

War and famine. Peace and milk.

– Somali proverb

The 4th Anniversary of the Iraq War Issue

“{T}he Department
of Veterans Affairs is
buckling under a
growing volume of
disability claims and
rising demand for
medical attention.”

see page 6

INSIDE THIS ISSUE

Letter from the Director . . . 3

Don't Go Into Iran, George. . 4
Niall Ferguson

The Battle of Iraq's
Wounded 6
Linda Bilmes

Who Will Pay for this Puny
Defense Budget? 9
Winslow T. Wheeler

Faslane Statement 10
Professor Sir Richard Jolly

The Costs of War to
Occupied Countries 12
John Tepper Marlin

Falling Prices
and Terrorism. 13
William J. Baumol

America's Bleeding 'Cakewalk'

Cyrus Bina

The fourth anniversary of the American invasion of Iraq coincides with the Persian New Year celebrated next door in Iran. This year any celebratory activity by Iranians is shrouded in anxiety and a peculiar sense of déjà vu, due to the fact that the Bush administration is escalating the war in Iraq and, at the same time, preparing for another war with Iran. The

campaign of misinformation by the Bush administration is already under way against Iran. The covert activity within Iran's borders, the provocative actions against Iran's diplomatic mission in Iraq (including the kidnapping of an Iranian diplomat), and misinformation through Iranian compatriots associated with the former regime are already

in full swing. This, of course, is despite the progressive position of the Iranian-American community, which is adamantly against US military engagement with Iran. However, there are enough wanna-be Chalabis and would-be "Curve Balls" here in the exiled Iranian community to manufacture the needed "intelligence" for the Bush administration. In the meantime, just to name one, the American Enterprise Institute, which has already manufactured, merchandized and marketed the war and full-scale destruction in Iraq, is now reportedly working on the new assignment on Iran. This campaign is significantly exceeding in both magnitude and intensity the one against Saddam Hussein in the period leading up to the war against Iraq. And the Bush administration, which is now accustomed to a foreign policy via gunboat diplomacy, appears to remain undeterred, despite the serious repercussions raised by the Iraq Study Group and the

devastating US failure in Iraq.

The focus of this brief article is to identify the root cause of war and invasion of Iraq by the Bush administration, a would-be quagmire that was deceitfully described and anticipated by Kenneth Adelman as "Cakewalk in Iraq" in an Op-Ed in The Washington Post, February 13, 2002. In doing so, perhaps by reflection, I



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wish to shed light on the issue of unilateralism, the dictum, "you are either with us or against us," and George W. Bush's vision of the "war on terror." For the sake of brevity, I deal with oil as the purported cause of the war and then with an alternative cause, at two different yet related and reinforcing levels of analysis. The first arena is the historical/structural level revealing the characteristic of the present epoch. The second arena reflects the more concrete political underpinning of the Bush-Cheney ticket and the ideological fingerprint of the Bush administration. I will show that George W. Bush, despite his simple and in-elaborate outlook, is nevertheless standing at the complex, intertwined and elaborate intersection of these two arenas.

The slogan "No Blood for Oil" has obfuscated the real cause of the invasion and occupation of Iraq by the Bush administration. This *axiomatic* aphorism care-

lessly leaves out the ideological motivation behind "The Clash of Civilizations," the political impulse behind the "Project for the New American Century," and, more importantly, the neoconservative's (neocolonial) vision of the Middle East, with a complete overhaul of geography and territorial integrity of the region as a whole. Instead, this self-styled, "radical" diagnosis attributes the cause of war to America's "addiction to oil." This slogan has a long history and a sizable following among the liberal and radical antiwar circles.

Ironically, this idea, in a different context, has also been alluded to by George W. Bush himself.

It is strange that the liberal/radical left did not realize that the oil crisis of 1973-74 was essentially more about the decartelization and globalization of (crude) oil than the "ascendancy" of OPEC. As I have demonstrated both theoretically and empirically for three decades now, no amount of "access" and/or "control" over the oil reserves in the Middle East, or elsewhere on the planet, has any significant effect on the price of oil. The price of oil is determined through the spot and futures markets, and OPEC prices, including the long-term contracts, all take their cue from the unified global oil market (see my *Global Economy Journal* article, March 2007).

First, I argue that "No Blood for Oil" is a misleading slogan that contradicts the globalization of oil and mischaracterizes the motivation for war. More specifically, it ignores the historical periodization of oil into: (1) the early period of cartelization; (2) the transitional period of 1950-72; and (3) the era of decartelization and globalization following the 1973-74 crisis. Second, this view overlooks the distinction between the cartelized regime of "administrative pricing" and "gentleman agreements," and pricing according to market. Third, it neglects the nature of property relations in the oil sector and the resultant differential oil rents through global competition from the mid-1970s onward. Fourth, mimicking the neoclassical fiction of competition and relying on the tautology of market-structure theory, it uncritically identifies OPEC as a cartel. Moreover, this way of looking at oil is not informed by the fact that OPEC prices are constrained by the worldwide com-

petitive spot (and futures) oil prices. Finally, the war-for-oil scenario does not realize that speaking of "access," "dependency," "control," etc., is redundant in today's oil sector and oil market.

Consequently, any sober analysis of the root cause of war should also be cognizant of the cottage industry, particularly via internet, that imputes the cause war to oil in a variety of bogus angles, such as "oil-for-armorament" conspiracy, US-China rivalry, "metaphysical

"No Blood for Oil" is a misleading slogan that contradicts the globalization of oil and mischaracterizes the motivation for war.

commodity," "basic commodity," "peak oil," "OPEC cartel," "euro-dollar shift," "resource wars," etc., put forth by the majority of the clueless, theory-less and populist liberal/radical left (see my *International Journal of Political Economy* article, Summer 2006).

Once one's undue obsession with oil has been discounted, one can focus on the structural and institutional changes in the global economy and global polity. This also can lead to the root cause of the post-9/11 shift in US foreign policy, particularly US Middle East policy. Here, I argue, any serious examination of the Bush administration's conduct and behavior must include the study of two distinct yet overlapping trajectories. I would identify these trajectories as *epochal* and *temporal*. The *epochal* trajectory reflects the complexity of the socioeconomic/geopolitical/structural transformations. This, I would say, put an end to the (hegemonic) inter-state system of the *Pax Americana* (1945-1979), and, by implication, removed the United States from the seat of hegemony. This is what I define loosely as globalization. Thus, *globalization*, in its manifold transformative meaning, is both the cause and consequence of the evaporation of American hegemony. Consequently, my view differs significantly with the sanguine, right-wing protagonists of "global-

ization" (and their noted cheerleaders in the media), and the left-wing, frozen-in-time antagonists of "globalization" - plus, the right-wing xenophobic fringe.

The epoch of globalization is neither identifiable with the so-called Americanization of the world nor in step with the transient status of the United States as "the only superpower." Therefore, the challenges that arise from, say, the pipedream of the "Project for the New American Century" can be potentially damaging to world peace and security or harmful to global stability. These challenges are difficult to overcome, particularly if they are accompanied by use of preemptive strike, unilateral invasion, and flagrant military occupation. The loss of hegemony, it appears, has increased America's appetite for domination through military means, particularly after the fall of the Soviets. Therefore, contrary to frequent misuse of the term, "hegemony" is not a fancy word for "domination." It is rather the negation of domination and use of force. In this instance, from the epochal standpoint, the United States, despite its military might, is now beyond the point of (hegemonic) return.

The temporal aspect of the Bush administration is essentially an amalgam of the tripartite ideology of the neoconservatives, the cold-warriors, and the vast army of disciplined and organized Christian (Zionist) fundamentalists. And, to put it crudely, the Middle East for them either translates to Israel, oil, or the holy land. It is worth remembering that, for the neoconservatives, "the clash of civilizations" is a self-fulfilling prophecy, which carries with it the vision of "permanent war," while for "cold-warriors" and Christian Zionists the war is a patriotic duty in secular or biblical terms. To say that temporal aspect of the Bush administration was triggered by 9/11 is an understatement. On September 12, 2001 the "war on terror" decidedly obtained its malleable, fuzzy, and unending connotation. "The war on terror" turned George W. Bush into a war president. He used "the war on terror" to invade and occupy Afghanistan and Iraq. George Bush also gave the green light to Israel to destroy Hezbollah (and Lebanon) in the name of "war on terror."

