

March 2005

# EPS QUARTERLY

the newsletter of economists for peace and security

Second Iraq Anniversary Edition

## The Iraq Occupation: A Gambler's Fallacy?

James K. Galbraith on the nature of occupation

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## Out of the tunnel and into the light: A strategy for exiting Iraq in 500 days

Carl Conetta

### Occupation and insurgency: a self-fueling dynamic

The occupation has bogged down in problems of its own creation. It is today less about rolling back Iraqi military power, dislodging a tyrant, or building a stable democracy than it is about fighting an insurgency energized principally by the occupation.

The role of the occupation and its practices in driving the insurgency are evident if we look at the growth dynamics of the insurgency, and specifically at the change in the number of anti-coalition attacks per month. The growth trend falls into four distinct phases beginning with the end of major combat operations in May 2003. [See graph below.]

The beginning of each phase (after the first) is marked by a major counter-insurgent offensive on the part of the Coalition. The paradoxical effect of these offensives seems to be a rise in insurgent activity to a new level, a higher plateau that does not subsequently recede. What we are witnessing is a process by which the occupation and its practices drive more people and resources into insurgent activity and organizations. This trend accords with shifts in public

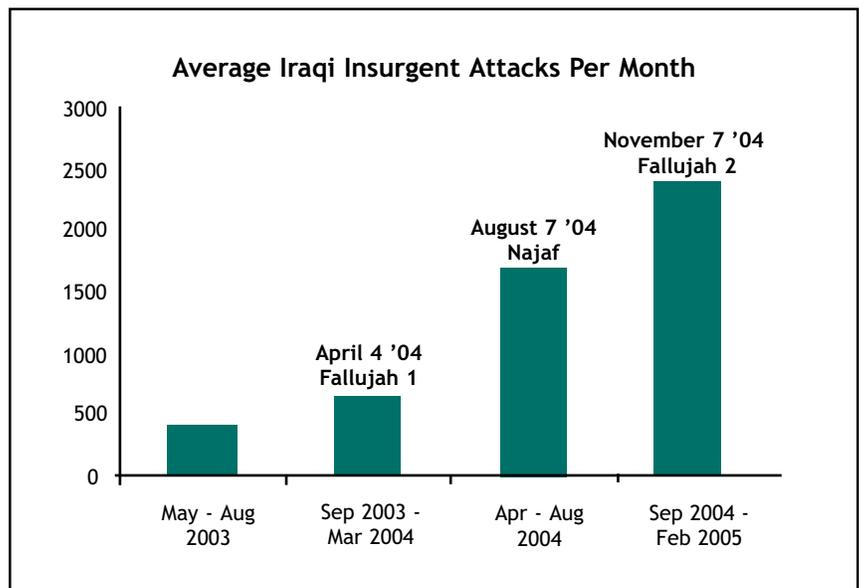
opinion: both the occupation and the occupiers have grown less popular as time goes by.

### No military solution worth contemplating

The growth dynamic of the insurgency should convince us that there is no primarily military solution to the insurgency, neither at our hands nor at those of the Iraqis, at least none we should be willing to contemplate.

Our experience in Mosul suggests the scale of the problem. Back in November 2003, a brigade commander from the 101st airborne estimated that the city harbored only 300 fighters. He thought his 5,000 troops could bring these insurgents under control. His estimate of insurgent strength was probably wrong. But even had it been right, Mosul has a population somewhat smaller than that of Northern Ireland, where approximately 400 IRA fighters were sufficient to tie down 32,000 British

(continued on page 10)



## Highlights of the FY 2006 DoD Budget Request: Up \$19.2 Billion, or a 4.8% Increase

Chris Hellman

### “Top Line” Funding

The Bush Administration is requesting \$419.3 billion for the Department of Defense in Fiscal Year 2006, which begins on October 1, 2005. This is \$19.2 billion more than the current level of \$400.1 billion, an increase of 4.8 percent. This figure does not include funding for the nuclear weapons activities of the Department of Energy, which is considered part of total Defense Department spending. Nor does this figure include the costs of ongoing military operations in Iraq and Afghanistan.

The Pentagon estimates that total annual funding for the Defense Department alone will grow to \$502.3 billion by Fiscal Year 2011. Total Pentagon spending, not including funding for the Department of Energy or for actual combat operations for the period FY'06 through FY'11, will exceed \$2.8 trillion.

### Funding for Contingency Operations (Supplemental Appropriations)

The request contains no funding for military operations in Iraq and Afghanistan, which the Pentagon continues to fund through special supplemental spending packages. To date, the Pentagon has received \$155 billion for the wars in Iraq and Afghanistan (\$64 billion in FY'03, \$66 billion in FY'04, and \$25 billion so far for FY'05). The Administration plans to request an additional \$75 billion for the remainder of FY'05 (with an additional \$5 billion for tsunami relief and foreign assistance, for a total of \$80 billion), bringing the three-year total to roughly \$230 billion. Further funding will clearly be necessary to fund operations during FY'06.

### Missile Defense

The Administration is requesting \$8.8 billion for missile defense in FY'06, down roughly \$1 billion from the current \$9.9 billion. Approximately \$800 million of the proposed reductions are from the Kinetic

Energy Interceptor (KEI) program. Though the request is below current levels, missile defense continues to receive more funding than any other weapons program in the annual Pentagon budget. This total does not include \$757 million for the SBIRS-High satellite program.

**The budget request  
contains no funding  
for military operations  
in Iraq and Afghanistan  
(see page 4).**

### Shipbuilding

The request includes funding for the continued development of the Aircraft Carrier Replacement Program (\$873 million), the DD(x) Destroyer Program (\$1.8 billion), and the Littoral Combat Ship (\$613) million. It includes \$2.6 billion for the purchase of one SSN-774 “Virginia” class nuclear attack submarine, and completes funding of the last planned DDG-51 “Arleigh Burke” destroyer. The budget also includes the retirement of one conventional aircraft carrier, reducing the fleet from 12 to 11.

### Aircraft

The request includes \$2.9 billion for 38 of the Navy’s F/A-18E/F “Super Hornet,” rather than the expected 42, \$1.8 billion for procurement of 11 V-22 “Osprey” tilt-rotor aircraft, and \$5.0 billion for continued development of the F-35 Joint Strike Fighter. The request also includes \$4.3 billion for 25 F/A-22 “Raptor” fighters, and prepares to end F-22 procurement in FY'08 at a total of 179 planes.

### Personnel

The request includes an increase in base pay of 3.1 percent. According to the Pentagon, base pay has risen 25 percent since 2001.

### Base Closures

The request includes funding to implement base closure and realignment decisions by the 2005 Base Closure Commission. The budget includes \$1.9 billion for FY'06, and \$5.7 billion for FY'07.

### Homeland Defense

The request contains \$9.5 billion for Pentagon activities related to homeland security including detection and protection against weapons of mass destruction, emergency preparedness and response, and protecting critical infrastructure. This includes \$1.6 billion for defense against chemical and biological weapons.

### Cooperative Threat Reduction (CTR)

The Administration is requesting \$416 million for the CTR (also known as “Nunn-Lugar”) program, up slightly from the current \$408 million. The CTR program assists Russia and the former Soviet republics safeguard weapons of mass destruction and related technologies.

### Federal Budget Deficit

The Administration’s request arrives on Capitol Hill as the Congressional Budget Office (CBO) is predicting a deficit of \$400 billion for Fiscal Year 2005, much higher than the \$348 billion deficit it projected in September. The Administration’s own Office of Management and Budget’s (OMB) most recent deficit estimate for FY'05 is even higher - \$427 billion. CBO also projects an FY'06 deficit in excess of \$300 billion, but an analysis of the CBO figure by the Senate Budget Committee minority staff put the figure at \$386 billion.

*Chris Hellman is Defense Budget and Policy Analyst at the Center for Arms Control and Non-proliferation. See <http://www.armscontrolcenter.org/military/budget/> for more information.*

## Letter from the Director

*"As we express our gratitude, we must never forget that the highest appreciation is not to utter words, but to live by them."*

- John Fitzgerald Kennedy

One of the unexpected benefits to my new position as EPS's sole staff person is that I get to open the mail. Every time I open an envelope and find within a check, I am touched. I am very aware that each donation is backed by belief in our mission and encouragement for fulfilling it. The mission we have chosen is ambitious. If we were engaged in feeding the homeless, we would have the satisfaction of seeing quantifiable, tangible results on a daily basis. But in working to inform discourse on issues as philosophical as war and peace, conflict and security, we are afforded distinctly fewer opportunities for instant gratification. I take each donation as a communication, an encouragement, a vote of confidence.

