



An Economy of Peace and Security: The Costs of the War in Iraq

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War has an undeniable relationship with the economy. It is therefore rational that we, as economists, study the political and economic consequences of war. What are the costs and benefits, if any? War has always been justified as a means of obtaining ends labeled “peace” and “security.” Many see guns, armies, and military confrontations as necessary in order to achieve these goals. However, some economists hold an alternative hypothesis. Some of us think that guns, armies, and the battlefield are ineffective means of obtaining true peace and security. Some of us believe that so-called peace brought about by war is fragile, substandard, and bound to break. Some of us hold that the production of peace via military technology and machinery has insupportable external costs that must be evaluated. We believe that there are ways to produce peace and security of greater quality, but with less costs in terms of human life and state expenditure.

In the past few years, terrorist activity seeking to gain political objectives has had heavy economic, social, and ethical consequences that are proving to be serious threats for the entire world.

A group of economists in PEKEA is highly interested in this subject – we have assumed the economic analysis of war as one of our major research endeavors. We think that economists looking to study the impacts of war on ethics and human lives should use their understanding of economic sciences to seek alternative forms of obtaining true peace and security – not just for



the sake of theoretical understanding, but also in order to make real changes by swaying policy-makers so that everlasting peace can be realized.

As a model, we shall add to this discussion an evaluation of the costs and of the war in Iraq, based on the report by the Institute for Policy Studies and Foreign Policy of the United Kingdom. It is called, "Paying the Price: The Mounting Costs of the Iraq War."

Noting that many still see the following classification as disputable, we can present the costs of this war grouped in three concepts: human life, security, and quantifiable costs. We at PEKEA have tried to distinguish between the costs for the invading country, the invaded country, and the rest of the world. We also consider, albeit superficially, the possible benefits of traditional peacemaking via warfare. However, the following enumeration does not seek to be exhaustive; rather, it resembles only one possible proposal that would enhance our debate.

Group A: Costs in Terms of Human Life

1. More than 1,000 soldiers of the invading coalition have died. More than 5,000 have been injured. In addition, more than 100 civil and contractual workers have died. To these numbers, we also add the death of more than 30 journalists.
2. As a consequence of the invasion and occupation of Iraq, more than 6,000 Iraqi soldiers and insurgents have died.
3. The estimations of civilian deaths range between 12,000 and 37,000, according to various sources. Half of this amount has been produced by explosions and bombs *after* the



official declaration of the end of the invasion. The number of injured civilians exceeds 50,000.

4. In Iraq, weapons with depleted uranium have been used, whose long-term effects are difficult to estimate. Some experts believe that the use of these weapons in the Gulf War of 1991 is the direct cause of many illnesses of American veteran soldiers, and of the birth of children with innate deficiencies in Basrah, which has increased 7 fold over the years. The Pentagon has estimated that in the bombings of March 2003, the American and British troops dumped between 1,100 and 2,200 tons of armament containing this radioactive metal.
5. In addition to the decline of both civilian and military lives in the war, either of Iraqis and Americans or of any other occupying forces, such as workers from all over the world participating in “the reconstruction,” it should also be considered that other crisis zones such as Sudan have suffered from decreased international aid and attention. The death and famine resulting from this neglect should be accounted as consequences of the war in Iraq.

Group B: Costs in Terms of Security

1. Strengthening of terrorist organizations: Various international organizations estimate that the number of militants in terrorist organizations has increased notably as a consequence of the invasion of Iraq. The aggressiveness and violence of these organizations have also increased, with painful examples in Spain (March 11th) and Russia (Beslan, September 3rd). In 2003, there were 98 suicide terrorist attacks in the world.



2. International law: The bellicose, unilateral decision of the United States has violated the bylaws of the United Nations and has set a dangerous precedent. It is also blatantly clear that the United States has violated the Geneva Conventions. It is possible that other countries, such as Russia, now feel inclined to act in a similar manner.
3. Human rights: Despite the overthrow of the dictator Saddam Hussein, the Iraqi people continue to suffer grave violations of human rights. Apart from the notorious torture and prisoner abuse scandals revealed to the world this past year, various deaths of detainees are still being investigated as a result of possible abusive interrogation techniques.
4. The United Nations: The legitimacy and credibility of the United Nations has become seriously jeopardized, debilitating its capacity for decisive action in the future.
5. Democracy among allied nations: In those countries whose governments support the war, even with the explicit opposition of their citizens, the credibility of democratic institutions has become shaky. Millions of people have lost their trust in their national leaders.
6. Crime increase in Iraq: Murder, rape, and kidnappings have multiplied in Iraq since the invasion. Deaths due to violence and criminal activities went from 14 per month in 2002 to 357 per month in 2003. Many children have chosen not to go to school out of pure fear. Women likewise don't dare to go out into the streets at night.
7. Psychological impact: One poll by the Coalition Provisional Authority in May 2004 estimated that 80% of Iraqis do not trust civilian authorities or the coalition forces. According to this poll, 55% of Iraqis say they would feel safer if the occupational forces



left the country immediately. On the part of the Americans, it was found that 52% of occupational soldiers felt demoralized, and 75% declared feeling misled by officials.