(continued on page 4)

Letter from the Director

I have just seen the film "Blood Diamond," and I strongly recommend that every reader of this newsletter see it immediately, just in case we have forgotten why we do what we do. Blood for diamonds; blood for oil; blood for geo-political positioning. Such things would be advocated only by those with so little imagination that they are able to ignore the reality of war, to think that someone else's loved ones are more expendable than their own.

No longer as naive as I once was, I am willing to concede that there may be a time when war is the right answer, that there may possibly be a situation in which there is no other alternative that will save lives in the long run. But there hasn't been such a situation in my lifetime that made any sense to me.

This issue marks the fourth anniversary of the beginning of the war in Iraq. As in each year since March 2003, I hoped not to have to publish this issue. I was not very optimistic that this hope would be fulfilled, but I wished nonetheless. I wish and pray that the people in Washington who are wasting my money will have their hearts opened and figure out a way to end this. I wish and pray that someone will discover how to get the Sunnis and the Shia to sit down and figure out how to live together. I pray that no more children will have to die as the result of someone else's greed or pride.

And I come to work. Because we do what we do.

One of my favorite authors, the science fiction writer Douglas Adams, describes a nifty (fictional) device for making something invisible. He calls it the Somebody Else's Problem Field. If the SEP is activated, anyone looking at the cloaked object will simply look away, because it is not his responsibility. The discipline of economics has traditionally viewed war as an external disruption of the normal course of events, and thus of minimal interest. However, when the US defense budget claims more than half of all discretionary funding, when the US spends more than the entire rest of the world combined on 'defense,' when a new arms race is developing in space and small arms kill over half a million people per year, we find these concerns cannot be ignored. They cannot be left to Somebody Else.

In this issue, we reproduce for you the speech that William Baumol prepared for our dinner in his honor on January 6, 2007. However, when he actually gave the speech, he went off script a bit to say this:

"The work of this organization, which would appear to be peripheral to all the goings-on in the ASSA, is in fact the most crucial [at these meetings]...[The issues with which EPS struggles are] as urgent, as imminent a threat as global warming, and even more so...

I am calling for us to scream from the housetops that we are under pressures; that we are living under market phenomena which... should turn our minds to this issue and give it [urgent] priority."

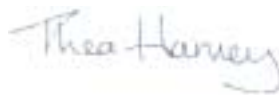
We will have the video of the dinner posted on our website soon, so that you may experience his speech in its entirety.

At Economists for Peace and Security, our mission is to combine rigorous economic analysis, the development of policy alternatives, and the education of policymakers and citizen advocates to achieve peaceful solutions to conflict which recognize the economic, social, cultural and security rights that are inherent to human dignity and well-being.

We cover a wide gamut of topics in that pursuit. We are increasingly effective; studies that we supported are getting notice in national media and having impact on Capitol Hill (see page 6); our website gets thousands of visitors per month who download hundreds of articles, fact sheets and reports; and we are planning our first stand-alone conference in ten years for later this spring (more on page 16).

I recently read an article by Carol Estes in Yes magazine that explains how telling stories can help us empathize with each other, and thus contribute to building peace. Stories like "Blood Diamond" give us the opportunity to experience life in a conflict zone for a few vicarious hours. The author says, "In a world where hatred of 'them' is the leading cause of death, empathy is a powerful tool."

In addition to the daily activities of EPS, the planning, the writing, etc., I find it necessary to occasionally experience a story which reminds me that ultimately the work we do is about saving lives. It makes it all worthwhile.



Our thanks to the Proteus Fund for a grant to update and improve our communications tools, and Peter Michos of Resolutionary for the designs. I hope you will welcome the new look of our newsletter, letterhead, and upcoming brochure.

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America's Bleeding 'Cakewalk' (continued from page 2)

The signs are pretty ominous that George Bush will escalate the war into Iran. Sending the second Navy battle group (and probably the third) to the Persian Gulf, moving patriot missiles to Saudi Arabia and other countries in the region, and planning to double the strategic petroleum reserve all echo the drumbeat of war against Iran. In fact escalation in Iraq is a smokescreen. This is equivalent to abusing and preempting the UN Security Council (and the IAEA), defiance of international community, and what is already known as American unilateralism. Today the United States, under the Bush administration, has become the highest threat to world peace and security. International conventions and laws are not devised just for the weaker nations; their observance is duly incumbent upon the strongest nations as well. The abuse of UN (Bolton-style) as part of our foreign policy is morally imperceptive and practically obtuse because it backfires in our face and leads to disasters such as the one this administration has already created in Iraq. Sadly, 9/11 has practically handed the Bush administration a political coup d'état against the American people and the rest of the world. And George Bush used it in broad daylight while the US Congress and the rest of the political

establishment (albeit with a few notable exceptions) were timidly sitting on their hands. They sheepishly watched the abrogation of our civil liberties while consenting to this illegal, immoral, and embarrassingly self-defeating war. Only a few courageous souls had enough

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integrity to challenge the administration.

In sum, the underlying cause of the war with Iraq is the epochal loss of the American hegemony combined with the temporal characteristic of George W. Bush's political base, particularly the complementary ideology of the neoconservative/cold-warrior axis. The question is not whether there have been irreparable mistakes committed in the past by this administration. The Bush administration behaves as if it has no regard for truth and accountability. George Bush was not even interested in letting the debate begin on the merit or demerit of

the seventy-nine-point recommendation by the Baker-Hamilton Iraq Study Group. But again such an expectation overestimates the courage and responsibility of this administration. In the meantime, the quagmire of Iraq is deepening, which almost certainly adds to the tragic American defeat in Iraq, the universal echo of which will be reverberating for generations. The escalation of conflict in Iraq could be a preamble, or rather a smokescreen, for another escalation toward a full-scale war with Iran. And the neoconservative/cold-warrior axis is relentlessly fighting tooth and nail in order to change the entire geography of the Middle East, piece by piece, country by country, debacle by debacle, not for oil (remember the /post hoc, ergo propter hoc/ fallacy in Economics 101!) but, in Richard Perle's, David Wurmser and Douglas Feith's faithful neocolonial rendition, for the sake of "A Clean Break; [a] Strategy for Securing the Realm."

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Don't Go Into Iran, George

Niall Ferguson

Two vignettes that say much about the American way of war. First, two trigger-happy reservist pilots making a lethal attack on a British armored convoy during the initial phase of Operation Iraqi Freedom, despite indications that their targets were, in fact, their own allies.

Second, agents of the Coalition Provisional Authority dishing out bundles of shrink-wrapped hundred dollar bills from the backs of trucks shortly before the handover of power to a transitional Iraqi government, despite the obvious risk that the money might end up in the hands of terrorists.

Friendly fire and money down the drain: it is very tempting to say that these two phrases sum up what has gone wrong in Iraq since 2003. The misdirected application of force has alienated not

only the millions of Iraqis who initially welcomed the overthrow of the tyrant Saddam Hussein, but also the equally large number of people in this country who used to see the United States as Britain's natural ally.

At the same time, the misdirected expenditure of money has achieved little more than the transformation of a nasty but fundamentally weak rogue regime into a failed state that may yet spread sectarian slaughter across the entire Middle East.

If military efficiency is best measured as the ratio of strategic objectives achieved to money spent - "bangs per buck" for short - then this looks like the least efficient military campaign in modern history.

Yet last week the Bush administration

unabashedly asked for yet more money to finance its chronically dysfunctional "War on Terror."

To be precise, Congress was asked to approve a supplemental budget request for \$98 billion on top of budget proposals for 2008 totaling \$145 billion. Although some of this money is supposed to be spent in Afghanistan and other countries, the lion's share is intended for Iraq. And although some is earmarked for training indigenous security forces, for diplomatic operations and foreign aid, 90 per cent of it is for "military operations and other defense activities."

The supplement takes Bush's request for war funding to \$243 billion - about £124 billion - pretty serious money by anyone's standards. It is more than the entire gross domestic product of South

Africa. It is also more than 25 times what the United Kingdom has spent on its entire involvement in Iraq since 2003.

But now consider the total amount that the United States has spent on the War on Terror since September 2001 which, according to the Congressional Budget Office, is \$503 billion. Add this figure to the amounts the administration has just requested and you arrive at a total for the entire War on Terror so far of \$746 billion: just shy of three quarters of a trillion dollars.

It gets worse. According to Nobel prize laureate economist Joseph Stiglitz, if you include costs of the war not captured in budgetary figures, and assume (as I do) that the US will be in Iraq until 2015, the final cost of the war could rise as high as \$2.2 trillion.

