appreciated, or even acknowledged.
An Astonishing Sixty Years...

not be used, and probably would not be used, in the event of a war in Europe. Throughout the 1960s the official Soviet line was to deny the possibility of a non-nuclear engagement in Europe. Yet the Soviets spent great amounts of money developing non-nuclear capabilities in Europe, especially aircraft capable of delivering conventional bombs. This expensive capability would have been utterly useless in the event of any war that was bound to become nuclear. It reflects a tacit Soviet acknowledgement that both sides might be capable of non-nuclear war and that both sides had an interest, an interest worth a lot of money, in keeping war non-nuclear—keeping it non-nuclear by having the capability of fighting a non-nuclear war.

Arms control is so often identified with limitations on the possession or deployment of weapons that it is often overlooked that this reciprocated investment in non-nuclear capability was a remarkable instance of unacknowledged but reciprocated arms control. It is not only potential restraint in the use of nuclear weapons; it is investment in a configuration of weapons to make them capable of non-nuclear combat. It reminds us that the inhibitions on “first use” may be powerful without declarations, even powerful while one party refuses to recognize its own participation for what it is.

With the possible exception of the Anti-Ballistic Missile Treaty, this conventional buildup in Europe was the most important east-west arms understanding until the demise of the Soviet Union. It was genuine arms control, even if inexplicit, even if denied—as real as if the two sides had signed a treaty obliging them, in the interest of fending off nuclear war, to put large amounts of treasure and manpower into conventional forces. The investment in restraints on the use of nuclear weapons was real as well as symbolic.

That the Soviets had absorbed this nuclear inhibition was dramatically demonstrated during their protracted campaign in Afghanistan. I never read or heard public discussion about the possibility that the Soviet Union might shatter the tradition of non-use to avoid a costly and humiliating defeat in that primitive country. The inhibitions on use of nuclear weapons are such common knowledge, the attitude is so confidently shared, that not only would the use of nuclear weapons in Afghanistan have been almost universally deplored, it wouldn't even have been thought of.

But part of that may be because President Johnson’s 19-year nuclear silence had stretched into a fourth and then a fifth decade, and everyone in responsibility was aware that that unbroken tradition was a treasure we held in common. We have to ask, could that tradition, once broken, have mended itself? Had Truman used nuclear weapons during the Chinese onslaught in Korea, would Nixon have been as impressed in 1970 by the 19-year hiatus as Johnson was in 1964? Had Nixon used nuclear weapons, even ever so sparingly, in Vietnam would the Soviets have eschewed their use in Afghanistan, and Margaret Thatcher in the Falklands? Had Nixon used nuclear weapons in 1969 or 1970, would Israel have resisted the temptation against the Egyptian beachheads north of the Suez Canal in 1973?

The answer surely is that we do not know. One possibility is that the horror of Hiroshima and Nagasaki would have repeated itself and the curse would have descended again with even more weight. The other possibility is that, the long silence broken, nuclear weapons would have emerged as militarily effective instruments and, especially used unilaterally against an adversary who had none, a blessing that might have reduced casualties on both sides of the war as some think the bomb on Hiroshima did. Much might have depended on the care with which weapons were confined to military targets or used in demonstrably “defensive” modes.

We were spared from temptation in the Gulf in 1991. Iraq was known to possess and to have been willing to use “unconventional” weapons: chemicals. Had chemical weapons been used with devastating effect on U.S. forces the issue of appropriate response would have posed the nuclear question. I am confident that had the president, in that circumstance, deemed it essential to escalate from conventional weapons, battlefield nuclear weapons would have been the military choice. Nuclear weapons are what the Army, Navy, and Air Force are trained and equipped to use; their effects in different kinds of weather and terrain are well understood. The military profession traditionally despises poison. There would have been strong temptation to respond with the kind of unconventional weapon we know best how to use. To have done so would have ended the 45 peril-filled years. We can hope no president has to face such a “political decision of the highest order.” I’ve no doubt any president would recognize that that was the kind of decision he was facing.
I have devoted this much attention to where we are and how we got here with the status of nuclear weapons in the belief that the development of that status is as important as the development of nuclear arsenals has been. The nonproliferation effort, concerned with the development, production, and deployment of nuclear weapons, has been more successful than most authorities can claim to have anticipated; the accumulating weight of tradition against nuclear use I consider no less impressive and no less valuable. We depend on nonproliferation efforts to restrain the production and deployment of weapons by more and more countries; we may depend even more on universally shared inhibitions on nuclear use. Preserving those inhibitions and extending them, if we know how, to cultures and national interests that may not currently share those inhibitions will be a crucial part of our nuclear policy.

