

# War with Iraq

Costs, Consequences, and Alternatives

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# Preface

This Occasional Paper has its origins in a discussion that took place at a meeting of the Committee on International Security Studies (CISS) of the American Academy of Arts and Sciences on October 11, 2002. Participants included: James Carroll (*Boston Globe*), Richard Garwin (Council on Foreign Relations), Janice Gross-Stein (University of Toronto), Harry Harding (George Washington University), Carl Kaysen (Massachusetts Institute of Technology), Neal Lane (Rice University), Robert Legvold (Columbia University), Jane Holl Lute (United Nations Foundation), Martin Malin (American Academy of Arts and Sciences), Everett Mendelsohn (Harvard University), Steven Miller (Harvard University), Janne Nolan (Georgetown University), Robert Pastor (American University), Bruce Russett (Yale University), and John Steinbruner (University of Maryland).

At the meeting it was agreed that the ongoing public discussion of U.S. policy toward Iraq would be enriched by a timely, scholarly analysis of the underlying issues. The papers in this collection are an attempt to provide insight into the potential costs and consequences, over the long term, of going to war with Iraq. We thank the Academy's Executive Officer, Leslie Berlowitz, for encouraging us to share this analysis more widely.

"U.S. National Security Policy: In Search of Balance," by Carl Kaysen, John D. Steinbruner, and Martin B. Malin, was informed by the CISS discussion but is the product only of its authors; other members of the Committee may or may not agree with it in whole or in part.

"Gambling on War: Force, Order, and the Implications of Attacking Iraq" was originally written by Steven E. Miller for an International Pugwash Workshop (no. 276) on "Terrorism and Weapons of Mass Destruction" held in Como, Italy, on September 26–28, 2002. Professor Miller revised his paper for this publication.

"The Economic Consequences of a War with Iraq" was written by William D. Nordhaus. A substantially shorter version was published in the December 5, 2002 issue of the *New York Review of Books*.

As always, the argument and opinions presented in these papers are those of the individual authors, not those of the American Academy of Arts and Sciences or its Committee on International Security Studies.

Carl Kaysen and John Steinbruner  
Co-Chairs, Committee on International Security Studies  
November 2002

# U.S. National Security Policy: In Search of Balance

CARL KAYSEN, JOHN D. STEINBRUNER, AND  
MARTIN B. MALIN

On September 17, 2002, the White House, under cover of a letter from President Bush, issued a thirty-page document entitled “The National Security Strategy of the United States.” Its “Overview” states:

The U.S. national security strategy will be based on a distinctly American internationalism that reflects the union of our values and our national interests. The aim of this strategy is to help make the world not just safer but better. Our goals on the path to progress are clear: political and economic freedom, peaceful relations with other states, and respect for human dignity. . . .

To achieve these goals, the United States will:

- champion aspirations for human dignity;
- strengthen alliances to defeat global terrorism and work to prevent attacks against us and our friends;
- work with others to defuse regional conflicts;
- prevent our enemies from threatening us, our allies, and our friends, with weapons of mass destruction;
- ignite a new era of global economic growth through free markets and free trade;
- expand the circle of development by opening societies and building the infrastructure of democracy;
- develop agendas for cooperative action with other main centers of global power; and
- transform America’s national security institutions to meet the challenges and opportunities of the twenty-first century.<sup>1</sup>

These goals are admirable. Many of the means proposed for achieving them – each of which is developed in a separate chapter of the document – have been features of U.S. policy for the past half-century or more.

1. *The National Security Strategy of the United States of America*, September 2002, pp. 1–2, <<http://www.whitehouse.gov/nsc/nss.html>>.

The new National Security Strategy is not, however, merely a continuation of past policies. Two relatively novel features of the contemporary international scene and the United States' place in it correspond to the two most significant new elements in the policy. These deserve more attention than they are currently receiving.

### *Preponderant U.S. Military Power*

First is the United States' overwhelming preponderance of military power over any other nation or any plausible combination of nations that might oppose us. The reach and the striking power of U.S. forces far outmatch those of any others. The United States can today strike with speed and accuracy that was unheard of only a decade ago. A crude indicator of U.S. dominance: the U.S. defense budget is today larger than the combined defense expenditures of the next twenty-five largest militaries.<sup>2</sup>

Because of this condition of U.S. superiority, two questions will determine in large degree the character of the international order in the coming decades: In what manner will the United States use its military force? And for what purposes? On the question of manner, the central issue is whether U.S. force deployments will be attempted in accordance with international law and with authorization from the UN Security Council, or in defiance of legitimate international objection and in violation of legal procedure. On the question of purpose, the issue will turn on whether military force is used to serve broad national and international concerns, or to advance a parochial interest in maintaining U.S. global dominance regardless of the consequences for others.