Hats off to Yale economist William Nordhaus, who estimated back in December 2002 that the cost of a protracted war that went wrong would be as high as \$1.6 trillion.

Even \$2 trillion could turn out to be an underestimate if the men with the medals and ribbons get their way. Last year General Peter J. Schoomaker, the outgoing army chief of staff, successfully sought an increase in the size of the army's budget for 2008. Now senior figures in the Navy and Air Force have taken up his refrain that US defense expenditure is actually too low in relation to gross domestic product.

To be fair, the generals have a point. Compared with the Cold War, the War on Terror is a snip. Between 1959 and 1989, US defense spending averaged 6.9 per cent of GDP. Since President Bush entered the White House, it has risen from 3 percent to just 4 percent, still a 33 percent increase.

Nevertheless, America's enemies since 2001 have been mere gnats compared with the mighty Soviet bear, while America's economy has enjoyed remarkably rapid growth since 1990. It still seems reasonable to ask why, with an annual budget equal to the entire GDP of Holland, the US military has failed to pacify Iraq.

Is it just a case of gross inefficiency at the Pentagon? Or has something fundamental changed in the character of war, as our own General Sir Rupert Smith has recently argued? According to Smith's book *The Utility of Force*: "War

no longer exists as battle in a field between men and machinery." The advent of what he calls "war amongst people" has turned the American Colossus into a big but vulnerable Goliath.

Smith's point is that the Pentagon is still arming American forces for the last war - not so much the Cold War as the very asymmetrical wars fought in the 1990s in Kuwait, Bosnia and Kosovo,

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where air power played a decisive role. Only very slowly is the military adapting to the new demands of operations like those in Iraq and Afghanistan, which combine elements of economic reconstruction, neo-colonial policing and counter-insurgency.

"War amongst people" turns out to be very symmetrical indeed, since it pits lightly-armed US patrols against irregular local forces. The Americans may have the better weapons and training, but the insurgents have superior knowledge of the terrain.

It will clearly take more time for the US Army and Marine Corps to master this new kind of warfare, though they're certainly trying (hence the current craze for learning the lessons of British success during the Malayan Emergency in the 1950s).

There is, however, an alternative option to the hard slog in Iraq - and it is evidently an option that President Bush finds very tempting. Why not revert to fighting the easier kind of asymmetrical war the United States is already equipped to fight, by launching air strikes against Iran?

You can see why the President might be contemplating such a course of

action. Strategically, Iran is a threat: pressing on regardless of sanctions with its nuclear weapons program, lending support to Shiite militias in Iraq.

Politically, Mr. Bush has nothing to lose. And militarily he can be sure that the American Air Force will take out at least some of the Iranian nuclear installations in spectacular fashion.

With every passing day of 2007, such a showdown has come to seem more likely. In recent weeks, US forces in Iraq have arrested Iranian agents who, they allege, were involved in attacks on American and Iraqi forces.

Last week the former Iranian president, Akbar Hashemi Rafsanjani, retorted with threats of "an all-out reaction towards the aggressors and their interests in all parts of the world" in the event of an American attack.

Yet the risks of such an attack by the United States are sobering. The backlash on the ground in Iraq - and elsewhere - could indeed be ferocious. There is no guarantee that the Iranian nuclear program would suffer more than temporary disruption.

The political effects in Iran (to say nothing of the rest of the Middle East) would be to strengthen the radicals around President Mahmoud Ahmadinejad at the very moment when they seem to be losing popular support.

There is, in short, a real danger that a pre-emptive strike against Iran could turn Goliath into Samson, bringing the temple of Dagon crashing down on everyone in the Middle East, including Samson himself.

The new symmetrical warfare that is now being waged in Iraq cannot be won by Top Gun pilots, nor by trucks full of cash. Only knowledge - not least a knowledge of the other side's language - can now save the American Colossus from a denouement of truly Biblical proportions.

For the strange thing about this Colossus is that the part of its anatomy that appears to be made of clay is not its feet, but its head.

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The Battle of Iraq's Wounded

The US is poorly equipped to care for the tens of thousands of soldiers injured in Iraq

Linda Bilmes

The New Year brought with it the 3,000th American death in Iraq. But what's equally alarming - and far less well known - is that for every fatality in Iraq, there are 16 injuries. That's an unprecedented casualty level. In the Vietnam and Korean Wars, by contrast, there were fewer than three people wounded for each fatality. In World Wars I and II, there were less than two.

That means we now have more than 50,000 wounded Iraq war soldiers. In one sense, this reflects positive change: better medical care and stronger body armor are enabling many more soldiers to survive injuries that might have led, in earlier generations, to death. But like so much else about this war, the Bush administration failed to foresee what it would mean, failed to plan for the growing tide of veterans who would be in urgent need of medical and disability care. The result is that as the Iraq war approaches its fourth anniversary, the

Department of Veterans Affairs is buckling under a growing volume of disability claims and rising demand for medical attention.

So far, more than 200,000 veterans

**...we now have
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war soldiers.**

from Iraq and Afghanistan have been treated at VA medical facilities - three times what the VA projected, according to a Government Accountability Office analysis. More than one-third of them have been diagnosed with mental health conditions, including post-traumatic stress disorder, acute depression and substance abuse. Thousands more have crippling disabilities such as brain or spinal injuries. In each of the last two

years, the VA has underestimated the number of veterans who would seek help and the cost of treating them - forcing it to go cap in hand to Congress for billions of dollars in emergency funding.

The VA system has a reputation for high-quality care, but waiting lists to see a doctor at some facilities now run as long as several months. Shortages are particularly acute in mental health care. Dr. Frances Murphy, the VA's deputy undersecretary for health, recently wrote that some VA clinics do not provide mental health or substance abuse care, or if they do, "waiting lists render that care virtually inaccessible."

The VA also runs Vet Centers - 207 walk-in neighborhood help centers that provide counseling to veterans and their families. These popular, low-cost centers have already treated 144,000 new veterans. But they are so understaffed that nearly half are sending veterans who need individual therapy into group

Linda Bilmes' paper, "Soldiers Returning from Iraq and Afghanistan: The Long-term Costs of Providing Veterans Medical Care and Disability Benefits," has attracted not only media attention, but also that of the Department of Defense and the Senate Veterans' Affairs committee.

The Pentagon has protested the number of casualties stated by Bilmes, which was taken from the DOD website: 50,508 "non-mortal wounded." Instead, the Pentagon wants to consider only the 22,500 wounded by enemy fire, excluding soldiers wounded from crashes in the field during training exercises, injured due to flying debris, secondary crashes, reactions to Anthrax vaccine, and disabilities associated with Post Traumatic Stress Disorder. The purpose of Ms. Bilmes' paper was to estimate the total cost to the VA of providing medical care for veterans, regardless of the cause of injury.

In an interview with Amy Goodman of Democracy Now! ("Hidden Costs of War: Long-Term Price of Providing

Veterans Medical Care Could Reach \$660 B" by *Democracy Now!* on Wednesday, February 7, 2007 at 9:08 am), Bilmes said: "When I was doing my study, I was trying to understand what the cost would be to the Veterans Administration of providing disability and medical care. And obviously, if a soldier is wounded, whether he is wounded in a training situation, in a friendly fire situation or in a combat situation, he is eligible to receive disability pay and medical care from the Veterans Administration in any of those cases... [A]fter my paper was published, I received a phone call from the Assistant Secretary for Health at the Department of Defense asking me where I had found these numbers. So I faxed him the material that came from his own website, and then the next thing I knew, I was informed by a number of the veterans organizations that the Pentagon had actually reduced the number on the veterans in its own website so that the more mild injuries that didn't require actual medical airlifting out of the region were no longer included."

This issue has also drawn the attention of Senator Barack Obama, who has introduced legislation requiring that all casualties be counted. In his statements about the bill he has said, "The Pentagon and VA need to come clean on the true costs of the Iraq war on our troops...It doesn't make a difference whether you were hit by enemy fire, or injured because your vehicle crashed, or got sick because of serving in a war zone. The effects on the soldiers and their families are the same. And the impact in terms of the current fighting force and future demands on the VA are also the same...Taking care of our Iraq veterans is one thing we can get right about this war."

To read the text of Senator Obama's bill, go to <http://thomas.loc.gov/> and search for Bill number S117.

