



[[Home](#)] [[Site Search](#)] [[Ad Rates](#)] [[Books Tapes](#)] [[Subscribe](#)]

November 2002 issue
[Feature Story](#)

Feature Story

[Table of Contents](#)

[Feature Story](#)

[Publisher Words](#)

[Classified Ads](#)

[Archives](#)

[Radio Show](#)

[Web Links](#)

[Office Info](#)

Will War Wreck the Economy?

by [Alan Bock](#)

Larry Lindsey, the president's chief economic adviser, whom I did not previously suspect of idiocy, has provided the latest validation of what I think I'll start calling Bock's Law. It has been my observation that going into government, especially in a high-visibility job, lowers a person's IQ by at least 50 points. Maybe it only applies to economists, many of whom are capable of quite sensible analysis when outside the corridors of power but often find themselves having to defend the indefensible when policies are adopted for political rather than economic reasons. But I suspect the law has much wider applicability. Anyway, Larry Lindsey told a writer for the London Telegraph the third week in September that a war with Iraq would actually be good for the economy. "When there is a regime change in Iraq, you add three million to five million barrels [per day] of production [of oil, of course] to world supply. The successful prosecution of the war would be good for the economy."

Secretary of the Treasury Paul O'Neill said he agreed. Even though administration officials have been estimating that prosecuting a war with Iraq will cost taxpayers from \$100 billion to \$200 billion - and those guesses are really just guesses because our leaders have not vouchsafed to us just what kind of a war they have in mind, perhaps because they haven't decided yet - "Whatever it is that's finally decided to be done, we will succeed and we can afford it," the estimable Mr. O'Neill reassured an audience in Maine.

Poor Paul O'Neill, yet another validation of the law. A couple of months ago he had to pretend to take pop singer Bono seriously as a crackerjack analyst of economic development schemes. Later he got in trouble for committing a gaffe - Washington speak for an inconvenient truth - about Brazil's creditworthiness. Now he's uttering complete blather in service of - is it really his country or is it the administration that happens to be in power at the moment that he is serving? How humiliating all this must be in the quiet moments when he confronts his own soul, if he ever has them.

Cost Already High

The direct cost to taxpayers in the wake of the September 11 terrorist attacks

[Home](#)
[Site Search](#)
[Ad Rates](#)
[Books Tapes](#)
[Subscribe](#)

have already been substantial. The AP ran a story September 9 with an Office of Management and Budget estimate of what has been spent already - or committed - and it already comes to more than \$100 billion. The OMB estimated that the national government has spent \$30 billion on the "war on terrorism," \$35 billion on homeland security, \$21 billion on New York recovery, \$5 billion for victim compensation, \$8 billion bailing out the airlines, and around \$3 billion on "other."

It is important to remember that while some Pollyannas might view government spending as pump-priming that will eventually bolster the economy and get the economy moving again, this is bad economics. Jude Wanniski (who is usually right on economics, though occasionally eccentric on other matters) recently decried the "Keynesian argument that World War II had 'positive economic effects,' in that it ended the Great Depression via spending. If that were true, the Great Depression would have returned in 1945 when the war ended and spending dropped like a stone."

These days, of course, there's little danger that spending will drop when a war ends, if this one ever does. War or peace, good times or bad, government spending continues to rise.

Counting Real Costs

The great French economist Frederic Bastiat long ago dealt with the fallacy that spending to fix things that are broken is good for the economy. Politicians back then (he wrote in the 1840s) used to claim that broken windows in a neighborhood could be viewed as an economic boon, because fixing them would mean employment for glaziers, glasscutters and the like. Bastiat pointed that such repair work (even if necessary) was simply the restoration of what had been before, not the creation or building of something new, and therefore not an economic advance.

Furthermore, spending money on repairing windows means it is not available for other purposes, from enjoyment to investment. When we take money from the productive sector and have government spend it on virtually anything, it steals from investment and innovation. Spending it on death and destruction, which is what war is about, compounds the misappropriation. Unless you think Iraqi buildings and Iraqi lives have no economic value (let alone whatever other value they may have), the destruction a war will create in that country must be added to the costs of war.

And you can be reasonably sure that American taxpayers will be asked to pay for most of the costs of reconstruction in Iraq after our military forces (and the Iraqis, of course) are done blowing things up. Count on an American presence and significant American costs for decades to come. We're still paying Egypt and Israel annual subsidies for their graciousness in meeting with former President Carter at Camp David more than 20 years ago. Former National Security Adviser Sandy Berger recently testified that rebuilding the Iraqi economy will cost between \$50 billion and \$150 billion. You can be sure both estimates are lowball.

Unless things change considerably, it is unlikely that other countries will "volunteer" their taxpayers to pony up for this war, as some did for the previous Gulf War. If anything, Uncle Sam is likely to hand out substantial bribes to various countries to bolster the simulacrum of international support. Russia has demanded a free hand without any pesky "human rights" rhetoric while it brutally suppresses the rebellion in Chechnya and meddles in Georgia. Before it's over it will be demanding money, and not just a guarantee that the \$8 billion debt Saddam Hussein owes them will be paid by somebody (dig deep, American taxpayers). There are some perks that come with sitting on the UN Security Council, after all.

-----SNIP-----

Purchase [Hard-Copy](#) of the [Hard-Hitting](#) News Today!
Subscribe to [MEDIA BYPASS 1 800 4BYPASS 429 7277](#)
8 am to 5 pm (CST) Monday through Friday
Order by Mail or FAX >> [Print-n-Send](#)

[▲ top](#)

[[Table of Contents](#)] [[Feature Story](#)] [[Publisher Words](#)] [[Classified Ads](#)] [[Archives](#)] [[Radio Show](#)]
[[Web Links](#)] [[Office Info](#)] [[Home](#)] [[Site Search](#)] [[Ad Rates](#)] [[Books Tapes](#)] [[Subscribe](#)]

Media Bypass™ American Alternative Media, LP Copyright© 2002 All rights reserved.

This site maintained by [Mark Reynolds](#) using [FlexED](#). Let's build YOU a homepage.