That's why it is important to me that my first official word here as Director should be one of gratitude. I want to express my tremendous thanks and appreciation to all of you who support us financially and otherwise. It is important to say so. But it is even more important to deserve your support through action.

Increasing EPS's capacity to promote reasoned economic analysis and appropriate action to a national audience is critical. One significant tool for spreading the mission is this newsletter, newly dubbed the "EPS Quarterly." I have watched the newsletter grow, evolve, and improve during the past few years, and I hope you enjoy every issue as much as I do. I will be working closely with our editor Kate Cell to bring you articles and information that are inspiring, informative, and useful.

Other plans for increasing our effectiveness include an omnibus master proposal, currently under development, for an "Economists' Program on National Security." Our plan for the next three years is to drive home the point that economics has something important, but often neglected, to say about the reality of national security and foreign policies, across a spectrum of issues related to war, peace and the military budget. We hope to change the way these issues are discussed, not only in official councils but equally in the media, to

gain recognition of the need for sober economic judgment of costs and consequences.

I believe that all of the changes we have made in the past few months, from moving the office to the Levy Institute, to reorganizing the Board of Directors, to changing the name, result in an organization that is more agile and accessible. The smaller number of Board members helps overcome our geographical dispersion. The Board is able to communicate and meet more easily, governance issues are more easily dealt with and the organization as a whole is better able to react to changing conditions. Our new name, which reflects a broader and more inclusive program, is catching the eyes of our colleagues at conferences, and of the media. EPS has been infused with a sense of energy and renewal. I am excited to be a part of this stage of its growth.

As EPS acts to improve our capacity to undertake rigorous economic analysis and promote greater understanding of the full range of economic causes, costs and consequences of violent conflict, I would like to encourage you to become active also. There are numerous ways to contribute to issues that you find important. One can write letters to one's representatives in government, to newspapers, or on the internet. One can study the issues, as many of our members do, then provide information for citizens and policymakers to make more informed decisions. Some can make activism their full-time job, as I have been privileged to do, or give their time as volunteers. And of course, one can make financial contributions - not an insignificant form of activism.

As director, I look forward to our continued collaboration toward the goal of a more just and peaceful world. If you have any questions about EPS, or our programs, please don't hesitate to contact me.



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## Emergency? What emergency?

Winslow Wheeler

On February 14, President Bush submitted to Congress a \$74.9 billion emergency supplemental appropriations request for the Global War on Terror. The appeal is not for the new 2006 budget; it is for the fiscal year that is already five months old, 2005. It needs urgent action, but it is anything but an emergency.

That term has a specific technical meaning: appropriations that a president and Congress deem emergency are not counted against spending ceilings for annual appropriations. With emergency spending - added literally without limit - Congress and the president can pretend they are living within budget constraints.

Because it arrives after the president's regular budget request, this supplemental also confounds calculations of annual defense budget growth. Significant defense spending increases can be made to seem smaller, and whacks - whether deserved or not - at non-defense, domestic spending can occur under a phony shield of government-wide spending restraint.

Moreover, this emergency supplemental is bulging with spending that belongs in the regular budget. Included is an increase in Army and Marine Corps manpower costing \$1.7 billion; it has a spending tail that will stretch through the next decade or so, but it is described as temporary.

It also includes expenses for a reorganization of the Army for \$5 billion, a plan that will be continued for the foreseeable future and that has been in the making for years. There's another \$1.4 billion for military base construction in Iraq, Afghanistan, the Persian Gulf, Uzbekistan and the United States, for facilities which are virtually indistinguishable from those included in the Pentagon's regular request for annual military construction.

There's another \$5.3 billion for maintenance of equipment worn out in the fighting in Iraq and Afghanistan, a backlog that has been building up largely unaddressed since the war started. And, there's about \$5.1 billion to replace equipment that has

been destroyed or worn out and to modify existing equipment. The fabrication of these items will not begin for months and will not end for years.

Secretary of Defense Donald Rumsfeld argues these emergency supplementals are an unavoidable mechanism for pay for the war; he says the costs of fighting are unknown and unknowable until our service men and women are actually conducting operations. Not to put too fine a point on it but it is a pretty asinine claim. Under this

**This "emergency" supplemental is bulging with spending that belongs in the regular defense budget: reorganization of the Army, base construction, equipment maintenance, manpower increases.**

logic, any weapon system that experiences a cost overrun (that would be about all of them) should receive no appropriations whatsoever until after the ultimate, final cost is known.

The inappropriateness of the overdue, emergency supplemental is pushed beyond dispute by a proposal included in Bush's own 2006 budget submission. Acknowledging past abuse, the Analytical Perspectives volume of the 2006 budget presentation proposes a reform "to preclude funds from being declared an emergency for events that occur on an annual or recurring basis." Further, "military operations. . . with costs that are incurred regularly should be part of base funding and, as such, are not considered under this definition." Emergency spending is to be restricted to any "necessary expenditure that is sudden, urgent, unforeseen, and not

permanent."

The \$74.9 billion emergency supplemental flunks on all counts, with the exception of urgent. But it is urgent only because Bush has waited until now to support operations in the ongoing fiscal year. Under duress, he did seek, and Congress approved, \$24.9 billion last August to pay for initial operations. That money is about tapped out and will be well gone when Congress gets around to passing the supplemental, if the military services are lucky, by the end of this month.

Bush has been paying for the war in this manner ever since he decided to invade Iraq. In 2003, he did not ask for a single penny to pay for the war until after the shooting began in March. Overdue, urgent requests make it easy to stampede a skittish Congress and to stuff the already substantial defense budget with more spending that gets a free ride by being associated with supporting the troops.

If past is prologue, Congress will do nothing about any of this. The 2005 supplemental will be passed with the spending that belongs in the regular budget, and every penny will be deemed emergency. The 2006 budget will continue to contain not one nickel to pay for war operations, and some time later this year, Bush and Rumsfeld will ignore their own reform proposal and rush up to the Hill with another emergency supplemental, pleading urgency and demanding compliance - which will be given.

Then, as now, there will be a few in Congress who complain, but their efforts will be both feeble and ignored.

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*Winslow Wheeler is a former defense staffer to both Democratic and Republican senators, and is a member of the Security Policy Working Group. This article was originally distributed by UPI on March 4, 2005 and is reprinted with the author's permission.*

# Iraq and the Nature of Occupation

James K. Galbraith

This is a war of occupation. And a striking fact about wars of occupation is that while they were often successful until 1945, they have seldom succeeded in the years since. Until the end of World War II, occupations, also called empires, were routine. Today, they are very rare (the last really big one, in Eastern Europe, ended in 1989 with no fight). And so one must ask, what is changed about the world in the past sixty years? Let me suggest six things that have changed irreversibly.

## 1. Urbanization.

A century ago, the industrial world was urbanized, but the colonial countries for the most part were not. A dispersed, impoverished rural population is much easier to control than a packed-in, urban middle class. This is partly architecture: cityscapes favor the defender; so the Germans learned at Stalingrad. When, in *The New Yorker* in early February, Seymour Hersh quoted an intelligence source responding to his telephone call, "Welcome to Stalingrad," that was the meaning of the reference.

## 2. "Correlation of forces."

Around 1898, following the battle of Omdurman, Hilaire Belloc immortally wrote, "Whatever happens, we have got/The Maxim Gun. And they have not." Now they have got it, along with the booby trap, the car bomb, and most recently the suicide attacker. These weapons are simple but effective. They impose, at a minimum, a focus on force protection that gets in the way of everything else.

## 3. Self-government is the political norm.

In the age of empire, successful imperialists governed through local rulers, and the costs of administration were accordingly small. Today, people everywhere expect sovereignty, an expectation more universal and stronger than that of democracy or freedom in most cases. Why is there no terrorism in Kurdistan? Because the Kurds are self-governing, under a government

formed under our protection but without our physical presence. The insurgency is effective in central Iraq in part because government there lacks the people's confidence. They may actually dislike it. Or perhaps they might actually like it to succeed, but reasonably fear that it won't. Either way, we are denied the most important instrument of governance, the active cooperation of the governed.