To read the *Democracy Now!* Interview with Amy Goodman, go to: <http://melbourne.indymedia.org/news/2007/02/138972.php>

Table 1: Projected Increase in Disability Claims (moderate scenario)

| Disability Benefits | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------------------------|---------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Discharged <i>cumulative</i> | | 118,758 118,758 | 118,758 237,517 | 118,758 356,275 | 118,758 475,034 | 118,758 593,792 | 118,758 712,551 |
| Eligible claimants | | | | | | | |
| Existing discharged non-claimants | 526,355 | 526,355 | 526,355 | 526,355 | 526,355 | 526,355 | 526,355 |
| Newly discharged | -- | 118,758 | 237,517 | 356,275 | 475,034 | 593,792 | 712,551 |
| Total potential claimants | | 645,113 | 763,872 | 882,630 | 1,001,389 | 1,120,147 | 1,238,906 |
| Claim rate | 22% | 22% | 27% | 33% | 38% | 44% | 44% |
| New claims | -- | 140,312 | 207,678 | 287,958 | 381,154 | 487,264 | 538,924 |
| Current beneficiaries | 104,819 | 104,819 | 104,819 | 104,819 | 104,819 | 104,819 | 104,819 |
| Total claims (number) | 104,819 | 245,131 | 312,497 | 392,777 | 485,973 | 592,083 | 643,743 |
| Total Claims \$bn | 0.93 | 2.27 | 2.89 | 3.63 | 4.49 | 5.47 | 5.95 |

sessions or placing them on waiting lists, according to a recent report by the House Veterans' Affairs Committee.

At the same time, wounded veterans trying to obtain disability checks are being tied up in a bureaucratic nightmare. The Veterans Benefits Administration has a backlog of 400,000 pending claims - and rising. Veterans must wait from six months to two years to begin receiving the money that is due to them while the agency plods through paperwork. The staff eventually helps veterans secure 88% of the benefits they ask for - but in the interim, thousands of veterans with disabilities are left to fend for themselves.

The situation is about to go from bad to worse. Of the 1.4 million service members involved in the war effort from the beginning, 900,000 are still deployed on active duty. Once they are discharged, the demands for medical care and counseling will skyrocket, as will the number of benefit claims. The Veterans for America organization projects that VA medical centers may need to treat up to 750,000 more returning Iraq and Afghan war veterans and that half a million veterans may visit the Vet Centers.

And then there is the cost. After the Persian Gulf War in 1991, half of all veterans sought VA medical care, and 44%

filed disability claims. Assuming that this pattern is repeated, the lifetime cost of providing disability payments and health-care to Iraq and Afghan War veterans will likely cost US taxpayers between \$300 billion and \$600 billion, depending on how long the war lasts.

President Bush is now talking about spending more money on recruiting in order to boost the size of the Army and

The Veterans Benefits Administration has a backlog of 400,000 pending claims - and rising.

deploy more troops to Iraq. But what about taking care of those soldiers when they return home? The VA's solution is to hire an additional 1,000 claims adjudicators to cut the backlog.

A better idea would be to stop examining each application and instead automatically accept all disability claims, then audit a sample (like the IRS does for tax filings) to weed out fraud. Or at a minimum, simple claims should be fast-tracked and settled within 60 days. We should also place more counselors and more claims experts in the Vet Centers and harmonize recordkeeping so veter-

ans can move seamlessly from the Army's payroll into VA hospitals and outpatient care.

One of the first votes facing the new Democratic-controlled Congress will be another "supplemental" budget request for \$100 billion-plus to keep the war going. The last Congress approved a dozen such requests with barely a peep, afraid of "not supporting our troops." If the new Congress really wants to support our troops, it should start by spending a few more pennies on the ones who have already fought and come home.

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This article was originally printed in the Los Angeles Times Op-Ed section, January 5, 2007 and is reprinted here with kind permission from the author. For presentation at the 2007 ASSA meeting, Ms. Bilmes presented a paper entitled "Soldiers Returning From Iraq and Afghanistan: The Long-term Costs of Providing Veterans Medical Care and Disability Benefits." This paper can be accessed from her website at: http://ksg-faculty.harvard.edu/linda_bilmes

More Budget Cuts, More War Spending

The Bush administration released a \$2.9 trillion budget request for fiscal year 2008 on Monday, February 5. Along with the budget request, it submitted supplementary materials for additional war spending.

Budget Cuts

The budget request released by the administration proposes cuts in non-security related discretionary spending. Compared to fiscal year 2006, \$13 billion would be cut from these programs, or 3 percent, once inflation is taken into account.

War Spending

At the same time, the administration is requesting another \$100 billion in war related spending. If Congress passes the war spending request as proposed, another \$78 billion would be added to the total cost of the Iraq War. This would bring the Iraq War's cost in fiscal year 2007 to more than \$140 billion, and nearly a half trillion (\$456 billion) for the entire length of the war.

Total 'national defense' spending would reach \$647.2 billion in fiscal year 2008. In 2000, the national defense budget was less than half that amount (\$304 billion). National defense would comprise 59% of total discretionary spending. (See pie chart of proposed discretionary spending below).

Table 1
FY2008 proposed cuts
in non-security related discretionary spending
(obligations in thousands)

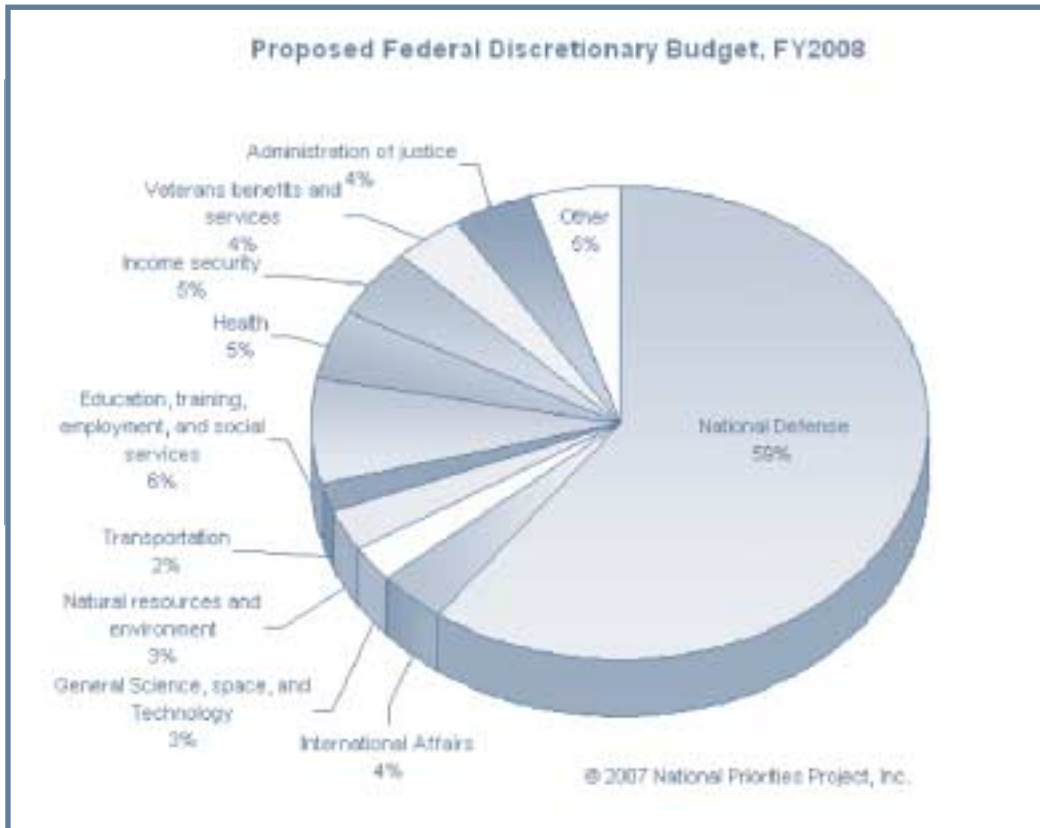
| Non-security related spending | FY 2008 Proposed | Cut (compared to FY06) | % Cut (compared to FY06) |
|--|------------------|------------------------|--------------------------|
| Community Development Block Grant | 4,032,091 | 1,413,511 | 35.1% |
| Head Start | 6,788,571 | 436,902 | 6% |
| Low-Income Energy Assistance Program | 1,500,000 | 1,115,349 | 42.6% |
| Special Education | 10,491,941 | 669,834 | 6% |
| Child Care & Development Block Grant * | 2,062,081 | 111,287 | 5.1% |

More tax cuts for the wealthy

Even while talking about balanced budgets, the administration proposes to make permanent the very costly tax cuts which primarily benefited the wealthy. In 2008, the richest 20 percent of Americans will receive two-thirds of the tax cuts, or \$143 billion. The top 5 percent will receive 44 percent of the tax cuts, or \$92 billion, according to the Tax Policy Center. In other words, seven times the amount of money slated for cuts

to domestic services will go toward the wealthiest Americans.