The National Security Strategy document does not say explicitly that it is the policy of the United States to do whatever is necessary to sustain its global dominance. What it does say, in the final section on transforming American national security institutions, is that the United States intends to build and maintain its defenses "beyond challenge." The president had previously set this indefinite and operationally ambiguous standard in an address to the graduating class of West Point in June 2002 when he declared: "America has, and intends to keep, military strengths beyond challenge."<sup>3</sup> The United States will retain, as it has in the past, the capability to deter threats to its vital interests and to defeat an adversary should deterrence fail. But a new criterion has been added. It is that the U.S. military be "strong enough to dissuade potential adversaries from pursuing a military build-up in hopes of surpassing, or equaling, the power of the United States."<sup>4</sup>

The concept of fielding a military force so dominating that it prevents adversaries from contemplating resistance raises troubling questions. Is it justified on legitimate grounds of self-defense? Russian and Chinese officials have asked this question in response to U.S. plans for deploying a national missile defense system and aspirations for placing strike weapons in space. China has asked repeatedly that the United States negotiate at the UN Conference on Disarmament at Geneva new rules to prevent the competitive and unrestrained deployment of weapons in space. Following the U.S.

2. Christopher Hellman, "Last of the Big Time Spenders: U.S. Military Budget Still the World's Largest, and Growing," Center for Defense Information (4 February 2002). <<http://www.cdi.org/issues/wmc/spendersFY03.html>>.

3. <<http://www.whitehouse.gov/news/releases/2002/06/20020601-3.html>>.

4. *The National Security Strategy of the United States*, 30.

withdrawal from the 1972 Anti-Ballistic Missile treaty, China was joined in its request by Russia. The United States, seeking a standard of dominance that is beyond challenge, has refused to consider the Chinese and Russian proposal for negotiated restraints.

The concept of building weapons systems that are so advanced that they cause opponents to throw up their hands and forgo defiance should also be questioned on grounds of effectiveness. No potential adversary hopes to match U.S. military might head on, in symmetrical fashion. Rather, those who would harm the United States seek cheap and easy ways of exploiting U.S. vulnerabilities. Those points of leverage grow more numerous as the United States labors to extend its military superiority abroad. And the motivation of U.S. enemies to act grows with their resentment of perceived intimidation. By aspiring to a standard of dominance that would dissuade others from attempting a direct military challenge, the United States may in fact stimulate adversaries to work ever harder to exploit any number of vulnerabilities.

### *Weapons of Mass Destruction and Terrorism*

A second novel feature of the international environment is the development of international networks of terrorists with a demonstrated willingness to undertake violence on a massive scale. These networks flourish within and between states whose political agendas overlap with those of the terrorists, and in countries where there is no authority capable of preventing terrorist groups from using the territories as bases, staging areas, and refuges. A grave and valid concern of the new National Security Strategy is that a terrorist group will acquire nuclear, biological, or chemical weapons and wreak catastrophic harm.

The weapons themselves are not new (though the development of new and more deadly biological weapons is particularly worrisome). Almost as soon as they were developed, the United States recognized the dangers inherent in the existence of nuclear weapons and participated in international efforts to limit their possession. Political and military leaders have shared the concerns of scientists and scholars that nuclear weapons are not simply more efficient explosives but rather a threat of an entirely different magnitude. Their dangers to civilians had to be weighed heavily in the reckoning of their usability. Similarly, biological and chemical weapons have been recognized as presenting special dangers, and international efforts to control their possession and forbid their use by law embodied in treaties had the support of the United States.

The corresponding policy in the new National Security Strategy is what the document calls “preemption” – using force in anticipation of a danger to prevent hostile states from acquiring weapons of mass destruction or harboring terrorists. The United States has been preparing in recent months to implement this policy against Iraq. In this particular case, “preemption,” as it is commonly understood, is a mischaracterization, since that term usually is taken to mean striking the first blow when war appears to be imminent and unavoidable. What the United States is proposing is more properly characterized as “preventive war,” that is, a war of choice to prevent the emergence of a threat further in the future. U.S. military advisors have contemplated preventive war before, notably against the Soviet Union at various points during the Truman and



Eisenhower administrations. But such thinking was consistently rejected at the political level on both moral and strategic grounds.<sup>5</sup> Today, by contrast, it is our declared policy to maintain the capability to wage preventive war against those who may threaten us with weapons of mass destruction.

#### LAW VS. FORCE

An additional and striking novelty of the National Security Strategy document is what it omits. The international rule of law as an overarching goal of policy is nowhere mentioned. Neither is the Charter of the United Nations, a treaty that is largely of the United States' own making and to which the United States is bound. The United Nations itself receives only a few perfunctory mentions: the most substantive one is in the penultimate paragraph of the president's introductory letter, where it is listed with the OAS, the WTO, and NATO as examples of multilateral institutions that can "multiply the strength of freedom-loving nations." There is an additional mention of the United Nations in the chapter on strengthening alliances to defeat global terrorism, where it is mentioned as an example of international organizations "we will continue to work with" in rebuilding Afghanistan.

The aim of the UN Charter was to substitute law and diplomacy for force as the primary regulators of relations among nations. The primacy of law over force has been a major thread in American foreign policy since the end of World War II. From the United Nations to the World Trade Organization, the United States has led in the creation of international organizations that extend the reach of law, and seek to constrain the powerful as well as to give the weak a voice. It has all but disappeared from the fabric of national security that the administration now presents.