A crucial question is whether the anti-nuclear instinct is confined to “western” culture. I believe the set of attitudes and expectations about nuclear weapons is more recognizably widespread among the people and the elites of the developed countries; and as we look to North Korea, Iran, or others as potential wielders of nuclear weapons we cannot be sure that they inherit this tradition with any great force. But it is reassuring that in the same way we had no assurance that the leadership of the Soviet Union would inherit the same tradition or participate in cultivating that tradition. Not many of us in the 1950s or 1960s would have thought that were the Soviet leadership to engage in war, and lose a war, in Afghanistan it would behave there as if nuclear weapons did not exist.

We can be grateful to them for behaving that way in Afghanistan, adding one more to the list of bloody wars in which nuclear weapons were not used. Forty years ago we might have thought that the Soviet leadership would be immune to the spirit of Hiroshima, immune to the popular revulsion that John Foster Dulles did not share, immune to the overhang of all those peril-filled years that awed President Johnson. In any attempt to extrapolate western nuclear attitudes toward the areas of the world where nuclear proliferation begins to frighten us, the remarkable conformity of Soviet and Western ideology is a reassuring point of departure.

An immediate question is whether we can expect Indian and Pakistani leaders to be adequately in awe of the nuclear weapons they now both possess. There are two helpful possibilities. One is that they share the inhibition—appreciate the taboo—that I have been discussing. The other is that they will recognize, as the United States and the Soviet Union did, that the prospect of nuclear retaliation made any initiation of nuclear war nearly unthinkable.

The instances of non-use of nuclear weapons that I’ve discussed were, in every case, possible use against a non-possessor. The non-use by the USA and the USSR was differently motivated: the prospect of nuclear retaliation made any initiation appear unwise except in the worst imaginable military emergency, and that kind of military emergency never offered the temptation. The experience of the USA–USSR confrontation may impress Indians and Pakistanis; the greatest risk is that one or the other may confront the kind of military emergency that invites some limited experiment with the weapons, and there is no history to tell us, or to tell them, what happens next.

Most recently there is the concern that Iran and North Korea may acquire, or may already have acquired, some modest number of nuclear explosives. (Libya appears to have withdrawn from contention.) Great diplomatic skill and international cooperation will be required to suppress or discourage their interest in acquiring such weapons. Equally great skill, or greater, will be required to create or enhance the expectations and institutions that inhibit the use of such weapons.

The next possessors of nuclear weapons may be Iran, North Korea, or possibly some terrorist bodies. Is there any hope that they will have absorbed the nearly universal inhibition against the use of nuclear weapons, or will at least be inhibited by the recognition that the taboo enjoys widespread acclaim?

Part of the answer will depend on whether the United States recognizes that inhibition, and especially on whether the United States recognizes it as an asset to be cherished, enhanced, and protected or, like John Foster Dulles in Eisenhower’s cabinet, believes “somehow or other we must manage to remove the taboo from the use of these weapons”.

Continued page 10
There is much discussion these days of whether or not "deterrence" has had its day and no longer has much of a role in America’s security. There is no Soviet Union to deter; the Russians are more worried about Chechnya than about the United States; the Chinese seem no more interested in military risks over Taiwan than Khrushchev really was over Berlin; and terrorists cannot be deterred anyway—we don't know what they value that we might threaten, or who or where it is.

I expect that we may come to a new respect for deterrence. If Iran should, despite every diplomatic effort or economic pressure to prevent it, acquire a few nuclear weapons, we may discover again what it is like to be the deterred one, not the one doing the deterring. I also consider it crucial that Iran's leadership, civilian and military, learn to think, if it has not already learned to think, in terms of deterrence.

What else can Iran accomplish, except possibly the destruction of its own system, with a few nuclear warheads? Nuclear weapons should be too precious to give away or to sell, too precious to waste killing people when they could, held in reserve, make the United States, or Russia, or any other nation, hesitant to consider military action. What nuclear weapons have been used for, effectively, successfully, for sixty years has neither been on the battlefield nor on population targets: they have been used for influence.

What about terrorists? Any organization that gets enough fissile material to make a bomb will require many highly qualified scientists, technologists, machinists, working in seclusion away from families and occupations for months with nothing much to talk about except what their A-bomb might be good for, for whom. They are likely to feel justified, by their contribution, to have some claim on par-
ticipating in any decisions on the use of the device. (The British Parliament in 1950 considered itself, as partner in the development of the atomic bomb, to be qualified to advise President Truman on any possible use of the bomb in Korea.)