This information comes from the National Priorities Project. For more information and for State by State breakdown of the impact of the President's budget, visit www.nationalpriorities.org.



The chart above indicates the breakdown of the proposed federal discretionary budget for fiscal year 2008 by function area.

The discretionary budget refers to the part of the federal budget proposed by the President, and debated and decided by Congress each year. This part of the budget constitutes more than one-third of total federal spending. The remainder of the federal budget is called 'mandatory spending.' Fiscal year 2008 will run from October 1, 2007 to September 30, 2008.

Note that this chart includes the war-related spending requested by the administration as supplemental to the regular budget proposal. Compared to the FY2007 proposed federal discretionary budget, national defense rises from 56% to 59%. Health decreases one percent; education, training, employment and social services decrease by two percent. *This information comes from the National Priorities Project website and is used by permission.*

Who Will Pay for This Puny Defense Budget?

Winslow T. Wheeler

The new 2008 defense budget has been on the street since February 5th. A consensus has emerged in Washington about its size. That consensus has little to do with the facts and much to do with political maneuvering, which has been orchestrated with brilliant success by the very same White House that everyone in Washington discounts as washed up.

President Bush's request for a Pentagon budget for fiscal year 2008 is \$481 billion. To know total US security costs, add to that \$142 billion to cover the anticipated costs of the wars in Iraq and Afghanistan; add again \$17 billion requested for nuclear weapons costs in the Department of Energy; add another \$5 billion for miscellaneous defense costs in other agencies, such as the General Services Administration's National Defense Stockpile, the Selective Service, and some Coast Guard and international FBI costs. You get a total of \$647 for 2008.

That considerable amount will strike some as incomplete. An inclusive definition of our defense budget might also include homeland security costs; for those expenses (beyond the ones already in the Defense Department) add \$36 billion. There are other essential US security costs in the budget of the State Department for diplomacy, arms aid to allies, UN peacekeeping, reconstruction aid for Iraq and Afghanistan and foreign aid for other countries; add all or most of the International Affairs budget (\$38 billion). Some might want to include some of the human costs of past and current wars; add another \$84 billion from the Department of Veterans Affairs. Still others might also want to add the share of annual payments on the interest of the national debt that can be attributed to the Defense Department; add still another \$75 billion. There's more; various defense related

costs, such as costs to the Treasury for military retirement, are distributed all over the federal government. The total for costs identified here comes to \$878 billion for 2008: a huge amount, but there will probably be even more. Many analysts believe the war costs will grow for 2008, especially if the tempo of the fighting grows in Iraq or Afghanistan, which has been the pattern for both up to now. Moreover, if the White House and Congress have cut corners on the costs to repair and replace equipment worn out by war operations, which has been their routine all the way through 2007, there will be additional "reset" costs for 2008, very probably in the billions of dollars.

There are also the costs estimated by the Congressional Budget Office (CBO) to actually execute the 2008 Pentagon budget. For many years, CBO has found that DOD underestimates its own costs to develop, produce, and maintain weapons and to support military personnel - beyond the other underestimations of war costs. If CBO is right (and just about every Pentagon budget analyst says it is), add somewhere between \$50 and \$100 billion, just for 2008.

The actual total for 2008 is unknown; it will not be the \$878 billion cited above.

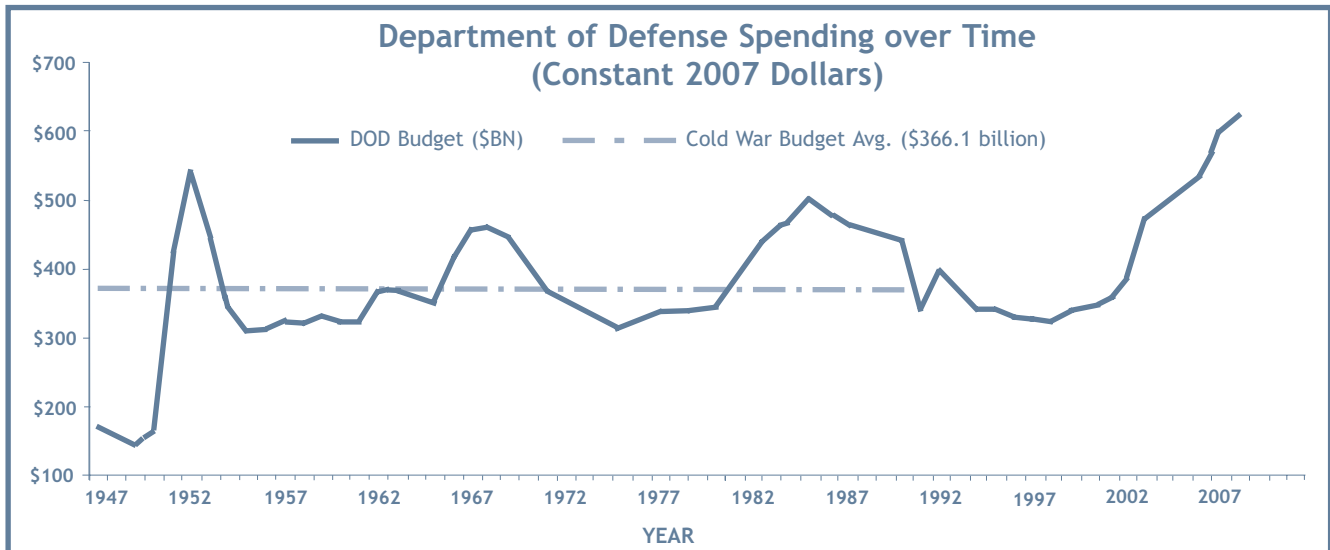
Include or exclude any of the incremental costs listed above according to your own biases of what you believe should be counted; by any measure it is not puny. Spending

What is the "Defense Budget?" (\$Billions, Total Budget Authority)

| Category | 2006 | 2007 | 2008 (Requested) |
|---|--------------|--------------|------------------|
| "Peacetime" DoD (Discretionary only) | 410.7 | 435.5 | 481.4 |
| Mandatory Programs | 59.3 | 1.7 | 1.8 |
| Emergencies | 123.8 | 163.4 | 141.7 |
| Total DoD | 593.8 | 600.1 | 624.6 |
| DoE/Defense | 17.5 | 17.0 | 1 7.4 |
| Miscellaneous | 5.9 | 5.2 | 5.2 |
| National Defense Budget Function | 617.2 | 622.4 | 647.2 |
| Homeland Security (non DoD) | 32.4 | 33.0 | 36.4 |
| DVA | 71.0 | 74.5 | 84.4 |
| International Affairs | 32.8 | 34.1 | 38.3 |
| Grand Total | 694.6 | 761.5 | 802.9 |

just for Pentagon expenses in 2008 (\$625 billion) is today larger in inflation-adjusted dollars than at any point since the end of World War II.

Graphics and text are by Winslow T. Wheeler, Director of the Straus Military Reform Project of the Center for Defense Information in Washington. Dr. Wheeler spent 31 years working on national security issues for senators from both political parties and for the Government Accountability Office.



Faslane statement - January 7, 2007

By Professor Sir Richard Jolly

The following is a paper presented by Sir Richard Jolly during an academic blockade that was staged at the United Kingdom submarine Base in Faslane Scotland on January 7, 2007. The protest was spurred by British policy to renew the Trident nuclear weapons system.

According to Sir Richard's personal account: "[there were] 70 or 80 academics and students present, excellent papers presented, respectful behavior throughout, not too much rain and after lunch, a record-setting blockade which closed the Faslane North Gate for about six hours...for three hours some 15 papers were presented on the sidewalk, with loudspeakers so all the 80 participants, and even the police could hear. There were academics from Sweden, Netherlands, the US and a physicist from Japan - as well as students from Oxford, Cambridge, Sussex, Edinburgh and Sweden. Each speaker stuck to the 10 minute guideline (in part because we suggested that the police arrest any speaker who went over the limit!)." -ed.