Indeed, the Bush administration has conducted an assault on major elements of the international legal framework that has been developed to regulate security policies and force deployments. In addition to abrogating rather than renegotiating the ABM treaty, it has forced termination of efforts to negotiate a compliance protocol for the Biological Weapons Convention. It has repeatedly denigrated and has refused to ratify the Comprehensive Test Ban Treaty, despite international consensus that a ban on nuclear testing is necessary to preserve the Nonproliferation Treaty. Senior officials have recently questioned the security assurances endorsed by all previous administrations in support of the latter treaty.

The National Security Strategy departs sharply from previous U.S. practices, and in so doing can be compared to NSC 68, the once classified national security policy statement promulgated by President Truman in 1950. Released in the wake of the North Korean attack on South Korea (though drafted earlier), that document provided a blueprint for the conduct of the Cold War and initiated a vast U.S. military build-up, especially of nuclear weapons. The Bush administration's National Security Strategy provides a blueprint for a perpetual series of hot wars and preventive strikes, initiated whenever it is determined that another state is accumulating threatening weapons or harboring terrorists. Is the administration's apparent confidence in the utility of military force and our capacity to use it without unnecessarily provoking "asymmetric" retaliation, from terrorists and hostile states, justified? And has the

5. Marc Trachtenberg, "A 'Wasting Asset': American Strategy and the Shifting Nuclear Balance, 1949-1954," in Trachtenberg, *History and Strategy* (Princeton: Princeton University Press, 1991), 100-152.

administration adequately assessed the potential indirect costs of the strategy, in the form of alienation and even isolation from the rest of the world?

If one could directly ask all citizens of the United States to identify their core political values, freedom would probably be the most frequently mentioned word. Certainly those who seek to represent the American electorate regularly evoke it. Images of enslavement run deep in the national consciousness. The more thoughtful answers, however, and the ones best informed about historical traditions would cite the rule of law. Government by consensually formulated law is the defining feature of American democracy, and as a practical matter the threat to freedom has much more to do with the possible defects in the internal rule of law than with the actions of any external aggressor. Although they might not volunteer that latter thought, a solid majority of Americans would probably acknowledge it.

Curiously, however, and ominously, one cannot be as confident of the answer if the question is posed about political values in international relations. There is a substantial strand of opinion that believes the international order to be fundamentally anarchic and concludes that freedom and other core interests can be protected only by the exercise of military power. That has long been a minority view, but it is an intense minority with disproportionate influence that adheres to it. In the wake of last year's terrorist attacks that view has acquired ascendancy in American policy. Most of the implications are yet to unfold, but the possibilities are quite apparent. The traditional balance between military preparation and international legal restraint has already been sharply shifted by repudiating a number of treaties that the United States itself originally sponsored. The most recent statement of policy suggests that the United States reserves the right to initiate war for reasons of its own choosing.

Based on the recent U.S. election returns, some would argue that this policy appeals to more voters than it dismays. Further, the 15-0 vote in the UN Security Council for the final U.S.-U.K. draft of the resolution on Iraq's obligations to end its program for acquiring nuclear, biological, and chemical weapons – though it does not provide, as the United States had sought, automatic authorization for the use of force if Iraq is found to be uncooperative – arguably reflects the weight of U.S. power. The United States appears to be the beneficiary of the occasional if commonly fleeting response to the amassing and exercise of power in the international arena, that of jumping on the bandwagon of the most powerful.

In a longer-term perspective, however, can the pursuit of ever more intimidating military forces, their use in preventive wars, and the neglect of international law and cooperation be the path toward our goals of a more democratic and open world of governments more responsive to their citizens and more concerned to promote their prosperity and liberty?

Before implementing the new National Security Strategy by going to war with Iraq, a clear accounting of the costs, consequences, and alternatives to that action is urgently needed.



# Gambling on War: Force, Order, and the Implications of Attacking Iraq

STEVEN E. MILLER

Aided in large measure by the events of September 11, the Bush administration has achieved remarkable momentum in the direction of launching a preventive war against Iraq. For many months now, it has been laying out its case for this course of action. This is a serious case, with many elements that are meritorious or even unassailable. On the other hand, when the potential costs, risks, and consequences are fully assessed, the war looks very much like a dangerous gamble that could well be damaging to American (and Western) interests and the cause of a safe and congenial international order.

Judgments about the net wisdom of attacking Iraq must weigh the arguments for war against the case for dealing with Saddam's Iraq in some other way. The debate has been marked by deep divisions between the proponents and opponents of this war. These divisions are rooted in very different perspectives on potential costs, on possible consequences, and on the feasibility and effectiveness of alternatives to war. The following discussion provides an inventory of the arguments and concerns that animate the two sides of the debate. Such an inventory pits against one another two starkly contrasting visions of the war: an optimistic vision in which all goes well, the war is cheap, and the results are positive; and a skeptical vision in which things go wrong, the war is more costly than the Bush administration predicts, and the consequences of the war are more negative than positive. The administration's expectations about the war are alluring and could be correct. Skeptics, however, are haunted by the concern that Bush's predictions will be wrong.