They will conclude—I hope they will conclude—over weeks of arguing, that the most effective use of the bomb, from a terrorist perspective, will be for influence. Possessing a workable nuclear weapon, if they can demonstrate possession—and I expect they will be able to without actually detonating it—will give them something of the status of a nation. Threatening to use it against military targets, and keeping it intact if the threat is successful, may appeal to them more than expending it in a purely destructive act. Even terrorists may consider destroying large numbers of people as less satisfying than keeping a major nation at bay.

The most critical question about nuclear weapons for the U.S. government is whether the widespread taboo against nuclear weapons and its inhibition on their use is in our favor or against us. If it is in the American interest, as I believe obvious, to advertise a continued dependence on nuclear weapons, i.e., a U.S. readiness to use them, a U.S. need for new nuclear capabilities and new nuclear tests—let alone ever using them against an enemy—has to be weighed against the corrosive effect on a nearly universal attitude that has been cultivated through universal abstinence of sixty years.
Who’s Where?

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"S"tandard" tax systems (including the current U.S. tax system) cause several distortions in business decisions. One of these distortions is to create adverse capital structure incentives: Whereas debt interest payments can be deducted from the tax base of companies, this is not true for payments going to equity holders (i.e., dividends). From a fiscal perspective, this makes debt financing more attractive than equity financing.

In an attempt to reduce these distorting effects of taxes on the capital structure choice of companies, an interesting idea was born in the 1980s: deducting "fictitious" interest on a company's equity ("imputed interest on equity") from a company's tax base in the same way as with debt interest. In this way, a tax system not only creates neutrality with respect to investment and financing decisions but also ensures tax-only profits that constitute economic rents without taxing any cost of capital. As a positive side effect this should result in a boost of the respective stock market. Since this idea was floated in the 1980s, scientists and legislators in several countries have created tax regimes in which the deductibility of imputed equity interest compensates (at least in part) for the preferential tax treatment of debt.

Generically, these tax regimes work as follows: Besides interest on debt, imputed interest expenses on equity are deductible from a company's tax base. To this end, government bodies fix an equity interest rate for tax purposes. The imputed interest on equity is the amount resulting from equity interest ("protective interest," which came from the fact that one obtains the imputed interest on equity by subtracting the debt interest (actually paid by the firm) from the gross profit (which is computed as total book capital times return on total investment). The equity interest rate (or, in case of Norway the return on total investment) is fixed by law and determined with reference to the yield on the (long-term government) bond market. In Norway and Sweden it also contains an explicit additional risk premium.

An example for a complete tax relief of imputed interest on equity is the Interest Adjusted Income Tax System that was in place in Croatia from 1994 to 2001. The imputed interest on equity was called "protective interest," which came from the fact that the cost of equity capital employed in the business was protected from taxation. In contrast to the other countries, the protective interest rate could not be taken from the bond market for lack of a well-functioning capital market. Instead, it resulted from two components: a fixed rate (reflecting the real interest rate) plus the percentage rate of growth of a price index (reflecting the inflation rate). For companies in some regions affected by the war, an additional premium was added. Apart from Croatia, a system similar in principle has been established in 2003 in the Brcko district in Bosnia-Herzegovina.

Since 1995 Brazilian enterprises have been also allowed to deduct interest on equity, with some adjustments. The equity interest rate is an officially published long-term interest rate on the bond market. It must be noted that interest on equity in Brazil is limited to 50% of the greater of its accumulated retained earnings or its current year's earnings. This provision puts a ceiling on the cost that occurs to the fiscal authorities in the form of tax losses. In contrast to the other systems, in Brazil interest on equity can only be claimed if it is also distributed as "interest on equity," which is done by most of the...
firms up to the maximum allowed as described. A withholding tax at a reduced rate is imposed on the interest deduction so that it resembles a dual income tax system.

Motivated by the Nordic countries, Italy has offered to its companies a Dual Income Tax System from 1997 to 2004. The equity interest rate was based on the average market yield of public and private bonds plus a risk premium. The Italian system allowed for the computation of interest only on the respective increase of equity compared to the 1996 level. This provision, similar to the Brazilian case above, reduces the tax losses of the fiscal authorities.