**"You can't win and you can't break even;  
you can't get out of the game.  
You shouldn't stay but you ain't leaving, for  
your luck might change again..."**

- *The Dealer (Down and Losin')*,  
by Bob Ruzicka

## 4. The worldwide media and the attention it gives to atrocity.

A century ago one could massacre with impunity. Well into the 20th century, terror and torture were accepted features of conquest and occupation. For example, the British killed 20,000 in Iraq in the early 1920s and few complained. A few decades earlier the Belgians had killed some ten million in the Congo, and almost no one even knew about it; similarly our Indian wars in the 1870s were wars of extermination. But the horrors of World War II, in particular, changed perceptions, as the French learned in Algeria and we in Vietnam. Since that time television has radically raised the visibility of violence, and the political price associated with it.

## 5. War and the free market.

When our troops went in, Iraq lost control of its frontiers. The resulting flood of imported cars clogged the streets, making security patrols difficult while it has become easy for insurgents to move around and to conceal bombs. Meanwhile a flood of electrical appliances drains the power grid, so that even heroic measures to increase electrical capacity cannot keep pace with demand. Subsidized fuel is now easily exported, so fuel is short. Yet if sub-

sidies are reduced or eliminated, popular tolerance for the occupation falls. And all the imports destroy local jobs, creating a pool of frustrated and angry unemployed.

## 6. Today's occupation is a rotating force.

Soldiers come and go, because jet aircraft make that possible. This is necessary, under modern conditions, for the survival of a volunteer army. But it is corrosive to stable intelligence relationships in the theater of operations; every new rotation of forces must relearn local conditions and rebuild trust in the local population.

These are facts that one has to deal with, and the question, of course, is this: Is there a strategy that can deal with them under the present circumstances in Iraq?

The answer lies, if anywhere, with Iraqi self-government and the development of an effective permanent local national security force. This is obvious to everyone; and the recognition of this fact has already produced a government that - in its alignment with Tehran in particular - may prove quite different from the reliable diplomatic ally our neo-conservative visionaries had hoped for. Will this government be capable of mustering an army and police capable of defeating the insurgency and bringing the population into cooperation? Perhaps. It is prudent nevertheless to remain skeptical.

Yes, the news on Iraq's election day, January 30, 2005, was encouraging - the insurgency failed to affect voting outside of the Sunni regions. But does it mean success is now within reach? Are we in position to set a realistic deadline - perhaps the 18 months recently named by interim Interior Minister Falah Al-Naqib - to finish the job? And, especially, would a timetable help or hurt in the pursuit of that goal?

This is truly a difficult question. Eighteen months is not a long time. Make it one year after the next elections - that is,

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## Iraq and the Nature of Occupation (continued from page 5)

December 2006 - and you buy a little more. The advantage is that a timetable might force the hand of the Iraqi leaders now in place. They might be able to bring into being, in that time, a successful security force. Previous timetables - for sovereignty, and for the elections - were apparently quite effective in forcing decisions and action. Perhaps a timetable for Iraqi takeover of internal security would be equally so.

As a timetable is implemented, the security of Kurdistan can be guaranteed. A clear authority - religious, to be sure - can take power in the South. Iraq, like Gaul, can be divided in three parts. It's in the center, as the world knows, that the hard problem is.

In Central Iraq, it is possible that military success could be made more likely by making it known that we intend to get out. The choice facing Iraqis will be stark. They can either support the government just elected, or face the possibility of life under the insurgents. Perhaps this will concentrate minds, improve military efficiency and the intelligence flow. Perhaps it will reduce the fatal temptation for the government to rely indefinitely on US forces to do the hard fighting and take the blame for the serious damage.

### Objections to a timetable

But it is also possible that a timetable would not have this effect. Two objections would have to be weighed very carefully. The first is that a timetable could cause the collapse of existing intelligence channels on insurgent activity. The second is the risk that a timetable for our withdrawal might also become a timetable for the de facto independence of Kurdistan, implying eventual Kurdish withdrawal from the Iraqi security forces. Since Kurds form the backbone of the New Iraqi Army right now, the question is whether, without them, Shiite Arabs alone can possibly construct an effective counter-insurgent force.

### Countering what?

The informed view of our forces in Iraq is that we are not actually fighting merely a loose confederation of remnants, dead-

enders, criminals and jihadis. The "insurgency" is at its heart the work of Saddam Hussein's internal security force, the Mukhabarat - the "very effective armed gang" that governed Iraq for 35 years. And it is pursuing a campaign planned, equipped and financed well in advance of our invasion.

That's a tough opponent. It can't prevail against us, surely. But it may be also that it can't be defeated by our Iraqi allies, or by us with the level of violence we are prepared to inflict. And if that's so, what is our real choice? Is it between a war continuing for ten or twenty years, with a thousand or more American dead every year and no assurance of success, and on the other side of the coin the return of the secret police and a massacre of tens of thousands of Shi'ites, Kurds and unreliable Sunni in Central Iraq? If that is the choice, which alternative would you pick? And if you set a timetable in order to discover the truth - something that may still, in spite of the horrific character of this dilemma, be a sensible idea - what do you do if the timetable fails?

### The best result

*Morally*, we are committed to protect the Iraqi Arabs from the return of their old tormentors. (The Kurds, mercifully, can protect themselves.) *Ideally*, we'd like a military victory against Saddam's secret police, followed by a political reconciliation between the Sunni and Shi'a in the Arab areas of Iraq. *Practically*, the pursuit of that goal will cost us our present deployment, and present rate of losses, for the indefinite future. *And the best result* will be a weak, theocratic Shi'ite government in Arab Iraq, rendered unstable indefinitely by Sunni Arab opposition.

### Comparison with Vietnam

After we left Vietnam, tens of thousands fled that country, and many more were imprisoned, or worse, for a long period of time. The same could happen in Iraq. In Iraq, however, it may be worse. For Iraq, unlike Vietnam, has a recent history of mass murder, bordering on genocide. In Iraq, whole populations could be at risk.

It's possible that things will work out. So long as we are present, the insurgency does not have an unlimited capacity to inflict damage, as its failure to disrupt the elections showed. Perhaps, under some level of pressure, it will collapse. But, as the low turnout of Sunni Arabs also showed, this is not something the population expects to happen soon. Thus it may develop that the issue facing the American policymakers will become, merely, how long do you want to delay the ending? And at what price in American blood? At what cost, as well, to the effectiveness of the United States Army and the National Guard?

### These are questions for those who chose this war.

Let them explain how it happened that the prevention of genocidal chaos in Iraq came to require the sacrifice of a thousand American lives a year, indefinitely. Let them remember that the risk of genocidal chaos in Iraq was being contained successfully, two years ago, by the inspections, oil-for-food program and no-fly zones, at no cost in American life.

This they gave up. One can admit freely that good things have come out of the war, that we chose the side of the Iraqi people, that the government now in place is vastly preferable to what was there before.

And yet it is still pertinent to ask: would we have taken on this mission if we'd had a full and honest appraisal, in advance, of the cost? Our method, as we think through the choices before us, should be one of intense scrutiny of the worst cases, and effort to discover the course of action best calculated to avoid them. We should not underpin plans for action - any action, including contemplation of withdrawal - with favorable assumptions that are not strongly supported by evidence. Nor should we reject unfavorable possibilities until we can convince ourselves they are wrong.

It's true that we would never have launched this war. It's true that our goal is to bring it to an end. It's true that in our

(continued on next page)

## Iraq and the Nature of Occupation (continued from page 6)

view no compelling national interest requires an indefinite US presence in Iraq. But strategic interests are not the only considerations here. Having made the potentially catastrophic mistake of going in, we are not free to leave until the potential for a true catastrophe on our exit is plausibly contained. That is, of course, plainly not the case right now, and for all we know, it may not be the case for many years.

And here's a question for our future. Will Iraq teach us anything, finally, about the usefulness of diplomacy, the value of patience, and the need for the most extreme caution in using US military force? Will the press permit this question

to be discussed in front of the American people?