## THE GROUNDS FOR WAR

### *The Bush Administration's Case*

The Bush administration has put before its critics a provocative challenge by making a coherent and plausible case for war. Indeed, the administration has got many things right:

- Bush's characterization of Saddam Hussein is essentially correct. One can quarrel over details – the extent of his recent involvement with international terrorism, for example. But the basic picture the administration paints cannot be disputed. Saddam is one of the most brutal, despicable tyrants in recent history. He is responsible for egregious human rights abuses. He has repeatedly menaced and attacked his neighbors. He has violated international law and broken treaty commitments. He has supported international terrorism. He has defied the UN and ignored the will of the international community. He has sought and, by all accounts, continues to seek weapons of mass destruction. In the past, he has used chemical weapons, both in the war with Iran and against his own citizens. Without question, he is one of the most unattractive leaders of modern times.
- For all these reasons, the Bush administration is correct to argue that Saddam's removal from power is a desirable objective. The world (and the population of Iraq) would certainly be better off if Saddam's regime were replaced by a more civilized and less violent government.
- The Bush administration is also correct that the response of the United Nations to Saddam's defiance, to his prolonged noncompliance with numerous UN Resolutions that were agreed in the aftermath of the 1991 Gulf war, has been disappointing, if not disgraceful. At least in the American political context, this has raised the most profound concerns about the will of the international community to enforce arms control and nonproliferation agreements and has reinforced skepticism about the value of treaties and other legal instruments.
- The Bush administration is correct that Saddam could be more dangerous in the future than he is now. If he is able eventually to acquire nuclear weapons or to strengthen his alleged chemical and biological weapons capabilities, he will be an even more alarming figure, and presumably even more difficult to deal with. It is this fear of the future, this concern about the possible growth of Saddam's weapons of mass destruction (WMD) capabilities, that are at the heart of the case for war now. Indeed, this is the essence of the logic of preventive war: better war now than later.<sup>1</sup>
- The Bush administration is correct that it possesses the military power to achieve its objective of regime change. Indeed, the American military advantage over Iraq is staggering – even greater than was the case at the time of the Gulf war in 1991. The United States might have to pay a price for its victory and it will need to possess the determination to see the war through if the costs mount. But there can be no doubt of the military outcome if the United States perseveres.

It is not easy to disagree in any large way with any of these points. Taken together, however, they do not constitute a wholly persuasive argument for war, not least

1. Though Bush's approach has been almost universally described, in the media and elsewhere, as a doctrine of preemption, this is incorrect. Preemption refers to a military strike provoked by indications that an opponent is preparing to attack. The logic is: better to strike than be struck. But no one is suggesting that Saddam is preparing to strike the United States. There are no indications that this is the case. Bush is instead making the case for preventive war, for removing today a threat that may be more menacing and difficult in the future. The administration may prefer to label its policy preemption because that is an easier case to make. But it is not an accurate use of the term as traditionally defined.

because there is little, if anything, new in this indictment of Saddam. Indeed, some elements on the roster of Saddam's transgressions date back into the 1980s, including from the period when he benefited from U.S. support. Saddam's reprehensible behavior and his defiance of the United Nations are objectionable but have been ongoing for years and hence are an awkward justification for immediate war now. Nevertheless, the Bush administration's characterization of Saddam and the threat he may pose moves the debate some distance in the direction of war and provides a context in which the use of force is a plausible option.

The logic flows powerfully: Saddam is a brutal and menacing figure who is likely to be even more dangerous in the future. He is openly hostile and explicitly threatening to U.S. and Western interests. The world would be better off without him. The United States possesses the power to eliminate his regime. And the next step in the logic chain follows naturally: the United States ought to do so before he undertakes even more unspeakable acts from an even stronger position. This is, it is suggested, one of those unusual instances in which the case for war is compelling.<sup>2</sup>

*A cheap war.* To this line of argument the Bush administration adds a vision of the war with Iraq that is more debatable, but still plausible. It is a vision that suggests that Saddam can be eliminated at modest cost (in military terms). In part, this is of course simply a reflection of Washington's tremendous military superiority. But there is more to it than that. The Bush administration's "theory of victory" is built around the notion that Saddam is a brutal dictator, despised by many of his own people, whose rule is based on fear rather than loyalty. This makes his regime brittle, vulnerable to a sharp rap from the outside. If it becomes clear, goes the argument, that Saddam is finished, that the United States is going to bring an end to his reign, then the Iraqi people will rise up to oppose him, the Republican guard will abandon him, the Iraqi military will refuse to fight, and American forces may be welcomed as liberators. For both the Bush administration and its supporters, this idea of preventive war as liberation, leading to the expectation that the Iraqi people and the Iraqi armed forces are more likely to turn against Saddam than to resist an American attack, seems to be a central component of the mindset for war.<sup>3</sup>

Senior Bush administration officials, writes one Washington journalist, "believe a significant number of Saddam's army commanders and units will either refuse to fight or will assist allied troops in toppling the Baghdad regime."<sup>4</sup> According to another report, U.S. war planners "rely greatly on defecting Iraqi units to topple Saddam

2. An excellent articulation of the case for war against Iraq is Kenneth Pollack, "Next Stop Baghdad?" *Foreign Affairs* 18 (2) (March/April 2002): 32–47. See also Christopher Hitchens, "Machiavelli in Mesopotamia: The Case Against the Case Against 'Regime Change' in Iraq," *Slate*, 7 November 2002. Pollack's book on this subject has just appeared: *The Threatening Storm: The Case for Invading Iraq* (New York: Random House, 2002). For a respectful but dissenting review of Pollack's book, see Jack F. Matlock, Jr., "Deterring the Undeterrable," *New York Times Book Review*, 20 October 2002, p. 11.