An interesting mutation is the Austrian tax regime from 2001 to 2004. In contrast to all other countries, the Austrian system allowed for fictitious interest on the respective equity increase (i.e., the change of equity over the last year instead of the level of equity) to be deducted. The advantage of such a system is that it significantly reduces the tax loss of the fiscal authorities. However, as Bogner, Frühwirth, and Höger (2002) showed, this variant is not sufficient to eliminate the preferential treatment of debt over equity. For completeness, the equity interest rate in the Austrian system was an average yield of bonds traded in the bond market plus a risk premium, and as with the dual income tax systems, the interest on equity was subject to a reduced tax rate.

Very recently another European country, Belgium, has enacted a tax regime allowing imputed interest on the level of equity. This legislation will become effective beginning in 2007. Equity is taken from the balance sheet with some adjustments. The equity interest rate corresponds to the average interest rate on long-term (10 years) Belgian government bonds ("OLO 10 years"). For small and medium-sized businesses, this interest rate is increased by 0.5%. Two components are remarkable: First, there is a maximum level for this equity interest rate (currently 6.5%) as well as a maximum change in the equity interest rate from year to year (currently 1%). Second, as with Croatia and Brcko, there is no tax at all on the imputed interest on equity such that the cost of equity is completely excluded from taxation.

In addition to the countries described above, where imputed interest on equity provisions were enacted, proposals to allow imputed interest on equity deductions have been put forward in a number of other countries. For the United Kingdom, a corresponding “Allowance for Corporate Equity” has been suggested by the reputable Institute for Fiscal Studies. Similar proposals have recently been established for a dual income tax system in Switzerland (Keuschnigg and Dietz, 2004) as well as for imputed interest on equity in the German legislature, for example by the “Arbeitsgemeinschaft Selbständiger Unternehmen” and by the German Council of Economic Experts. For Germany, leading scientists even set up a precise and finished draft law including imputed interest on equity.

There are some empirical studies that analyze whether tax regimes with imputed interest on equity achieve the goal of increasing the degree of equity financing of firms. Previtero (2003) and Bontempi, Giannini, and Golinelli (2004) find that during the life of the Italian system the debt ratio of Italian firms has significantly decreased.

The goal of our research project, which in part is carried out at the Weatherhead Center, is to integrate the tax effects resulting from imputed interest on the level of equity into business valuation. This is especially relevant for businesses with large equity ratios, for example (but not exclusively) venture capital firms or private equity firms.

To be more precise, we extend the discounted cash flow (DCF) valuation framework to include the deductibility of imputed interest on the level of equity in a model, where uncertainty arises from the stochastic development of the book return on investment. Based on our valuation results, we derive different forms of cost of capital. Especially, we compute the weighted average cost of capital (WACC) that takes into account the tax benefit of equity, which includes the appropriate adjustment to the cost of equity reflecting the value of the tax benefit of equity. Thereby, we generalize the well-known textbook formula for the WACC going back to Modigliani and Miller (1963). The WACC so derived acts as a hurdle rate in capital budgeting decisions in a tax environment with imputed interest on equity. We show that the extent to which the WACC decreases due to imputed interest on equity, thus making investment projects more attractive.  

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The Weatherhead Center’s Undergraduate Associates Program supports undergraduates at Harvard College in social science disciplines who are researching and writing theses on topics related to international affairs. These students, who won a competitive grant from the Weatherhead Center last spring, traveled abroad last summer to conduct their thesis research, and they are the Center’s 2005–2006 Undergraduate Associates. The Weatherhead Center encourages and facilitates connections between the Undergraduate Associates and Center Fellows, faculty, visiting scholars, and graduate students. Throughout the year, the Weatherhead Center holds several workshops especially designed for the Undergraduate Associates focusing on thesis research and writing. During the early part of the spring semester, the Undergraduate Associates present their thesis findings in a Weatherhead Center seminar four to six weeks before their theses are due. The purpose of these seminars is to support the undergraduates in the final stage of completing their theses. The seminars are chaired by Weatherhead Center Graduate Student Associates or Harvard Academy Scholars and are attended by graduate students, Fellows, faculty, and staff, during which undergraduate associates receive valuable feedback on their thesis research. The list of 2006 Undergraduate Thesis Presentations is below:

**Kathryn Berndtson**  
Special concentration in Applied Social Ethics  
Rogers Family Research Fellow  
*If You Had Known I Was Like You, You Would Not Have Killed Me: Reconciliation in the Wake of Failed Empathy in Rwanda*

**Manav Bhatnagar**  
South Asian Studies and Government  
Rogers Family Research Fellow  
*The End of Imagination: Self-Determination and the Conflict in Kashmir*