The President in Brussels [on February 21, 2005 - ed.] stated that our basic values were a "vibrant opposition, a free press, shared power and the rule of law." Could we start behaving in this country as though that were true? Can those of us who opposed this war - for what have now turned out to be exactly sensible reasons - discuss it, and not as fringe-end dissidents but in the mainstream of public discourse? Will this happen in time to change the balance of the debate over Iran?

Let's hope so. For real security will elude us all, so long as reckless men and

women can stampede the country into reckless wars.

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*This article is excerpted from remarks Dr. Galbraith made at a February 22, 2005 panel session: "Home by Christmas? Strategies for a Near Term Exit from Iraq." The session, sponsored by the Security Policy Working Group, was broadcast live on C-SPAN 1.*

The State of Iraq				
	July 2003	January 2004	July 2004	January 2005
Oil Production/Oil Exports (millions of barrels per day)	0.9/0.3	2.4/1.5	2.2/1.4	2.1/1.5
Fuel Availability (all types, % of estimated requirement)	44	78	80	75
Electricity Production (average gigawatts; prewar: 4.4)	3.2	3.8	4.6	3.3
Estimated Unemployment Rate (percentage)	60	40	35	34
Telephone Subscribers (in millions; prewar estimate 0.8)	0.5	0.6	1.3	2.4
US Aid Disbursed (cumulative, in billions of dollars)	0.2	1.25	3.5	6.0
Relative Amount of Car Traffic (prewar level: 1.0)	1.0	2.0	3.0	5.0
Typical Length of Gasoline Lines (in miles)	0.1	0.5	1.0	1.0
Children in Primary School (in millions; prewar level: 3.6)	3.6	4.0	4.0	4.3
Iraqis Optimistic About Future (percentage)	67	65	50	50
Percentage of Iraqis Favoring Near-Term US Withdrawal (Sunni Arab/Shi'ite breakdown)	30	30	65	82/69
Foreign Coalition Troops (US/other; in thousands)	149/21	122/26	140/22	150/25
Trained Iraqi Police Officers, Soldiers, & Other Security Forces (official estimates; in thousands)	0	0	95	125
Trained Iraqi Police Officers, Soldiers, & Other Security Forces (average estimate of independent experts; in thousands)	0	0	10	25
Estimated Number of Insurgents/ Estimated Number of Foreign Fighters	5,000/300	5,000/300	20,000/400	18,000/600
Top Baathist/Resistance Leaders Still at Large	43	37	34	32
Iraqi Civilian Casualties (in month named; from acts of war, not crime)	35	125	400	450

Source: *The State of Iraq*, by Adriana Lins de Albuquerque & Michael O'Hanlon of the Brookings Institution; reprinted with permission. Full report online at <http://www.brookings.edu/views/op-ed/ohanlon/20041126a.htm>.

# National Unity on National Security?

Kate Cell

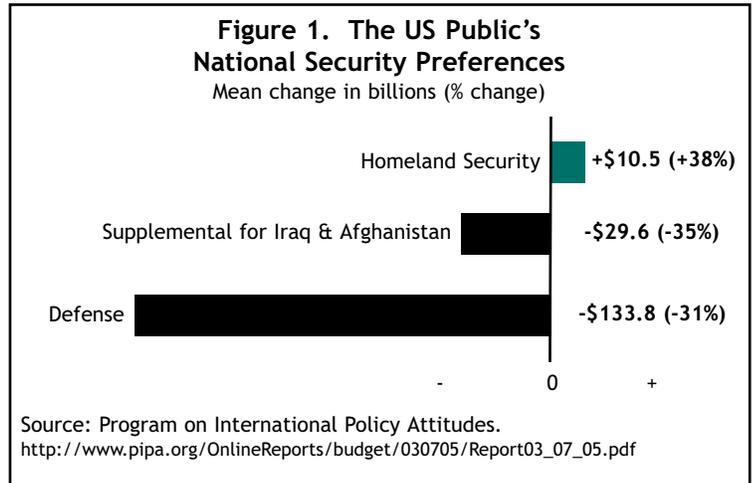
The November election result suggests that US citizens trust Bush administration rhetoric on security issues. But when asked in detail about their security priorities and budget preferences, the public's choices differ dramatically from those proposed in this year's Defense Budget Request and Emergency Supplemental for the Global War on Terror. When the Program on International Policy Attitudes (PIPA) undertook a recent opinion polling exercise on the US military budget, the public chose prevention and international aid over expensive weapons systems and new nuclear weapons, the Department of State over the Department of Defense. Based on PIPA's results, the American people should be congratulated for their common sense on security issues and commiserated with over how poorly US policy reflects their values and choices.

### Progressive experts and citizens agree

The public's preferences are in line with the suggestions of progressive international security experts. Compare the findings

of the PIPA poll (figure 1) with recommendations from the Unified Security Budget (USB), a policy prescription for rebalancing the overall security budget, shifting excess funds from the Department of Defense to other security program areas such as international affairs and homeland security. The USB authors, from the Center for Defense Information, Foreign Policy in Focus, and other progressive think tanks, proposed cutting \$46.3 billion in military expenditure; the citizens polled by PIPA would cut it by \$133.8 billion, or 31%.

The amounts differ, but the priorities match: experts and ordinary citizens alike



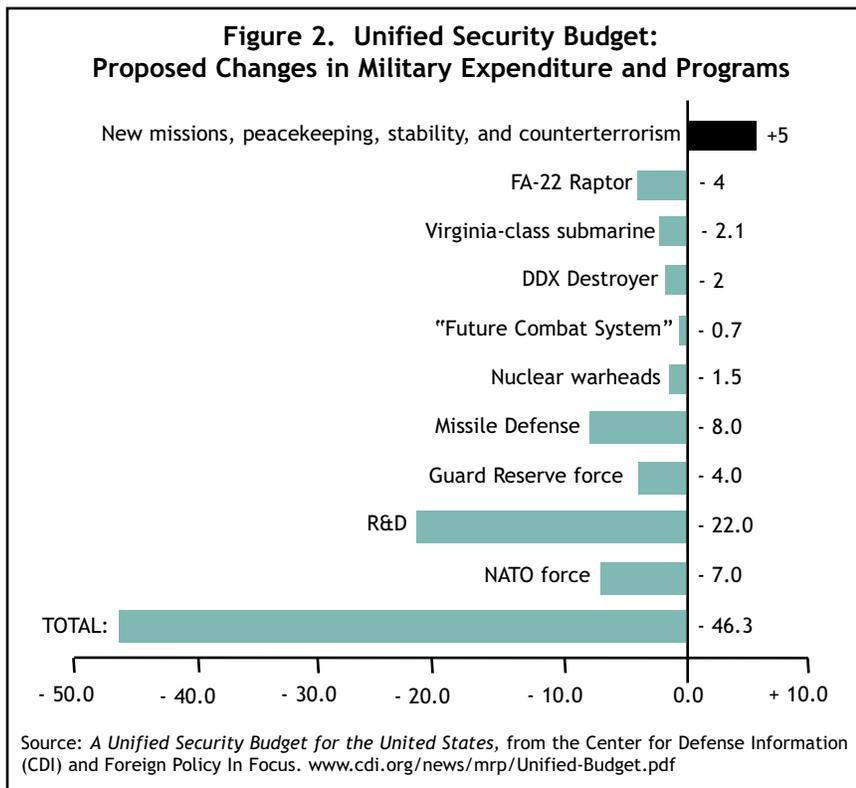
would slash large-scale weapons systems. The PIPA poll shows that Americans clearly perceive a need to align capabilities to real-world threats; the US no longer needs to prepare for a large-scale land war in Europe or to counter the Soviet nuclear arsenal. While they may agree with the Bush administration that Al Qaeda and other terrorist organizations are the top security risk, they differ in their approach to managing that risk.

The authors of the USB chose to rebalance rather than reduce spending on real defense, perhaps in part because Washington wisdom opines that the public will not tolerate cuts in the DoD budget during a shooting war. However, two years into Iraq and three and a half after the attacks of September 11, the public seems to make a clear distinction between *military* spending and *security* spending, approving increases in homeland security, advanced communications, intelligence, special operations, and peacekeeping. In fact, except for the public's preference for increases in military salaries (base pay has already increased 25% since 2001) and missile defense, the public and the Unified Security Budget are, indeed, unified.