My cousin and namesake, Richard Jolly was in the Royal Navy. In September 1939, as Commander of the Destroyer HMS Mohawk, he was attacked by German aircraft while bringing his ship to the Firth of Forth. Though fatally wounded, he refused to be treated for his wounds. Instead he remained on deck, directing operations and navigating his ship for five miles from a deckchair until the Mohawk was safely in its berth. Only after the main engines had been rung off did he collapse and die. He was one of the first naval casualties of the Second World War and was awarded the Military Medal of the Order of the British Empire.

I am proud of my cousin. The Second World War was a war that had to be fought - at least once Hitler had been allowed to re-arm and to embark on his evil course of conquest, destruction and genocide. If the Treaty of Versailles had been more even handed - less punitive in its reparations, as Keynes argued - or if Britain and the other powers had lived up to their collective commitment to prevent the rise of Hitler, as Churchill had called for in the early 1930s, the Second

World War might never have been necessary fought. But politicians in power did not take the actions required and the Second World War became necessary.

Quite the reverse is true today.

Many of the world's most senior and experienced military leaders have serious doubts about nuclear weapons.

Politicians are arming themselves with nuclear weapons that cannot be used - but which nonetheless exist as a stockpile of death.

["Don't use such wild language," some proponents will say. But have these proponents forgotten the appalling destruction wrought by nuclear weapons on the two occasions when they were used - in Hiroshima and Nagasaki?

"Ah," will be the reply, "our weapons are for defense, not for use." Not for use - or will not be used? As Robert McNamara has said, "Possession of nuclear weapons involves serious risks that they will be used - if not by intention, by miscalculation, misjudgment or other human error."

But, I can hear the defenders and the proponents reply, "That was the United States. Britain would not make such miscalculations or misjudgments."

After Iraq, it is impossible to sustain such a view.]

I am here today because I am convinced that nuclear weapons are useless, expensive and destructive on a vast and most deadly scale. The facts are stark. Nuclear weapons will do nothing to prevent further war and they will be useless in the event that Britain or any other powers are drawn into fighting. If they are used they will wreak unimag-

inable havoc and destruction. I believe therefore that Britain should embark on a serious process of nuclear disarmament, using all its power, influence, alliances and diplomatic skills to persuade others to join in the process. This, after all, is what the Non-Proliferation Treaty commits us to. The issue is not whether replacing Trident is illegal under the NPT. Rather it is how Britain can strengthen its commitment to the NPT and, with others, restore momentum to it, as the UN Secretary General appealed to all countries to do in 2005.

In this brief statement, I want to make three key points:

1. Nuclear weapons have no military purpose today. These are the words of Lord Mountbatten, Admiral of the Fleet, who said this shortly before he died in 1979. It is the view of an increasing number of senior military staff and advisers, some of whom I will quote.
2. Possession of nuclear weapons involves a serious risk that they will be used - if not by intention, by miscalculation, misjudgment or other human error. Robert McNamara has set out these risks in his recent film, *Fog of War*. He pointed out that during the Cuban missile crisis in 1962 we were "that close, that close" to nuclear conflagration.
3. Maintaining nuclear weapons, or worse, renewing them and updating the submarines that carry them, adds to Britain's already high military spending. It seriously diverts from the resources needed for tackling the real insecurities in the world today, let alone for meeting other national priorities.

Nuclear weapons have no military purpose.

Many people think that those who oppose nuclear weapons are all wild-eyed radicals, opposed to everything military. On the contrary. Many of the world's most senior and experienced military leaders have serious doubts about nuclear weapons. Many others, including some of the world's most eminent scientists, have warned many times about the deadly dangers of possessing

nuclear weapons.

In front of these gates to Faslane, it is only proper to quote Lord Mountbatten, Admiral of the Fleet and uncle to Prince Charles. In 1979, he said this:

"As a military man who has given half a century of active service, I say in all sincerity that the nuclear arms race has no purpose. Wars cannot be fought with nuclear weapons. Their existence only adds to our perils because of the illusions they have generated."¹

General Charles A Horner, Chief of nuclear weapons. Staff of the US Space Command, stated in 1994: "The nuclear weapon is obsolete. I want to get rid of them all."²

A former US Air Force Chief of Staff, General Larry Welch, said, "Nuclear deterrence depended on someone believing that you would commit an act totally irrational if done."³

Robert McNamara, US secretary for defense for Presidents Kennedy and Johnson, reflected on the lessons - and tragedy, his word - of Vietnam and of Cuba. He concluded some ten years ago that "more and more Western military and civilian security experts have expressed doubts about the military utility of nuclear weapons."⁴

What happens if nuclear weapons are used?

There is a real risk that we underestimate the horrors and devastation of nuclear weapons being used and causing deaths and destruction on an almost unimaginable scale. Each of the UK's four submarines carries the equivalent of 1500 times the bomb released in Hiroshima.⁵ We are apt to forget the vast destruction and horrifying realities of even that one nuclear weapon of relatively low yield. This is how a Japanese journalist described the scene in Hiroshima.

"Suddenly a glaring whitish, pinkish light appeared in the sky accompanied by an unnatural tremor which was followed almost immediately by a wave of suffocating heat and a wind which swept everything in its path. Within a few seconds, the thousands of people in the streets in the center of the town were scorched by a wave of searing heat. Many were killed instantly; others lay writhing on the ground screaming in agony from the intolerable pain of their

burns. Everything standing upright in the way of the blast - walls, houses, factories, and other buildings - was annihilated...Hiroshima had ceased to exist."⁶

Carl Sagan, the distinguished American physicist, in his own appeal for nuclear disarmament summarized the phenomenal technological advance of the last century. Sagan said:

"Each of the technological triumphs advanced the art of mass murder by a factor of a thousand. From Gettysburg -

There is a real risk that we underestimate the horrors and devastation of nuclear weapons being used and causing deaths and destruction on an almost unimaginable scale. Each of the UK's four submarines carries the equivalent of 1500 times the bomb released in Hiroshima.

where 51,000 were killed - to the blockbuster, a thousand times more explosive energy, from the blockbuster to the atomic bomb, a thousand times more, from the atomic bomb to the hydrogen bomb, a thousand times still more. A thousand times a thousand, times a thousand is a billion; in less than one century, our most fearful weapon has become a billion times more deadly. But we have not become a billion times wiser in the generations that stretch from Gettysburg to us."⁷

The economic challenge: What else might be done with £20 to £40 billion pounds? ⁸

President of the United States, General Eisenhower, supreme allied commander in World War II, put the basic economic issues with sharp clarity:

"Every gun that is made, every warship launched, every rocket fired, signifies in a final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed."

Eisenhower - hardly a wild-eyed radi-

cal - went on to warn about the industrial-military complex. He also underlined the vital importance of working towards disarmament.

"Disarmament is a continuing imperative. The risks of disarmament are as nothing compared to the risks of doing nothing, to sitting on your hands."

Today, our threats are those of human insecurity - of political and economic instability, of injustice that generates terrorism and stirs civil wars within countries. There are other immediate threats to our human security like epidemic diseases, global warming, urban crime and gender violence. All these need priority attention and they need resources for prevention and control. They need police, and sometimes military force, internationally and nationally. The UN is involved in action to deal with all of them.

Do nuclear weapons have any place in responding to these threats? No, they do not. Far from nuclear weapons in any way helping to tackle these threats or reduce them, nuclear weapons add to risks and insecurities and divert resources from other much more useful and important activities.

In spite of the changing nature of our security needs, the US and some other countries - including Britain - have started increasing military spending again, after a period of 8 to 10 years of reducing military spending following the fall of the Berlin Wall. Britain now spends nearly 3 percent of national income on the military, more than all other countries except for the United States. Indeed as a share of income, Britain spends more than France and more than double Germany and Japan, and 50% more than 13 other industrialized countries of Europe.⁹ On the Trident system alone, Britain already spends about £1.7 billion a year, about 5% of its total military budget and about one quarter of what it spends on all forms of development assistance to developing countries.¹⁰

So why spend £20 to £40 billion pounds more on renewing Trident submarines? And what might be some of the alternative uses of these resources?

If this money is to be spent on international security, it would be far better spent restoring momentum to the NPT, the Non-Proliferation Treaty, on which the UK is in a position to give a lead.