Group C: Quantifiable Costs

1. The United States Congress has approved a budget for the war in Iraq of 151.1 billion dollars. They have promised to increase the approved budget after the presidential elections in November.
2. Gas prices have reached historical highs, which is due greatly to the war in Iraq. Around the world, the increase in gas prices is provoking intense inflation and declining production. Many businesses (for example, aeronautical companies) have witnessed falling profits, leading to bankruptcy.
3. The Iraqi petroleum industry: There have been more than 150 attacks by insurgents on the productive and distributive infrastructure of petroleum. The production of petroleum in Iraq fell from 2.04 millions of barrels per month in 2002 to 1.33 million in 2003. In 2004, production has been even less.
4. Iraqi health infrastructure: After enduring a decade of economic sanctions and a commercial boycott that impeded the flow of medicines and sanitation products to Iraq, the invasion caused even more damage to the nation's health industry. Many hospitals were damaged, and American helicopters continue to attack and destroy ambulances in service.
5. Education: The United Nations Children's Fund, known as UNICEF, estimated that more than 200 Iraqi schools were destroyed during the invasion and thousands were



vandalized in the subsequent post-invasion chaos. School attendance has declined notably in the war's aftermath.

6. Human heritage: Mesopotamia was once the cradle of civilization. Iraq possessed invaluable treasures in museums and in archeological deposits that have been ransacked. University and school libraries have been burned, while thousands of tablets of cuneiform scriptures have been destroyed forever.
7. The environment: The American bombings damaged hydraulic systems in Iraq, a country already at risk of severe drought due to its semi-desert ecosystem. In addition, petroleum wells have emitted great quantities of toxic fumes throughout the entire country. Mines and unexploded bombs cause more than 20 casualties per month.
8. Unemployment in Iraq: The Iraqi unemployment rate went from 30% before the war to 60% in the summer of 2003.
9. Costs of contracts and subcontracts of "reconstruction": The job of supplying the occupational troops with meals and other goods has been entrusted to American firms instead of Iraqis. Halliburton and other contractors are currently being investigated for fraud due to charging for supplies that were never distributed or for charging unfair prices.
10. Although the war expenditures initially may have an initial expensive effect on the United States economy, many economists predict long-term, critical problems as a consequence of the war's effect on the public debt, external deficit, and inflation.
11. Transaction costs for unfulfilled contracts: Any military conflict implies an increased uncertainty regarding the future of investment activities. International commerce is founded on a series of contracts, agreements, or treaties whose control and application



are not subject to the judicial powers of a state, but rather to the arbitration of international organizations, which typically have weak executive capacity. In the years prior to the invasion, businesses of various countries (including Germany, France, Russia and others) signed commercial contracts with the Iraqi Government, respecting international agreements and the norms of the embargo as set by the United Nations. While these contracts should have been respected universally, the Coalition Provisional Authority paid no attention to them, and instead contracted companies exclusively of the invading countries. The word “unilateralism” has been used as an “understatement” to allude to the failure of the Bush Administration to comply with international agreements and conventions of the United Nations. In any case, we will soon need to consider that fact that decisions made “unilaterally” invalidate international commercial agreements.

D. Benefits

In this essay we have focused on the study of the costs of war. We have not paid attention to the benefits, until now. Without a doubt, a war generates diverse types of benefits. If a war emerges, it is because somewhere, *someone* considers it possible to extract from it some type of advantage. These advantages, however, are harder to perceive by third parties. Nevertheless, we can note here the following:

1. Power: The leaders of the attacking countries considered that their decision would reinforce their overall power at many levels, both in their internal social groups and their



international image. For some groups of individuals in various countries, including Iraq, the war has meant an increase of power.

2. Security and liberty: It is possible that some individuals, whether in the United States, Iraq, or any other part of the world, actually feel more secure as a result of the War in Iraq, or perhaps more free.
3. Quantifiable economic benefits: Certainly there are some people and companies that have obtained economic benefits, which, in some cases, have been quite substantial. The companies that have supplied arms and military equipment for the invading forces are only one example.
4. We also must quantify the benefits produced by criminal activities (such as the robbing of art work, vandalism, and kidnappings) in the anarchic post-war that Iraq has become. Whatever some count as costs, others can count as benefits.

E. Conclusion

Without a doubt, those responsible for initiating and/or supporting the war had once considered it beneficial. Unquestionably, these individuals and groups, being sufficiently powerful to make the decision to launch an attack, believed that the benefits in the postwar period would far outweigh the war's inherent costs.

We can suspect, however, now that the pass of time has given us a new perspective on the situation, that these individuals and groups were badly mistaken in their calculations. The war's benefits, in terms of power or security, have been less than what was predicted, or perhaps even



fictional. The unpredicted costs (which have been effectively realized) have resulted to be greater than those predicted (or planned). Various leaders of the Coalition have lost the support and decision-making capacity that they once enjoyed.

In any case, we should clearly distinguish between internal costs and internal benefits, between those that supported the war and believed it would be beneficial, and the social and external costs at the global level.

It is difficult, perhaps even ethically questionable, to attempt to quantify the net cost of so many diverse concerns: How would we add and subtract units of power, human lives, security, or even art and culture? While an economist's pretension is typically to assess the situation with specific quantities in each category, measuring with monetary units the "value" of such diverse issues, in this case the limit of quantifiable data has undoubtedly been surpassed.

All we can do is make a personal value judgment of the situation from our own individual, intimate experiences. One can judge that the value of a human life is superior or inferior to the augmentation of national security or the sensation of liberty for the sake of ten, one hundred, or a thousand others, but in this regard we are all judges; yet we cannot identify one common criterion. There are no criteria that permit an objective, quantifiable, balanced judgment of a war. We can only take our personal assessment and vocalize it publicly. And in this case here today, the author of these lines wishes to express that the War in Iraq deserves an exceptionally negative overall judgment.