### Rob Rumsfeld to pay Rice

The PIPA budget exercise makes it clear that Americans continue to overestimate

(continued on next page)

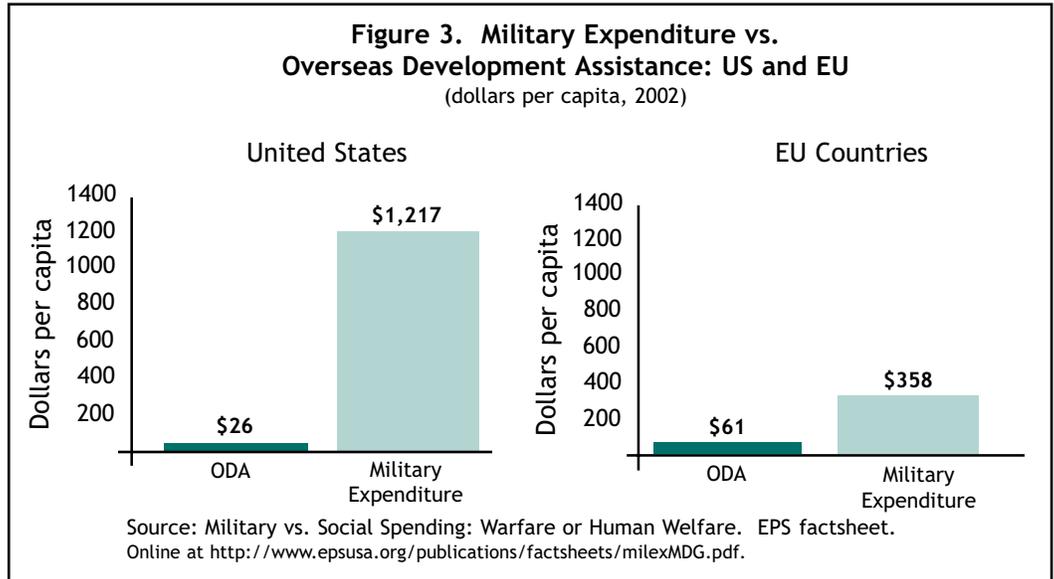


# National Unity on National Security? (continued from page 8)

drastically the amount the US actually spends on international aid and development. When the pollsters attempted to constrain citizen preferences for increased international spending (to within the same order of magnitude as current expenditure), many respondents simply refused to believe that US international spending could constitute less than 1% of the federal budget. Those polled favored an astonishing 207% increase in UN and UN peacekeeping support and a 53% increase in the State Department's annual budget. They added 23%, or an additional \$3.2 billion per year, in humanitarian and economic aid.

An additional \$3.2 billion in international development aid would represent genuine US leadership in the global process of meeting the three UN Millennium Development Goals: universal access to clean water and primary education and a two-third reduction in infant mortality rates worldwide. The World Bank estimates the total costs of fulfilling MDG as \$760 billion.

The PIPA participants believe US military expenditure could be cut by as much as 31%, as opposed to the 4.8% increase



the Bush administration has requested for FY 2006. Further, they seem to think significant funds could be redirected towards collective, international approaches to security. A significant majority see the international budget as severely underfunded. Americans are generous people, and the PIPA poll gives yet more proof that US citizens assume their government reflects their generosity and even disbelieve facts that contradict their assumption. The results also show public willingness to close the chasm between US spending on the military and spending on international aid (see figure 3, above right).

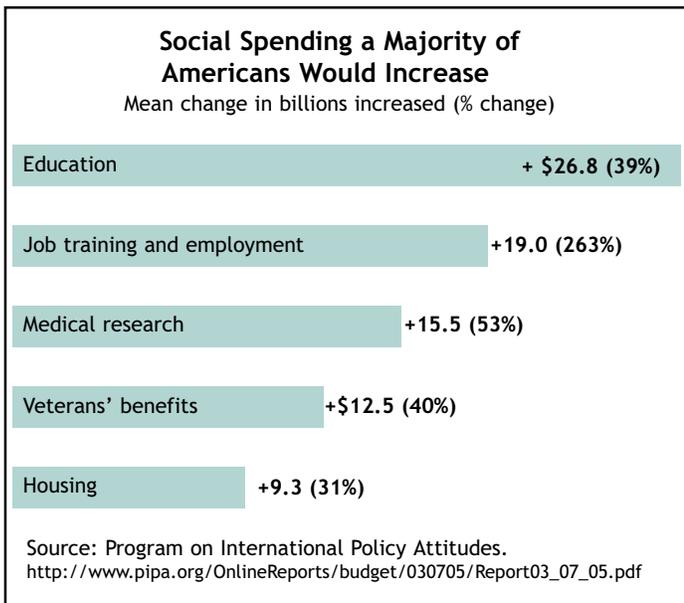
effects of current levels of military expenditure and wants to increase funding to government services (see figure 4, below left), with particular emphasis on long-term economic security through education and job training.

### Guns vs. oil: renewables win by a mile

The poll's most surprising finding was on energy. Fully 70% of respondents want to conserve and develop renewable energy, and would back that preference with an annual funding increase of 1090%, or \$24 billion. US citizens seem poised for a significant national undertaking to substitute renewable for fossil fuels, decreasing our reliance on imported energy and protecting our environment.

Reforming energy and transportation infrastructure to meet this public preference is a colossal challenge, on par with a journey to the moon. The scale of the effort requires that it be led by an efficient government that provides planning and coordination, business incentives, and funds for education, research and development. The citizens PIPA polled understand the importance and are willing to pay the investment costs. What US president will match rhetoric with action on energy security? Whose legacy will that be?

Kate Cell edits the EPS Quarterly. Write her at [katecell@epsusa.org](mailto:katecell@epsusa.org).



### Economic Security

The poll respondents were asked: "Imagine that the President and Congress decided to cut defense spending by 15% and directed this money to education, health-care, housing, and cutting the deficit instead." 65% said they would support this decision; only 31% opposed. The public perceives the crowding-out

## Exiting Iraq (continued from page 1)

security personnel for 25 years. Furthermore, Mosul represents only 6 percent of the Iraqi population.

Setting aside the goal of outright victory, what about the possibility of achieving by military means a minimally acceptable equilibrium between insurgency and peace, which would at least allow us to get the Iraqi polity and economy out of intensive care? This might be possible, but not at the scale currently contemplated. It approximately describes what the British accomplished in Northern Ireland with a friendly “force-to-population” ratio that was more than three times as great as the one currently prevailing in Iraq.

If we want to pursue the path of suppressing the insurgency, a first step would be to increase US force levels in Iraq to 200,000, as originally suggested by former Army Chief of Staff General Eric Shinseki. We might maintain this level for two years and then gradually draw it down over 3 years to a long-term presence of 70,000 US troops. Sixty months from now we would settle into a US presence of 70,000 troops in Iraq for at least a decade. During those initial sixty months, we would strive to suppress the insurgency and bring the entire planned Iraqi security force up to high quality. Of course, a great deal of blood and treasure (both Iraqi and American) would have to be expended to make this approach work, if indeed it can. And should it work, we would risk some disconcerting, inadvertent effects. Egypt, Algeria, and Saudi Arabia have had some success with suppressing terrorist and insurgent movement. But their success drove their problems elsewhere: out into the broader world, to the detriment of other countries, including the United States. We paid a price for their success in 1993 and again on September 11, 2001.

The implication for Iraqi force development is that we will not soon see an Iraqi security force that is able on its own to contain, never mind beat, the Iraqi insurgency, given its present scope and intensity. Secretary Rumsfeld is correct in suggesting that we must try both to “raise the bridge” and “lower the tide:” that is, improve the capabilities of Iraqi security

forces, while curbing those of the insurgency. His mistake lies in thinking that we can lower the insurgent tide principally by force of arms.

### **Withdrawal is not enough**

It is the occupation, more than anything else, that lends mass appeal and coherence to the Iraqi insurgency, which would otherwise be a much weaker amalgam of disparate groups and individuals. This implies that ending the occupation will help disintegrate the insurgency, in the precise sense of that term: break apart, partially dissolve, but not entirely extinguish.