(continued on page 13)

The Costs of War to Occupied Countries

John Tepper Marlin

The high cost to the lives of occupied civilians explains why resistance grows. In World War I, Holland was neutral and at the outset of the Second World War the Dutch were prepared again to be neutral. The Nazis bombed much of Rotterdam into rubble in May 1940 and threatened to move on to Amsterdam. The shock and awe brought Holland, completely surrounded by German forces, to surrender after just five days.

At first resistance was weak, however, five years later the Dutch animosity to the occupying Germans was furious. As a boy I saw and felt the anger when my Dutch mother and grandmother took us to Holland in 1949 to visit our many Dutch relatives, most of whom were still grieving. Concrete Nazi bunkers were still there. An estimated 158,000 Dutch civilians were the victims of genocide or reprisals; another 16,000 died of starvation in the winter before liberation - overall, about 2.4 percent of the pre-war population. I was told that some Germans were so clueless about Dutch feelings that they brought their families to visit the homes where they were billeted during the war, and were dismayed at the anger with which they were greeted.

I grew up with stories of the Dutch Resistance and my mother, Hilda van Stockum, wrote about it from the perspective of two Dutch boys living in the family windmill east of Leiden, in her book *The Winged Watchman*. It won the Brotherhood award of the National Conference of Christians and Jews. The book starts with a ten-year-old boy wondering whether there ever could have been a time when sugar beets were fed to pigs and people threw away potato parings and apple cores. He had never tasted chocolate.

The book describes how the family protects two Jewish children and a downed RAF pilot. At great risk, the family participates in the Resistance by passing on forbidden newspapers and communicating through *molentaal*, the language of the windmills based on how the wings are placed (in a "joy" position



(c) 1962 by Hilda van Stockum. Reprinted by permission

or a "sorrow" position, for example).

An understanding of how people feel under occupation might have been helpful when Washington was considering its options after the 9/11 attacks. Right after the President heard the news, he was listening to pupils read about a girl who had a pet goat that made the girl's dad angry by eating too many things. The dad says: "That goat must go." The story's quick denouement is that the goat butts a man allegedly planning to steal the family car. So the hero goat stays. Mission accomplished.

The message of the story seems to be that a moment of impressive violence is enough to create a permanent peace. Possibly President Bush, sitting in front of that class in Sarasota, may have been absorbing this message. The truth, however, is that our occupation of Iraq is more costly than we expected.

The continuing annual US costs of the Iraq war are newly estimated by Nobel Prize laureate Joseph Stiglitz and Harvard Professor Linda Bilmes at about two percent of US GDP. For the Iraqis themselves, economist Professor Colin Rowat of the University of Birmingham estimates per-person costs at 20 times greater than the corresponding US cost. Now three researchers at Johns Hopkins University and a professor at Baghdad's Al-Mustansiriya University have estimated that an estimated two percent of the Iraqi population has been killed, far higher than previous estimates. This number, published in the peer-reviewed UK journal *Lancet*, is nearly as high a proportion of the Iraqi population as the percentage of Dutch people killed in Hitler's occupation of Holland.

I'm sending a copy of *The Winged Watchman* to the President. Better late than never.

John Tepper Marlin is the co-author with Betty Lall of "Building a Peace Economy." He recently retired as Chief Economist for the last three New York City Comptrollers. He is Adjunct Professor, Stern School of Business, NYU and Pace University (Lubin School of Business and Dyson College MPA Program). He is former Treasurer of EPS and Principal, CityEconomist (www.cityeconomist.com).

Falling Prices and Terrorism: The Tragic Obverse of the Cost Disease

William J. Baumol

"Pecunia Nervus Belli" (Money is the sinew of war).

Cited in Howard, 1976, p. 27, who describes it as "...the favorite Latin tag of the [mid-16th century]."

"There were, Louis XII was told by one of his counselors, three things a king required in order to fight wars: First, money; second, money; and third, money."

Jones, 1994, p. 130.

"Nowadays the whole art of war is reduced to money: and nowadays, that prince who can best find money to feed, clothe and pay his army, not he that has the most valiant troops, is surest of success and conquest."

Charles Davenant, 17th century, as cited in Howard, 1976, p. 48.

"[the AK-47]...has become the world's most prolific and effective combat weapon, a device so cheap and simple that it can be bought in many countries for less than the cost of a live chicken" (Kahaner, 2006).

The much discussed phenomenon that Alice Vandermuellen kindly dubbed Baumol's Disease - which entails perpetually rising real prices of health care, education and the arts - is generally interpreted to foretell a grim future. But the late Senator Daniel Patrick Moynihan was precisely right when he characterized these prospects, rather, as a fundamentally optimistic forecast. Here, I will explain this evidently paradoxical conclusion as a prelude to two very pertinent assertions: First, that the correct obverse of Baumol's disease is the observation

that there must also be an accompanying set of outputs whose real prices are destined to fall with little let-up and, second, that it is in these falling prices, rather than in those that are remorselessly rising, that the true tragedy of Baumol's disease is to be found. These assertions would seem to be paradox enough. But what, if anything, is their connection to the concerns of Economists for Peace and Security? My contention is that it lies at the heart of those concerns-the threat of terrorism and its frightening prospects for the survival of civilization and even of mankind.

The Cost Disease and its Dangerously Declining Prices

To show the connection, I must be excused for offering yet another (merci-
(continued on page 14)

Faslane Statement (Continued from page 11)

International security would also be greatly helped by more support for international activities by the UN, especially to help remove instabilities, extremes of inequality and other issues that stir the sense of deep injustice in the Middle East.

There could even be spare change for improvements at home. A government that closes maternity wards while building nuclear submarines is choosing death over life.

I would put some other activities high on my list of priorities:

- Support for peacekeeping activities of the UN. These have legitimacy, already established in countries where the UN is welcomed and the burden is shared.
- Support for non-government groups, including academics and researchers, to encourage peace education, including better understanding of the NPT and building popular support for its implementation.
- Support for NGOs and others in the media to make films about the realities and dangers of nuclear war - and what would follow from the use

of even a single nuclear weapon.

- Support for other national and international actions towards strengthening human security.

Britain's policy should be to implement fully the NPT, reduce our nuclear weapons and build momentum for an international process of ridding the world of all nuclear weapons. Our policy should NOT be to assume their continuation and start on a process of modernizing them. For all these reasons, I strongly oppose spending money on the renewal of the submarines to carry the Trident nuclear warheads.

Sir Richard Jolly is Senior Research Fellow and Co-director of the UN Intellectual History Project The Graduate Center, The City University of New York

Footnotes:

¹ Lord Mountbatten et al, *Apocalypse Now?* (Russell Press, Nottingham) 1980, p. 11 & 13.

² Robert S. McNamara, *In Retrospect: The Tragedy and Lessons of Vietnam*, Random House, New York 1995, p. 345. General Horner said this in 1994.

³ *Ibid*, p. 345.

⁴ *Ibid*, p. 344.

⁵ James Buchan, *Trident in War Zones*, *Granta* 96, Winter 2006, p. 177.

⁶ This was quoted by Lord Mountbatten in the speech included in *Apocalypse Now?*, footnote 1.

⁷ Carl Sagan, Professor of Physical Sciences and Director of the laboratory of Planetary Studies at Cornell University said this at Gettysburg in 1988, on the 125th anniversary of the Battle of Gettysburg, as part of an appeal for nuclear disarmament. Cited in William Safire, *Lend Me Your Ears: Great Speeches in History*, (W. W. Norton, New York) 1992: p 625.

⁸ £20 billion is the official government estimate of the costs of renewing the Trident system. I have treated this as a minimum estimate and have used £40 billion as a higher estimate over the long run, to allow for cost over-runs, related costs not yet included and some inflation.

⁹ UNDP, *Human Development Report 2006*, New York, Oxford University Press. p. 350.

¹⁰ James Buchan, *Trident in War Zones*, *Granta* 96, Winter 2006. p. 181.