3. This expectation echoes hopes that were voiced during the Gulf war of 1991 that Saddam would be overthrown during or immediately after the war by internal forces seeking to spare the country further suffering. According to one account, the first President Bush openly called for the overthrow of Saddam based on "a belief that Iraq's military forces and governing elites are increasingly desperate to stop the allied destruction of their country." This is recounted in Sarah Graham-Brown, *Sanctioning Saddam: The Politics of Intervention in Iraq* (London: I. B. Tauris, 1999), 19. Needless to say, a dozen years later such expectations seem wildly off the mark.

4. Rowan Scarborough, "War in Iraq Seen as Quick Win," *Washington Times*, 18 September 2002.

Hussein.”<sup>5</sup> Head of the Defense Policy Board, Richard Perle, one of the most outspoken advocates of war, has said, “I don’t believe we have to defeat Saddam’s army. I think Saddam’s army will defeat Saddam.”<sup>6</sup> Such views are widely echoed outside the government. David Remnik comments, for example, “Saddam’s army barely fought for him a decade ago; now, at about a third the size it was then and far less formidably equipped, it faces an American military that is stronger than ever.”<sup>7</sup> In the best case, the prospect of an American invasion induces the overthrow of Saddam without military action. Kenneth Pollack writes, “It is possible that the mere presence of such American forces on Iraq’s doorstep could produce a coup that would topple Saddam without significant combat.”<sup>8</sup> In short, what many supporters of the war envision is not a war against Iraq but a focused attack on Saddam’s power base that produces a quick decapitation of his regime, generating a result that can be seen in Iraq and elsewhere in the region as the liberation of the Iraqi people.<sup>9</sup>

Here, then, is the scenario that the Bush administration finds powerfully attractive: that this highly desirable objective can be achieved quickly, cheaply, easily. If this scenario is plausible, why isn’t this an attractive option? If force is not a usable option under these circumstances, when will it be?

To those critics who raise potential costs and risks of this path, the Bush administration offers a further wrinkle. The perils of military action have to be balanced against the costs and risks of inaction. As Deputy Secretary of Defense Paul Wolfowitz (an ardent supporter of war with Iraq) has said, “In the end, it has to come down to a careful weighing of things we can’t know with precision, the costs of action versus the costs of inaction, the costs of action now versus the costs of action later.”<sup>10</sup> Failing to act against Saddam now may open the door for future travesties and transgressions. If at some future date, Saddam uses nuclear weapons against Israel or gasses more of his own citizens or engages in ethnic cleansing against the Kurds or launches a covert biological weapons attack against the United States, won’t history look back on the failure to remove him as a grievous error? Won’t people wish that Saddam had been stopped, much as people lament the failure to stop Hitler in the 1930s?<sup>11</sup> President Bush himself makes this point in his preface to his new national security strategy: “History will

5. Rowan Scarborough, “Military Planners Favor Striking Iraq in February,” *Washington Times*, 20 September 2002.

6. Quoted in Scarborough, “War in Iraq Seen as Quick Win.”

7. David Remnik, “Us and Them,” *New Yorker*, 23 September 2002. Quotation from web version available at <<http://www.newyorker.com>>.

8. Pollack, “Next Stop Baghdad?” 44. However, U.S. intelligence has cast doubt on Saddam’s vulnerability to internal overthrow. See, for example, Bill Gertz, “Saddam Safe on Home Front, CIA Says,” *Washington Times*, 29 October 2002. For another cautionary view, see Ephraim Kam, “Target: Iraq,” *Strategic Assessment* 5 (2) (August 2002). Kam writes (Ibid., 6): “Saddam has many enemies and people who hate him inside Iraq, yet it is highly questionable if they would dare to move against him because of their fear of his internal security agencies and perhaps because of their unwillingness to identify with the United States. . . .”

9. The decapitation approach is described in Thomas Ricks, “War Plans Target Hussein Power Base,” *Washington Post*, 22 September 2002.

10. As quoted in Bill Keller, “The Sunshine Warrior,” *New York Times Magazine*, 22 September 2002, p. 97.

11. The comparison of Saddam to Hitler turns up rather frequently in the prolific writings that now flood the media on the possible war against Iraq. See, for example, Richard Cohen, “Hitler and Bad History,” *Washington Post*, 24 September 2002. Also employing the Hitler analogy is Benjamin Netanyahu, “The Case for Toppling Saddam,” *Wall Street Journal*, 20 September 2002.

judge harshly those who saw the coming danger but failed to act.”<sup>12</sup> The message is clear: those who oppose this war must bear the onus of the costs, risks, and dangers of inaction. This is, indeed, a fair point.