**Kevin Ching**  
Social Studies and East Asian Studies  
Samuels Family Research Fellow  
*Black Cat, White Cat: Mutual Ambivalence Among NGOs in China and Chinese Policy Makers in the Reform Period*

**Ryan Coughlan**  
Special concentration in Environmental Policy  
Rogers Family Research Fellow  
*The Unexpected Cost of Cleaning Military Contamination*

**Lindsay Crouse**  
History  
Rogers Family Research Fellow  
*‘It Left Us with Nothing’: The Dop System and Alcohol Abuse on South African Wine Farms in the Twentieth Century*

**Kathryn Eidmann**  
Social Studies  
Rogers Family Research Fellow  
*Transnational Feminist Discourse in Local Women’s Advocacy Movements: Gender-Based Violence in Dar es Salaam, Tanzania*

**Huma Farid**  
History  
*Segovia’s Scholar: Isa Gidelli and Christian-Muslim Relations in 15th Century Castile*

**Johnhenry Gonzalez**  
History  
*The Ashes of Empire and the Birth of Neo-Colonialism: The Impact of Haitian Revolution on Europeans’ Ideas of Race and on French Imperial Policy*

**Doris Huang**  
Government  
Samuels Family Research Fellow  
*Why Do They Hate Us? (And Do They?): Explaining Anti-Americanism in Mexico and Argentina, 1989-2005*

**Gabriel Loperena**  
Government  
*The Dangers of Pacted Democratization: The Case of Venezuela’s Pacto de Puntofijo*

**Alecia McGregor**  
Social Studies  
Rogers Family Research Fellow  
*Transformation through Care: Examining Western Evangelical Frameworks of Orphan Care in Uganda*
Soojin Nam
Social Studies
Beyond the Framework of NIMBY and Stigmatization: A Case Study of the Community Protests Concerning the Hankyurae School (School for North Koreans) in Ansung, South Korea

Joseph Pace
Social Studies and Near Eastern Languages and Civilizations
Foreign Pressure and Domestic Repression in Syria

Zoë Sachs-Arellano
Philosophy and African Studies
Rogers Family Research Fellow
Piloting a New Solution to International Development Challenges in Africa: Networking Youth to Build Global Leadership on the Local Level

Anjali Salooja
Social Studies
Rogers Family Research Fellow
The ‘Other’ No More: Women’s Empowerment Through Garment-industry Work

Aroonsiri Sangarlangkarn
Economics
Rogers Family Research Fellow
The Effectiveness of the New 30-Baht Health Policy in Thailand and Evidence of Over-consumption as a Result of Insurance

Tazneen Shahabuddin
Social Studies
Rogers Family Research Fellow
Battling Invisibility: The Impact of HIV/AIDS and Increased Care Responsibilities on Informal Traders in Durban, South Africa

Michael Wu
Economics and East Asian Studies
Tracing the Evolution of China’s Migrant Labor Workforce: A Quantitative and Qualitative Analysis

Linda Zou
Government

Sage Best Paper Award. Given to the best paper in the field of comparative politics presented at the previous year’s APSA Annual Meeting.
“Handling and Manhandling Civilians in Civil War: Determinants of the Strategies of Warring Factions” (co-authored with Jeremy Weinstein)

Politics of Piety: The Islamic Revival and the Feminist Subject (Princeton University Press)

“At Provincial Gates: The Impact of Locally Concentrated Foreign Direct Investment on Provincial Autonomy and Economic Reform”

Leubbert Best Article Award. Awarded for the best article in the field of comparative politics published in the previous two years.

Best Field Work Award, Comparative Democratization.
“The Informal State: Governance, Accountability, and Public Goods Provision in Rural China”

Votes and Violence: Electoral Competition and Ethnic Riots in India (Cambridge University Press)

Leubbert Best Book Award. Given for the best book in the field of comparative politics published in the previous two years.
Peter Katzenstein, Walter S. Carpenter Jr. Professor of International Studies, Cornell University, served as the Distinguished Visitor of the Program on U.S.-Japan Relations during December 5–8, 2005. Katzenstein is pictured here (second from right) during the well-attended dinner speech on “Anti-Americanisms in World Politics” with Paul and Catherine Buttenwieser University Professor Stanley Hoffmann (far left), Susan Pharr, Edwin O. Reischauer Professor of Japanese Politics and director of the Program on U.S.-Japan Relations, and Shinju Fujihira, associate director of the Program on U.S.-Japan Relations.