**The US should  
declare that it seeks  
no long-term  
military position in Iraq  
and is disinclined  
to establish one,  
even if asked.**

One reason that terrorist activity would not simply cease with withdrawal is that dedicated Baath restorationists play a part in the insurgency as do committed foreign extremists, and US withdrawal will not deter them from their ends. All that ending the occupation can do is strip away much of the net in which they operate, deflate the local ad hoc insurgency, and stem broader, popular support for violent action. What will remain are the true diehards. Iraq will still face an internal security problem, albeit on a lower scale.

This last point argues against any precipitous withdrawal of US forces. As a practical matter, we could withdraw most of our assets within a few months, if we wanted to. But we should not, because it would leave the Iraqi government facing a set of immediate security challenges that it could not handle.

Other concerns about withdrawal focus on the potential for civil strife, even civil war, or state fragmentation after US forces leave. These potentials are real. Clearly different communities in Iraq feel differently about the postwar order and their rel-

ative positions within it. The situation demands a renewed and more dramatic political offensive aiming to draw in alienated communities and constituencies, the Sunni and Turkomen communities as well as former Baathists and former military personnel. In this effort, it is vital to reach out with the idea of a “new deal” to those local centers of influence (tribal councils and mosques) that have sway over popular and insurgent opinion in disaffected communities.

### **A strategy for resolving the Iraq impasse: essential elements**

#### ***1. End the occupation***

The United States should declare that it seeks no long-term military position in Iraq and is disinclined to establish one, even if asked. Moreover, the United States should declare that it aims to withdraw in discernible steps all but a handful of its Iraq-deployed troops by no later than July 1, 2006. An initial modest step of withdrawal (15,000 troops) should occur immediately. Finally, the Multinational Force and the Iraqi government should suspend large-scale offensive action while pursuing a political resolution.

#### ***2. Political measures can draw in disaffected communities and elements***

Blanket sanctions against former members of the Baath Party should end, excepting those charged with criminal activity. Likewise, sanctions prohibiting selected militia members and leaders from holding public office should be lifted, except with regard to individuals indicted for criminal activity.

Punitive action should focus on those most responsible for the crimes of the Hussein regime and on those responsible for major postwar attacks on civilians, a set defined to involve several hundred, but not thousands, of individuals. Beyond this, a general amnesty should be offered to former regime elements and to insurgents. In the case of influential leaders, this amnesty should imply a *quid pro quo* of cooperation

*(continued on next page)*

## Exiting Iraq (continued from page 10)

in advancing the peacemaking and stabilization process.

Iraq needs to adopt a system of representative government that better addresses the concerns of minority communities regarding majority domination - and do so in way that does not add impetus to state fragmentation.

A first step would be to tie all or most assembly seats to local districts, as is the case in the United States. The current system makes the power of localities contingent on voter turnout. Contingent representation is something that rightfully concerns minority communities.

As a further confidence-building measure, a portion of assembly seats might be divided equally among the three main confessional and ethnic communities in Iraq and then distributed to their majority provinces according to population - in effect, making some provinces somewhat "more equal" than others (much as Mississippi is "more equal" than New York in the United States).

Alternatively, or additionally, each of the three members of the Presidency Council might be directly elected by different regions of the country, corresponding roughly to the distribution of ethnic groups.

Taken together, these political measures should relax much of the overt rejectionist sentiment in the Sunni community.

### 3. Iraqi security force development

The Coalition needs to dedicate 18,000 personnel to the task of training and exercising Iraqi security personnel during the next sixteen months, not 8,000-10,000 as currently planned. And it needs to ensure that Iraqi units are fully equipped with upgraded equipment and adequate facilities.

This level of commitment should permit an increase in security forces to the level of 225,000 by June 2006, with more than half of them equaling the quality of the best 30,000 today.

The Iraqi government and the coalition need to redouble their efforts to draw former Hussein-era military personnel into training and reorientation programs,

including the many thousands of influential personnel with former ranks of colonel and above. Where feasible, entire units might be reconstituted, including units of the Republican Guard. This would draw these personnel and units into a positive process and make them more readily available for screened recruitment into the active forces.

### 4. Monitoring of Iraqi military potentials

Until Iraq stabilizes and settles into a pattern of peaceful relations with its neighbors, the United States and others will continue to be concerned about its military potentials and will want some reassurance. However, as an alternative to a long-term large-scale military presence in the country, we should favor the development of a Military Monitoring Regime under UN auspices. This would require the Iraqi government to forswear weapons of mass destruction and support for terrorist activity, agree to limit the size and capabilities of Iraq's armed forces, and permit unfettered access to its military sites by a multinational corps of UN monitors. A reasonable term for the monitoring regime would be five years or less, as the Security Council sees fit. A highly effective monitoring corps might comprise 500 personnel and could be accompanied by a multinational security detail comprising 6,500 troops.

### 5. Regional confidence- and security-building measures

The last component of this proposal focuses on creating a regional environment more conducive to Iraqi stability. A Group of Contact States should be formed under UN auspices, comprising all of Iraq's neighbors as well as those states participating in the multinational force. This group would function as a forum for discussing and addressing security concerns related to postwar Iraq. The explicit basis for the group would be an understanding that:

a. All members have legitimate security concerns regarding the future of Iraq;

b. Participants in the multinational force and training mission will not use Iraq as a base for military operations outside of Iraq or outside the scope of UN mandated mis-

sion;

c. None will seek a permanent military position inside the country apart from standard training missions, military assistance programs, or military-diplomatic missions; and

d. All members will pledge not to impede the stabilization process, but instead to do their utmost to advance it.

### 6. Withdrawal time line

The measures outlined above should allow within six months a reduction in US forces in Iraq to 110,000. Pegged to cycles in the training of Iraqi forces, subsequent reductions would bring US forces down to 80,000 troops in Month Ten and down to 50,000 troops in Month Fourteen. After sixteen months, there would be only 2,000 US troops left in Iraq to participate in multinational military training and monitoring missions, commanded by NATO and under a three-year UN mandate. Outside Iraq, but very nearby, the United States might continue to maintain for the foreseeable future 25,000 ground troops and the equivalent of one tactical air wing, as well as capacities for rapid force expansion. Among other purposes, these forces might serve in a rapid reaction role, should they be needed.

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*Carl Conetta is co-director of the Project on Defense Alternatives, a member with EPS of the Security Policy Working Group. This article is extracted from comments he made during the panel session, "Home By Christmas? Strategies for Near-term Exit from Iraq." The panel session was held February 22, 2005 in Washington, DC. Other participants included James K. Galbraith, EPS Chair of the Board of Directors [see page 5]; David Cortright of the Fourth Freedom Forum, and Charles Peña of the Cato Institute. The session was broadcast live on C-SPAN 1 and is available at their website: <http://www.c-span.org>.*

# The Costs of Terrorism and the Costs of Countering Terrorism

David Gold

## Costs of Terrorism

The economic costs imposed by the 9/11 attacks were not large in relation to the size of the US economy. Although business activity, and especially air travel, suffered setbacks, and some activities, particularly in the New York region, remain weakened after more than three years, the national economy recovered quickly, and within a year was again dominated by the trends and cyclical patterns in place prior to 9/11.

In contrast, countries or regions that experience persistent terrorism suffer significant economic losses from the decline in tourism and foreign direct investment, and from the adverse effects on forward-looking behavior. The Bank of Israel estimated that the country's 2002 GDP was down by between 3 and 3.8 per cent as a result of the second Intifada, which began in 2000. The initial negative impacts on economic activity were magnified as individuals began to translate the persistence of terrorist incidents into perceptions of a long-term decline in their income, and reduced their level of consumption, with negative multiplier effects. The relatively quick recovery in economic activity in the US may reflect a widespread perception that 9/11 was a single event and not part of a pattern likely to be repeated.

## The Costs of Countering Terrorism

Government and private spending on terrorism-related security in the US is expected to grow by between 100 and 200 per cent by the end of the decade. These outlays shift resources toward providing security and other services, such as insurance, but at the expense of activities that are likely to be more productive, as higher business costs are passed on to consumers and services such as education and health care suffer in government budgets. To the extent that these added security-related outlays reduce or even eliminate the threat of terrorist incidents, they can at best restore a *status quo ante*, but they do not, in general, provide the type of economic stimulation that is cumulative over time.