The Bush administration has clearly rendered its judgment, concluding that inaction is unacceptably dangerous and risky, while war against Saddam is both desirable and likely to be cheap. And not only cheap, but in a number of respects effective.

*A beneficial war.* The Bush administration and other supporters of the war against Iraq anticipate that the war will produce a number of advantageous consequences. It will, of course, eliminate Saddam’s regime and bring to an end Iraq’s programs to acquire or develop weapons of mass destruction (WMD), thereby removing one of the gravest potential threats to U.S. and regional security. This will foreclose the possibility that Saddam might assist Al Qaeda or other terrorist groups by providing them with WMD. It will liberate the Iraqi people from the heavy yoke of Saddam’s oppression. Optimists within the administration hope that this in turn might lead to a wave of democratization throughout the region, something that has the potential to remake the entire Middle East.

More broadly, the exercise of U.S. military force against Saddam will restore respect for American power, enhance the credibility of U.S. threats, and reduce the likelihood that hostile forces will challenge U.S. interests. The successful prosecution of a campaign against Saddam will be a vivid display of American leadership and of America’s moral purpose in employing its power for benign ends against evil forces. The far-flung international skepticism about the wisdom of this path will, the Bush administration believes, be transformed into admiration and gratitude when its successful policy against Iraq results in a clearly preferable world; in any case, everybody loves a winner. Further, war against Iraq will also represent a rare and highly desirable instance in which UN resolutions are backed up by enforcement and in which the nonproliferation regime is shown to have teeth. This, it is suggested, is a blow for the civilized portions of the international community against the lawless forces of disorder. Such action is essential if the nonproliferation regime is to have efficacy.

According to advocates, in short, a successful war will remove Saddam from the scene, liberate Iraq, promote democracy in the Middle East, enhance regional security, bolster the international community by enforcing its will against a transgressor, and buttress American power, influence, and leadership. This is a lot of good to be achieved by a cheap war.

*An unavoidable war.* But advocates of the war argue not simply that this would be a cheap and beneficial step. They suggest that it is a necessary, even an unavoidable, war because no acceptable policy alternative exists. The only way to adequately deal with Saddam, according to this view, is to use force. The conclusion that preventive war is the only effective option rests on five key judgments:

- i. The containment of Saddam is failing. For nearly a dozen years, Saddam has been contained and handicapped by the constraints and limitations he was compelled to accept in the aftermath of his defeat in the 1991 Gulf war. But this approach never worked perfectly and has degraded across time. For many proponents of the war, the containment policy has deteriorated to the point that it can no longer be regarded as

12. *The National Security Strategy of the United States*, September 2002, p. ii.



effective. And, importantly, because international will to enforce Iraqi compliance has eroded, the system of constraints, sanctions, and limitations cannot be repaired or strengthened. As Pollack argues, while in theory it might be possible to create arrangements that would improve the containment system, “such a deal is unimaginable in the UN Security Council today, where many of the members compete to see who can appease Iraq most.”<sup>13</sup>

2. Inspections will never suffice. As a part of the settlement of the 1991 Gulf war, Saddam’s regime accepted disarmament provisions that called for its weapons of mass destruction to be identified and destroyed. Its WMD activities were to be subjected to unprecedentedly intrusive long-term international monitoring. From 1991–1998, an inspection system was in place and it did succeed in locating and eliminating significant WMD facilities and capabilities. But this was achieved uncertainly and painfully, in the face of willful Iraqi deception and noncooperation. There was never assurance that the original inspection arrangements succeeded in the mission of completely eliminating Saddam’s WMD capabilities. And in December 1998, the inspections were ended as a consequence of Iraqi recalcitrance. No UN-mandated inspections have taken place since that time.

A restoration and strengthening of the UN inspections and disarmament scheme might be seen as part of the answer to the WMD threat actually or potentially posed by Saddam. But this approach has, at times, been explicitly rejected by the Bush administration.<sup>14</sup> It has argued that inspections were inadequate in the past and will be insufficient in the future to provide meaningful protection against Saddam’s WMD aspirations. At times, it has suggested not simply that inspections are worthless, but that they may be counterproductive. In a speech in August 2002, Vice President Cheney put the point unambiguously:

A person would be right to question any suggestion that we should just get inspectors back into Iraq and then our worries will be over. Saddam has perfected the game of cheat and retreat, and is very skilled in the art of denial and deception. *A return of inspectors would provide no assurance whatsoever of his compliance with UN resolutions.* On the contrary, there is a great danger that it would provide false comfort that Saddam is somehow “back in his box.”<sup>15</sup>

This comment has been echoed at various times by other officials and supporters of the war. Thus, after expending considerable time and effort to negotiate a new and stringent UN Security Council mandate for inspections, administration officials have openly expressed skepticism that the inspectors will make much headway on the ground. Indeed, a major objective of the administration’s UN diplomacy has been to build congressional and international support for military action when the expected reports of Iraqi noncompliance begin to accumulate. Inspections are not regarded by the most ardent proponents of war as an acceptable or satisfactory solution to the current crisis.

