

What Economic Price This War?

by James K. Galbraith

[Back to Previous Page](#)

In March, as we debated war in Iraq, seven Nobel laureates joined some 200 other US economists (including myself) to call for full consideration of the costs. When economists talk of costs, what do we mean? First, we mean budget costs-for gasoline, equipment, and explosives-that begin at some \$70 to \$100 billion, if the war itself goes well, as it has. The history of warfare-from Europe in 1914 to Vietnam in the 1960s-is littered with gross underestimates of costs, but here the higher costs will follow the war.

We also mean material costs that are sometimes overstated because bombs may fall on empty fields or rubble so that damage looks worse than it is. In Iraq, though, even modest damage-to the water, to the electric grids and the health system-is causing turmoil to people who were already stressed. And there will be some damage, inevitably, to the archeological heritage of Iraq and Baghdad.

The human costs are beyond accounting. No matter the number of casualties, every dead soldier, on either side, every dead civilian, is a human being who could have lived a productive and perhaps happy life. Every injured person will carry a burden of pain. We need not demean the grief by trying to give it money value.

The uncertainty costs are more prosaic but just as hard to calculate. How much business investment, how much production, how much trade has been lost-in the United States and throughout the world economy-because of the fear and uncertainty surrounding this war? What effect will war have on global economic plans and decision-making, consumer and market confidence, global energy prices?

Reconstruction costs are imponderable. One estimate for rebuilding Iraq puts costs as approaching \$2 trillion. But will the US actually do the job? What if it takes two years and 100,000 troops? Five years and 200,000 troops? How well and when will the oil fields operate?

The follow-on costs arise from the situation we now face. Will peace and democracy break out in Iraq? Will the war lead to peace, democracy, and demilitarization across the Middle East, as some believe? Or will there be rebellions, revenge killings, and proxy wars across Iraq, Syria, Iran, Saudi Arabia, and even Egypt? Not to mention in Israel and Palestine.

The diplomatic costs lie in the damage to relationships with Europe, Russia and other countries. One may count also the cost of disillusion, of much of the world's population, with the American ideal.

The opportunity costs are those that arise every time we make a decision to do one thing rather than another. By choosing to go to war, we chose to do less to solve our problems at home. We face a crisis in every state and local budget in this country-in every school, every welfare program, and every part of public health care. We face a crisis of trust in our corporations, and a crisis of confidence in the profitability of future business investment. American households are facing in slow motion a crisis of household debts. Little will be done about any of this, so long as we are preoccupied with Iraq.

Finally, the apocalyptic costs should be considered. North Korea has learned from Iraq. It boasts about its nuclear bombs to counter US threats. There is also the risk that Iran will buy a few of them or make its own. There is the risk that we will shortly face several nuclear powers who regard us-and not entirely without reason-as a mortal threat to their existence. There is the risk that we may make a catastrophic error in our response.

Once the real costs have been considered, the economic conclusion is not controversial. It is that collective

security based on the rule of law and the United Nations is the only kind of security that any nation can afford.

James K. Galbraith is chair of Economists Allied for Arms Reduction, which spearheaded the US Economists' Statement on Iraq. He teaches at the University of Texas at Austin.

© Copyright 2003 Globe Newspaper Company

Economists for Peace and Security

<http://www.epsusa.org>