Tighter transport security increases the costs of travel and the costs associated

with shipping goods, especially when time is factored in as a cost, an important consideration for firms that have adopted just-in-time inventory systems. A more difficult visa application process instituted in the aftermath of 9/11 made it harder for students and skilled workers to enter the US and led to an outcry from business and university leaders. While the process has been modified, this example illustrates the potential trade-off between security and economic efficiency. Thus, even when countries recover from specific terrorist incidents, they might still bear substantial costs, which tend to reduce their long-run growth potential.

## Policies to Combat Terrorism

### *The costs of bureaucracy*

It should not be assumed that increases in spending equate to, or even approximate, increases in effectiveness with respect to security-related problems. The US defense budget, for example, includes several large "legacy" weapons systems, such as the F-22 high-performance fighter aircraft, which was originally designed to counter expected next-generation Soviet systems. With the breakup of the Soviet Union, this threat is not expected to materialize; yet the system remains and accounts for \$72 billion in expected future spending commitments. In another example, the US has still not created a single database of suspected terrorists, relying instead on lists from eight different agencies. This situation has persisted for more than a decade, since the first World Trade Center bombing in 1993, when the problem first received national attention, and for more than three years after 9/11, despite the fact that President Bush on several occasions publicly committed the government to creating a single, effective list.

At the same time, a number of programs that are more directly involved with counter-terrorist activities have had trouble securing adequate funding. One is the Cooperative Threat Reduction Program (popularly called Nunn-Lugar, after its sponsors in the Senate) designed to fund

the securing of fissile materials within the former Soviet Union. While this effort to address the so-called "loose nukes" problem has run into a number of difficulties involving officials and institutions in the former Soviet Union, it has also been consistently funded at sub-optimal levels, and has received less than adequate support within the various US government bureaucracies.

### *The costs of misplaced emphasis: the politics of fear*

Countering terrorism requires a wide range of tools: military and policing, politics and diplomacy, economic and social policy, etc. Yet frequently, it is the security aspect that is emphasized above all others. When an act of terrorism occurs, the response of governments is usually to first retaliate in kind, and then formulate a series of additional measures designed to punish and deter the perpetrators. This punishment/deterrence formula has an advantage in providing a sense of immediate gratification, as the shock of experiencing an attack is quickly followed by the satisfaction of inflicting punishment on those responsible. For a government, this conveys a sense of legitimacy, since it has done "something" to satisfy the citizenry's desire for a visible response. However, there is considerable evidence that retaliatory behavior does not, in general, reduce the incidence of terrorist activity and may stimulate more activity by raising the political stakes.

The prevalence of retaliatory behavior by governments may be related to the politics of fear. For example, individuals appear to place a much higher priority on countering terrorism, in terms of their willingness to commit public resources and political capital, than they do on offsetting the risk of death, injury, or property damage from automobile accidents, even though the latter regularly produce far more casualties and impose far greater direct costs than the former. There are, of course, many differences between the two events. Perhaps the most important

*(continued on next page)*

## The Costs of Terrorism (continued from page 12)

difference is that the possibility of being subject to terrorist attack invokes a considerable amount of fear and anger, which leads to a willingness to accept costs and policies that appear to be out of proportion to the potential benefits that they might produce.

An example of this phenomenon is the war in Iraq, where popular fear and anger fueled support for the Bush Administration's war plans and its linking of Iraq to terrorism. Despite successful regime changes in Afghanistan and Iraq, terrorist organizations remain strong, continuing to recruit new members; and, according to experts across the political spectrum, the threat to the US and US interests and activities abroad is at least as great if not greater than previously.

### *Economic sources of terrorism: can aid help?*

Since 9/11, there has been extensive discussion and considerable research on possible links between economic deprivation and terrorism. A number of cross-section empirical studies have concluded that political variables, such as the extent of civil liberties, carry far more weight than variables such as poverty and inequality in explaining the incidence of terrorism or the proclivity of individuals to engage in terrorist activity. At the same time, studies that look at changes in relative and absolute economic positions over time do find deprivation measures to be statistically significant in explaining the number of

incidents or the propensity to engage in terrorist activities.

Such studies tend to provide a partial picture, in some cases a bit like studying the evolution and behavior of an industry by analyzing the motives behind the behavior of its labor force. At least of equal if not greater importance are the reasons behind the evolution of the firms that comprise the industry, and which help establish the incentives by which labor is recruited. To carry this analogy a bit further, terrorist acts are carried out by individuals but in the context of organizational objectives and resources, summarized, perhaps, by an epigram used by *The Economist* to lead an article, "Suicide bombing is a corporate activity."

Research on terrorist organizations suggests three lines of thinking that might help sharpen policy responses. The first is that terrorist organizations are rational in the sense that economists use that term, namely they respond to incentives and are constrained by their access to resources. Terrorist groups behave as if they are cost constrained, and therefore choose tactics they believe to be cost-effective. If the relative costs of one avenue of action are raised, or the perceived benefits change, timing and tactics can also change in response. Second, at least some terrorist organizations have adopted, and in some cases appear to have moved heavily towards, economic agendas. Terrorist groups, criminal organizations, and participants in civil wars - whatever their origi-

nal motives - need sources of revenue and often become increasingly concerned with the business of making money. Third, some terrorist organizations establish and maintain their standing in host communities because they are successful in providing public goods, including security, in effect filling in gaps generated by the failures of other institutions, including markets and governments. Some terrorist groups are successful because they provide services to the population within which they reside.

Understanding how terrorist organizations behave may help formulate policies that place somewhat less emphasis on force, and more on influencing behavior. Thus, more resources devoted to disrupting terrorist financing mechanisms appear to have a significant potential payoff. Foreign aid devoted to supporting market mechanisms, strengthening security and expanding social service delivery would appear to be important in weakening the appeal of terrorist organizations.

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*David Gold teaches in the Graduate Program in International Affairs at New School University, and is a member of EPS. A longer and fully referenced version of this paper was presented at the March 2005 meeting of the Eastern Economic Association, at a session sponsored by EPS, and will be posted on the EPS web site at [www.epsusa.org](http://www.epsusa.org).*

## Call for Papers

### 9th Annual Conference on Economics and Security, June 23 - 25, 2005

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## Crucial Choice, Flawed Process at the World Bank

Joseph Stiglitz

James Wolfensohn, the president of the World Bank, has announced his intention to leave and the search is on for a new head of the world's most important multilateral organization promoting development. The choice is especially important now, when poverty in the Third World is finally being recognized as our greatest problem and challenge.

The World Bank's designation as a bank understates its importance and multifaceted roles. It does lend money to countries to undertake a variety of projects and to help them through crises (such as the \$10 billion it provided to Korea in 1997-98). It has been, and is, playing a vital role in post-conflict reconstruction around the world.

But the bank also provides grants and low-interest loans to the poorest countries, particularly for education and health, and advises these countries on development strategies.

It has often joined with the International Monetary Fund in strong-arming countries into accepting this advice: unless they do, they will not only be cut off by the IMF and the World Bank, but also by other donors, and capital markets will be discouraged from providing funds.

Sometimes - critics will say often - the advice provided by the IMF and World Bank is misguided. This was certainly true in the 1980s and early 1990s when right-wing ideology dominated, producing a one-size-fits-all prescription entailing privatization, liberalization, and macro-economic stability (meaning price stability), with little attention to employment, equity, or the environment.

The term bank is a misnomer in a second sense: while the World Bank refers to

its members as shareholders, it is hardly a private bank. On the contrary, the World Bank is a global public institution. But, while the G7 countries, which dominate voting at the bank, all declare their commitment to democracy and good governance, and espouse promoting them as one of their central objectives, there is a yawning gap between what they preach and what they practice.

Indeed, the entire process of choosing these international institutions' leaders is a historical anachronism that undermines their effectiveness and makes a mockery of the G7 countries' commitment to democracy. This process, established 60 years ago at the outset, is framed by an agreement that an American would lead the World Bank and a European the IMF. The American president would choose the bank's head, and Europe would collectively decide on the IMF leader, with the understanding the other side would exercise its veto only if a candidate were totally unacceptable.

Within the United States, all major presidential appointments must be ratified by the Senate. Even if rejections are rare, the vetting process is important, for the president knows he can go only so far. But the World Bank presidency is a rare plum, an appointment not subject even to congressional hearings.