13. Pollack, “Next Stop Baghdad,” 35

14. See, for example, Ryan Lizza, “White House Watch: Sight Unseen,” *The New Republic*, 7 October 2002, which states flatly, “The Administration considers UNMOVIC hopelessly flawed.” (Quotation taken from web version, <<http://www.tnr.com>>).

15. “Vice President Speaks at VFW 103rd Convention,” White House Office of the Press Secretary, 26 August 2002, available at <<http://www.whitehouse.gov/news/releases/2002>> (emphasis added).

3. Proliferation is inevitable. Proponents of the war believe that if Saddam is allowed to remain in power, it is only a matter of time before he gains a nuclear weapons capability. It is possible to debate how long this may take – one year, five years, ten years – but eventually his relentless efforts to acquire a nuclear arsenal will pay off. In the view of the Bush administration, neither the nonproliferation regime nor the sanctions imposed on Saddam's Iraq can prevent this outcome. Therefore, so long as Saddam's regime is in place, there remains the prospect of a future in which this brutal, aggressive, menacing figure possesses nuclear weapons. In the view of President Bush and his advisors, this is unacceptable. If the nonproliferation regime is destined to fail, especially in the most dangerous cases, then some different approach must be found. The Bush administration's answer, at least in the case of Iraq, is preventive war.

4. Saddam cannot be deterred. Saddam with nuclear weapons is unacceptable to proponents of preventive war in large measure because of a deep belief or fear that he is undeterrable. If Saddam could be deterred, then his acquisition of nuclear weapons, while still deeply undesirable, would be a more manageable outcome, one that would not justify an attack on Iraq. But an undeterrable Saddam with nuclear weapons raises the prospect that he will blackmail neighbors, engage in aggression, deter outside intervention, and otherwise use his nuclear capability to further his expansive aspirations.

Why is Saddam regarded as undeterrable when other, much more powerful, tyrants (such as Stalin and Mao) were in fact deterred? Some arguments focus on the individual psychology of Saddam himself; he is not, it is argued, a rational actor, and therefore deterrence – which relies on rational calculations of cost and benefit – is not an appropriate strategy in his case. Others detect in Saddam's past behavior a propensity for reckless action, suggesting that deterrence will be unreliable. Not only is Saddam a risk-taker, but he is, it is suggested, prone to serious misperceptions and miscalculations. In Kenneth Pollack's vivid phrase, Saddam is "unintentionally suicidal." This may seem an odd characterization of a political figure who has been in power for several decades and who has outlasted four American presidents. But Pollack elaborates: Saddam "miscalculates his odds of success and frequently ignores the likelihood of catastrophic failure. Mr. Hussein is a risk-taker who plays dangerous games without realizing how dangerous they truly are."<sup>16</sup> Though some critics may believe that much the same could be said of the Iraq policy of the Bush administration, those who share the view that Saddam is undeterrable conclude that preventive war is necessary to forestall an unacceptable future in which Saddam has nuclear weapons.

5. Nuclear weapons will facilitate Saddam's aggressiveness. Once he possesses nuclear weapons, it is argued, Saddam will be emboldened to renew his efforts to achieve regional dominance. Even more important, it will be more difficult and dangerous to resist him, both for local actors and for outside powers. The U.S. Senate only barely approved of the Gulf war in 1991; how much more difficult would it have been to support a war against Saddam on behalf of Kuwait or other threatened parties if it was known in advance that Saddam had nuclear weapons? In this logic, the most likely risk associated with Iraqi nuclear weapons is not that Saddam would directly

16. Kenneth M. Pollack, "Why Iraq Can't Be Deterred," *New York Times*, 26 September 2002. Pollack also addresses this issue in his article, "Next Stop, Baghdad."

threaten or strike the United States (though that risk exists as well). It is that he would be in a position to coerce or deter others who might resist his drive for predominance in the Persian Gulf.<sup>17</sup> This, in the view of proponents of the war, is an intolerable outcome.

If one accepts the logic that cumulates in these five points, then the containment and deterrence of Iraq is not an effective policy option. Accordingly, the United States has no choice but to act, no meaningful alternative to preventive war, no other path to an acceptable future. In this logic, war with Iraq is unavoidable.

### *Cheap, Beneficial, and Necessary*

In sum, the Bush administration has identified a desirable objective – the removal of Saddam – and has articulated a willingness to use available and effective means – American military power – to achieve that objective. It has proposed a plausible theory of victory that offers at least the prospect of decisive and advantageous results at low cost. It has claimed that no alternative policy will produce acceptable results. For all except those who oppose the use of force under any circumstances, this case for war should give pause. If one of the world's worst despots can be eliminated at low cost, with the United States bearing the brunt of the cost and responsibility, this is arguably an appropriate and justified use of force, good for Iraq and good for the world.

