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Official Projections Underestimate Cost of Iraq War, According to American Academy Report

A report issued today by the **American Academy of Arts and Sciences** finds that the political, military, and economic consequences of war with Iraq could be extremely costly to the United States. The report, "**War with Iraq: Costs, Consequences, and Alternatives**," is being published under the auspices of the Academy's *Committee on International Security Studies (CISS)*.

William D. Nordhaus (Yale University) estimates the costs of war with Iraq in scenarios that are both favorable and unfavorable to the United States. He projects that the war could cost \$99 billion over the next decade in the best case, and in excess of \$1.9 trillion during the same period in less favorable circumstances. The latter figure is nearly 10 times the comparable "worst case" estimate offered by the administration.

Analyzing the few publicly available studies of the cost of a potential war with Iraq, Nordhaus finds a number of postwar costs that have been largely ignored, including:

- A prolonged occupation and peacekeeping, which could cost between \$75 to \$500 billion
- The funds needed for Iraq's reconstruction, which could reach \$105 billion
- Humanitarian assistance, which could have a price tag of \$10 billion at minimum
- A macroeconomic impact over the next decade that could result in a gain of \$17 billion in the best case and a loss of nearly \$400 billion in a disruption of oil markets and a resulting recession, as has been the case in previous Middle East wars.

"The economic ripples of a war with Iraq are likely to spread beyond the direct budgetary costs, with the prospect of raising the cost of imported petroleum, slowing productivity growth, and possibly triggering a recession," writes Nordhaus. "The dangers of tipping into recession are real, particularly given that the U.S. economy was growing very slowly in the fall of 2002," he explains.

Importantly, Nordhaus also addresses the question of who will be asked to pay the price for military action with Iraq. "If the war is undertaken without UN sanction or broad international support, the U.S. could be forced to pay the lion's share of the costs," Nordhaus asserts.

Steven E. Miller (Harvard University) challenges claims that war with Iraq will be cheap, beneficial, and hard to avoid. He examines these assertions in light of a number of potentially disastrous outcomes of a war with Iraq, all of which could realistically occur yet have received scant public attention. Among these outcomes, Miller considers how Iraq's use of weapons of mass destruction, its disruption of the flow of oil, its drawing the United States into urban combat in Baghdad, or its attacking Israel would affect the American war effort. Miller also lays out a scenario in which Saddam Hussein could "fund, fuel, and facilitate a campaign of terrorism against his attackers. Given the amount of warning that the Bush administration has provided him, Saddam has had plenty of time to pre-deploy his own terrorists in the United States or elsewhere..."

Miller also examines the consequences that a conflict with Iraq might have on the administration's war on terror and its longer-term affect on the United States' position as a global superpower. He concludes that although the administration's case for war against Iraq is attractive, it is also a gamble with enormous stakes and a significant risk of adverse consequences. "If the Bush administration's predictions are correct, then a desirable end will have been achieved at modest cost with few, if any, adverse consequences. But what if some of those predictions are incorrect? What if all does not go well? How far does the course of events have to diverge from the rosy scenario painted by the Bush administration before this war ends up looking like a costly, counterproductive mess, or even a disaster?" Miller asks.

Carl Kaysen (Massachusetts Institute of Technology), **John D. Steinbruner** (University of Maryland), and **Martin B. Malin** (American Academy of Arts and Sciences), examine the broader national security strategy behind the move toward a preventive war against Iraq. They find that the new strategy differs sharply from a long tradition in American foreign policy, particularly in its neglect of the utility of international law and institutions for achieving the United States principal aims. They suggest that the strategy's reliance on U.S. military forces, maintained to a standard that aspires to be "beyond challenge," is impractical and likely to stimulate precisely the "asymmetric responses" to America's global dominance that the strategy is designed to prevent.

Founded in 1982, the Academy's *Committee on International Security Studies (CISS)* plans and sponsors multidisciplinary studies of current and emerging challenges to global peace and security. Recent and ongoing CISS projects examine: the governance of outer space; the global security implications of joint missile surveillance, international security relationships in the post-Soviet space, the implications of the International Criminal Court for U.S. national security, and the global diffusion of light weapons to areas of conflict.

The American Academy was founded in 1780 by **John Adams** and other scholar-patriots "to cultivate every art and science which may tend to advance the interest, honor, dignity, and happiness of a free, independent, and virtuous people." The current membership of over 3,700 Fellows and 600 Foreign Honorary Members includes more than 150 Nobel laureates and 50 Pulitzer Prize winners. Drawing on the wide-ranging expertise of its membership, the Academy conducts thoughtful, innovative, **non-partisan** studies on international security, social policy, education, and the humanities.

To order a copy of the report, call 617-576-5024. "**War with Iraq: Costs, Consequences, and Alternatives**" is also available at the American Academy website at www.amacad.org/publications/occasional.htm