How can advice on democratic reforms be taken seriously when the multilateral institutions offering it do not subscribe to the same standards of openness, transparency and participation they advocate? Why should the search for Wolfensohn's successor be limited to an American - especially an American loyal to a particular political party? Why is the search going

on behind closed doors? Shouldn't these international public institutions be looking for the best-qualified person regardless of race, religion, gender, or nationality?

The two names floated so far - presumably leaked as trial balloons - are particularly disturbing. To put it bluntly, given the World Bank's importance, consideration of either putative US candidate - Assistant Defense Secretary Paul Wolfowitz or former Hewlett-Packard chief executive Carleton Fiorina - has been highly controversial.

Even if convention allows the US president to appoint the World Bank's head, the organization's success depends on the confidence of others. Neither Wolfowitz nor Fiorina have any training or experience in economic development or financial markets.

The lives and well-being of billions in the Third World depend on a global war on poverty. Choosing the right general in that war will not assure victory, but choosing the wrong one surely enhances the chances of failure.

Editor's note: This article was published before the Bush administration nominated Paul Wolfowitz. When the appointment was announced, Dr. Stiglitz reiterated the arguments made here. "My worry," he said in an interview with British television, "is that the World Bank will now become an explicit instrument of US foreign policy."

*Joseph Stiglitz is a Trustee of EPS, a Nobel laureate in economics, and former Vice-President and Chief Economist of the World Bank. This article was distributed by Project Syndicate ([www.project-syndicate.org](http://www.project-syndicate.org)) and is reprinted with permission.*

### EPS Spring Fundraiser

## James K. Galbraith and Joseph Stiglitz Economists' Perspectives on National Security

Friday, April 22, 2005 6:00pm to 8:30pm  
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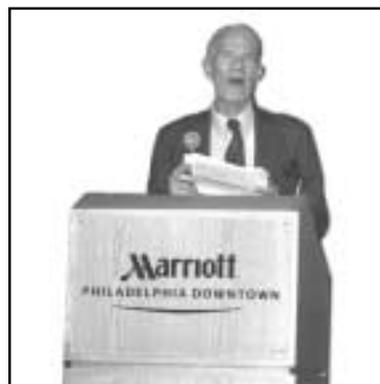
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## Honoring Robert M. Solow

The EPS Annual Dinner, held in on January 8, 2005 in Philadelphia, PA, honored one of our founding Trustees, Dr. Robert M. Solow. It was a glittering evening. A veritable who's who of economists gathered to acknowledge Dr. Solow's contributions to ECAAR/EPS and to the profession. Guests included George Akerlof, Karen Arenson, Martin Baily, Olivier Blanchard, Alan Blinder, Peter Diamond, Ray C. Fair, Stanley Fischer, Barney Frank, Robert J. Gordon, Robert E. Hall, Paul Krugman, and Sylvia Nasar, all members of the Host Committee chaired by EPS Board member Allen Sinai.

EPS Board Chair James K. Galbraith introduced Dr. Solow with warm thanks for his long service to the organization. Dr. Galbraith closed his remarks by reading a letter from another EPS Trustee, John Kenneth Galbraith.

After dinner, Dr. Solow gave a talk entitled "Last Thoughts on Investment and Growth," in which he revisited the question of the elasticity of capital and labor. Following his talk, a number of people, many his former students, rose from the audience to speak. They told stories: one remembered how, as a young post-doctoral student, Dr. Solow had encouraged him to publish a joint paper and had insisted on his appearing as the primary author. One remembered Dr. Solow "bounding" into the London School of Economics to give a lecture; by the end of the talk Dr. Solow's incisive wit and energy had determined him to do graduate work at the Massachusetts Institute of Technology. Colleagues spoke of his essential role in building the fine economics department at MIT. The evening as a whole emphasized Dr. Solow's tremendous influence in the profession.



**Robert M. Solow**



**Allen Sinai**



**Stanley Fischer**



**Paul Krugman**

Representative Frank spoke of the importance of Economists for Peace and Security, of the military budget's crowding out of social spending, and the need for our voices to be raised on Capitol Hill.

Paul Krugman remarked: "I simply wanted to *be* Bob Solow," to share his talent for a joyful, rich and balanced life.

### EPS-Spain's Internet Conference on "Economics and Peace"

The Spanish affiliate of Economists for Peace and Security, in collaboration with the group eumed.net of the Universidad de Málaga, organized their first Virtual Encounter on "Economics and Peace" from January 11 to 31, 2005. The purpose of the internet conference was to debate and analyze economic issues related to wars, violence, terrorism, defense and security. Economists and interested others from Germany, Argentina, Brazil, Colombia, Spain, Mexico, United Kingdom, the Dominican Republic, and Venezuela took part. Participants met in two forums: one formal (for the debate of communications and documents) and one informal (called "Cafeteria and Corridors"). The communications, documents, and the final conference report are available for purchase (10 euros) at <http://www.eumed.net/eve/2005ecopaz.htm> and include:

#### Economics: Peace and Terrorism

Alan Freddy Carrasco Dávila

#### The Militarization & Para-militarization of Mexico's Northern Frontier

Jorge Isauro Rionda Ramírez

#### Economic Analysis of Internal Conflicts

Jorge Alberto Restrepo

#### Financing Terrorism

Pedro Hernández Álvarez

#### Why Pacify Now? The Reign of Peace

Raymundo Castillo Bautista

#### Land, Conflict, and Instability in Colombia

Salomón Kalmanovitz and Enrique López

#### Civilian Casualties in the Colombian Conflict: A New Approach to Human Security

Jorge Restrepo and Michael Spagat

#### The Colombian Conflict: Uribe's First 17 Months

Jorge Restrepo and Michael Spagat

#### Conflict, Violence, and Criminal Activity in Colombia: A Spatial Analysis

Fabio Sánchez, Ana María Díaz, and Michel Formisano

#### Conflict and Municipal Public Finance in Colombia

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 Doulass C. North \*  
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 Amartya Sen \*  
 William Sharpe \*  
 Robert M. Solow \*  
 Joseph E. Stiglitz \*  
 Janet Yellen

*\*Nobel laureate*

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 Juan Carlos M. Coll  
*South Africa:*  
 Terry Crawford-Browne  
*United Kingdom:* J. Paul Dunne

April 2005: Action Calendar						
Sun	Mon	Tues	Wed	Thurs	Fri	Sat
* SASC = Senate Armed Services Committee	** SAC= Senate Appropriations Committee	*** CTR = Cooperative Threat Reduction			1 <b>Report:</b> DoD, DoE, CIA to Congress on Iraqi WMD	2
3	4 <b>Hearing:</b> SASC* Subcom on Strategic Forces (Nukes)	5	6 <b>Mark-up:</b> SAC** on emergency supplemental	7 <b>Vote:</b> Senate on Bolton as UN Ambassador	8	9
10	Senate floor action: Supplemental Budget Request for Global War on Terror (estimate)					16
17	18	19	20	21	22 <b>EPS Event:</b> Fundraiser w/Galbraith & Stiglitz (p.14)	23
24	25	26	27 <b>Hearing:</b> SAC** on DoD Budget	28	29	30
May 2005						
Sun	Mon	Tues	Wed	Thurs	Fri	Sat
1	2 <b>Report:</b> DoD to Cong- ress on non- proliferation	3 <b>UN: 7th Review Conference</b> of the Nonproliferation Treaty May 2 - 27	4	5 <b>UK:</b> Parliamentary elections (estimate)	6	7
8	<b>Markup:</b> House Armed Services Committee of defense authorization bill, including nuclear weapons programs of DOE Month of May					14
15	16	17	18	19	20 <b>Report:</b> President to Congress on CTR ***	21
22	23	24	25	26	27	28
<b>Markup:</b> House Appropriations Subcommittee on Energy and Water, including nuclear weapons programs of DOD Month of May						
29	30	31				
Sources: FCNL Nuclear Calendar. Online at <a href="http://www.fcnl.org/NuclearCalendar/index.php">http://www.fcnl.org/NuclearCalendar/index.php</a> Council for a Livable World National Security calendar. Online at <a href="http://www.clw.org/nscalendar/">http://www.clw.org/nscalendar/</a>						

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