Falling Prices and Terrorism (continued from page 13)

fully brief) explanation of the cost disease. The source of that disease is made clear by analogy with a newspaper headline that I saw when I first arrived in England in 1946. As I recall, it sought to shock readers by lamenting, "Nearly Half of UK Student Grades are Below Average." The cost disease is just like that. Since any index of the overall price level is just an average of the prices in the economy, it follows that if the prices of all commodities are not rising at the same pace, then some will be above average (i.e., their relative costs and "real prices" must be rising), while others must be characterized by real prices that are falling. That rudimentary tautology is almost all there is to the cost disease. Its only additional element is the observation that the set of those items whose real prices are rising is roughly unchanging, decade after decade, and the same appears to be true of those that are falling. The explanation is not difficult. The items in the rising-cost (price) group generally have a handicraft element in their production process, whose labor content is therefore difficult to cut down. Those in the other group are predominantly manufactures that are more easily automated and whose consequently falling labor content is just the other side of their steadily rising labor productivity.

This explains Senator Moynihan's sanguine interpretation of the cost disease. For its explanation is to be found in the uneven pace of the economy's near universal productivity growth. But where productivity in almost every area of the economy is growing, the rising prices - even if they are "real prices" - do not imply that we face a mandatory retrenchment in our consumption of the affected products. On the contrary, universal productivity growth means that society can afford to consume ever more of every one of its products, which should hardly be a depressing prospect. That explains Moynihan's paradox, but it also brings us to the point of my story: the remarkable decline in the cost of manufactures, among which are to be found the weapons that are the instruments of terror.

Evolution of Military Technology and the Threat to Society

Military equipment, or at least some of it, is no different. While the cost of the latest fighter jet goes heavenward and the military budgets of the world's major powers impose damaging deficits upon their governments, bargain-basement equipment has also made its appearance (note the quotation from the

**Perhaps for the
first time in history,
vastly superior wealth,
utilized with thought
and determination...
no longer assures
military success.**

Washington Post at the head of this article). The terrorists and guerillas of the world have demonstrated beyond doubt how effectively these kinds of products can be put to use, and have proven how effective such weaponry can be in stymieing the most determined counter-efforts of major powers equipped with extensive manpower, organized forces, and every device that money can buy. Perhaps for the first time in history, vastly superior wealth, utilized with thought and determination (as, for example, occurred in the case of General Ulysses S. Grant's destruction of the Confederate army of the evidently cleverer General Robert E. Lee), no longer assures military success. *Wealth is no longer the near guarantor of military success*, as it apparently used to be, if the quotations of the beginning of this paper are right.

The technology of warfare clearly has continued to evolve, arguably outpacing the incredible and utterly unprecedented pace of innovation in general during the past two centuries. There have been two major consequences critical for my topic. First, of course, is the plain fact that humanity now has it in its power to commit suicide, finally and completely, via nuclear holocaust. And, as just noted, developments in military technology have produced an outpouring of powerful and often bargain-basement-priced

products, with a number of doomsday weapons among them - be they biological, chemical, or nuclear.

One of the most chilling prospects, in the wake of the events of September 11, 2001, is the possibility that the perpetrators could strike again, this time with nuclear weapons, including so-called dirty bombs (in which the waste products of nuclear reactors are wrapped in conventional explosives), or a terrorist attack on a commercial nuclear power plant utilizing a commercial jet or heavy munitions, or the possibility that terrorists could build or obtain an actual atomic bomb and detonate it in a city. While it is less likely that "fly-by-night" terrorist groups could produce sophisticated nuclear devices, a greater threat is a nationally-supported program under the sponsorship of a malevolent rogue regime that provides the necessary resources and facilities. With more nations "going nuclear" or wanting to go nuclear, the possibilities are all too frightening. [A recent *New York Times* article reported that North Korea's successful atomic test this year "...brought to nine the number of nations believed to have nuclear arms. But atomic officials estimate that as many as 40 more countries have the technical skill, and in some cases the required material, to build a bomb" (Broad and Sanger, 2006).]

What Can be Done?

It is not my purpose here to shock, discourage, or preach to the already converted. Rather, my comments are meant as prologue to a consideration of what can serve as an effective countermeasure to the nuclear, biological and other terrorist threats. And certainly I do trust that we will never surrender to the threat we face.

Regretfully, I must start off by recognizing what we all know: that there is no guaranteed preventative. There is, however, an observation that offers some degree of hope. Although within the population of the US, as in other industrialized nations, there are deranged individuals who place no value on human life and who adopt homicide as a hobby, the organized police establishments have, at least so far, been able to keep the activities of such sociopaths under control.

The horrors the killers commit have been narrowly circumscribed and the general population protected. This is something that can be accomplished only by a well-organized and unified government. It cannot be done by international conferences that are able to agree only on toothless compromises, or regularly break down altogether, like the talks intended to eliminate barriers to trade. Thus, I am arguing that the threat of nuclear terror can only be countered effectively by an international police force with the authority to adopt all necessary actions, including the requisite intelligence activity, and not subject to single government veto, although carefully circumscribed in the rules of its constitution. Such a police force must be permitted to take action only against a limited and carefully specified set of phenomena - possession of nuclear weapons, acts of genocide, and the like. An international police force must be given the power to intervene and the duty to intervene quickly and effectively against rogue individuals and rogue states whose actions threaten human survival or the survival of segments of humanity distinguished by religion, race or nationality.

Some Ruminations on Feasibility and Strategy

This suggestion is clearly not new and certainly seems utopian. Yet I will argue next that it is not as impractical as it may appear to be. Moreover, it would seem that there is no alternative. First, let it be made clear that what I propose is not in any sense an international government but, rather, only an international police force with very limited tasks and available courses of action. Such a force would not limit the monetary or fiscal policy of any government, or any governmental rules on punishment of larceny, divorce or enforcement of contracts, for example. My proposal, in other words, is very limited in the objectives it undertakes to pursue and the means it proposes to pursue them.

Second, unlike the threat of global warming, which can be denigrated and minimized by those who profit from the status quo, surely no one can any longer mislead the general public into believing that the threat of nuclear terror is a fairy tale. And once the magnitude and immi-

nence of the threat is recognized, surely the public can be stirred to action. As Samuel Johnson put it, "Depend upon it, sir, when a man knows he is to be hanged in a fortnight, it concentrates his mind wonderfully" (Boswell, 1811). If we can succeed in keeping the imminence and horror of the threat before the community, the prospects are that political leaders will be forced to focus on this issue.

One promising tactic might be to create a contingency plan that can quickly be executed at a time of evident emergency. The timing must be selected carefully, waiting for a crisis when the urgent demand for action is nearly universal. The essence of the matter is to have worked things out carefully beforehand, as used to be done so successfully by Robert Moses, New York's parks and road builder extraordinaire who almost always managed to have his way in the competitive struggle for public resources by having his pre-worked-out program at the ready, while his rivals had as yet only begun to think of their positions.

Finally, history gives us encouragement in the example of the adoption of the Constitution of the United States. Until the Constitution was ratified-years after the independence of the former colonies had been achieved through military victory-the states were connected extremely loosely in a confederation that left them all but independent. There were powerful forces in each state of the future US determinedly opposed to giving up any iota of its power for independent action. And yet, circumstances forced adoption. One can well imagine how different subsequent history would have been, probably with frequent quarrels and even warfare between states, if these forces of resistance had been successful. Such prospects made possible the narrow victory for those who sought a stronger and more effective union. How much more effective the incentive introduced by the prospect of the destruction of humanity may yet prove to be.

Perhaps the strongest source of support may prove to be realization that there appears to be no other solution. Without an effective and powerful international police force created and supported by most of humanity and the

nations into which humanity is divided, we seem condemned to leave ourselves defenseless to the madmen who are ready to destroy us all.

This is the transcript of a speech William J. Baumol gave at the dinner EPS hosted in his honor at the 2007 ASSA Conference in Chicago.

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Security policy is too often settled without informed economic input and consideration. Too often, weapons are built and bought without full consideration of their costs, effectiveness, and alternative means toward the desired goals. Too often, threats are made and confrontations launched without full appraisal of the risks. In the extreme, nations go to war without anticipating the full costs in relation to the goals. This tendency generates an extreme form of buyer's remorse, as citizens recoil from decisions that could have been avoided had they been properly understood from the start.

At the same time, economic issues of security are often narrowly understood as pertaining to the military, police, and other state security services. These are legitimate topics but they offer a restricted view of the causes and consequences of conflict and of possible ways to prevent or end it. At its broadest, security can be defined as freedom from pervasive threats to people's rights, safety or lives, involving both safety from violent threats, such as organized conflict, gross violations of human rights, terrorism and violent crime and safety from non-violent threats, such as environmental degradation, economic crises, illicit drugs, infectious diseases and natural disasters.

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