What are the grounds for hesitation about the Bush policy toward Iraq? Why not support this war? Those who do not support war against Iraq see potentially very different answers to the three pivotal questions about the Bush policy. First, while the war may seem advisable if the costs turn out to be low, what about possible *unfortunate outcomes* that involve much higher costs? Second, even if one accepts that the demise of Saddam is a desirable objective, what about other, potentially *unfortunate consequences* of the war? What if other, broader U.S. interests are harmed? And is it really in the interests of the United States to set potentially dangerous precedents about the use of force and the role of American power in the international system? Third, are there *acceptable alternatives* to preventive war? Is it really true that nothing but full-scale invasion will do? Or could a stern policy of containment produce satisfactory results? When these other considerations and possibilities are taken into account, the case for war seems far less compelling and alluring. Those who fear higher costs, who anticipate significant adverse consequences, and who see acceptable alternatives to preventive war are skeptical of the wisdom of attacking Iraq. The Bush administration has made a credible case that there are grounds for war, as outlined above. In the following discussion, we consider the grounds for skepticism about the wisdom of that war.

## UNFORTUNATE OUTCOMES: FEARS OF A COSTLY WAR

### *How Costs Could Mount*

The discrepancy in military capabilities between Iraq and the United States is so enormous that there can be little doubt as to the result of a war between them so long as Washington has the will to persevere. As Vice President Cheney has said (reflecting the common view among advocates of the war that it will be easy), “I don’t think it would be that tough a fight; that is, I don’t think there’s any question that we would prevail

17. The vision of Saddam as nuclear-armed bully is described, for example, in Heidi Kingstone, “A Nuclear Saladin: What Would the World Look Like if Saddam Hussein Had Nuclear Weapons?” *The Jerusalem Report*, 21 October 2002, pp. 24–25.

and we would achieve our objective.”<sup>18</sup> On the other hand, Saddam Hussein has had at least two years of strategic warning that this war might be coming his way, dating to George W. Bush’s presidential campaign in which he called for Saddam’s removal. Further, the war crisis of fall 2002 has arisen across many months in which the Bush administration has been increasingly blunt and unambiguous about its desire, its willingness, perhaps even its intention to use force to destroy Saddam’s regime. Saddam Hussein is not going to be surprised by this war (even if tactical shocks about the timing, location, and character of attacks are still possible).

Perhaps Saddam and his regime have sat idly by for all this time and done nothing in response to the massive and explicit threat posed by the United States.<sup>19</sup> But it seems quite plausible that they have sought to provide themselves with options in the event of attack, that they will avail themselves of steps that will inflict pain on their attacker, that they will attempt to alter the course of conflict by whatever means they can, that they will reach for options that might provide some potential bargaining leverage. The United States will prefer a war that is a clean, simple, quick, decisive, and relatively painless contest between its own awesome military forces and the relatively weak conventional military machine of Saddam’s Iraq. Unless Saddam proves to be an utterly witless opponent, his strategy will be to do what he can to make the war messy, complicated, and painful for the United States and its supporters. Ironically, the more correct the Bush administration is about Saddam’s unfeeling brutality and unpredictable irrationality, the more likely it is that he will seek ways of inflicting great harm in response to an attack.

In the worst case for Saddam’s regime, if the war is going strongly against Iraq, it may attempt to achieve glory in defeat by imposing maximum possible harm before expiring. It is a long-standing proposition in strategic thought that a cornered, desperate opponent with little left to lose may be particularly dangerous and threats from such an opponent will be highly credible.<sup>20</sup> This may be just the circumstance in which Saddam finds himself if he is caught up in a hopeless war against an American administration determined to destroy him. Moreover, in the past, Saddam has shown himself capable of extreme steps even when not in complete desperation, so it is quite credible that in truly catastrophic conditions he would be willing to take truly catastrophic actions.

Thus, while the vision of a quick, easy win may be alluring, much less pleasant scenarios are also possible and must be taken into account. Those who attach worryingly high probabilities to one or more of these “nightmare” scenarios understandably will be more reluctant to advocate or endorse preventive war against Iraq.

What could Saddam do to make the war messy, complicated, and painful for the United States? What steps might he take to produce outcomes that would call into question the whole enterprise?

18. Eli J. Lake, “The Pentagon Versus the CIA on Iraq: Intelligence Test,” *The New Republic*, 23 September 2002. Quotation from the online version available at <<http://www.tnr.com>>.

19. Though there are public hints that Saddam is doing what he can to strengthen Iraq’s capacity to resist attack. See, for example, Arie Farnam, “Iraq Buying Arms in East Europe’s Black Markets,” *Christian Science Monitor*, 11 September 2002.

20. Thomas Schelling, for example, discusses the powerful strategic effect of “sheer desperation” in *Arms and Influence* (New Haven: Yale University Press, 1966), 43–45.

*Use weapons of mass destruction.* The most obvious fear is that Saddam would use weapons of mass destruction against U.S. forces or its bases in the region, against U.S. allies, against Israel, or against other regional powers. As is well known, this would not be unprecedented. Saddam has used chemical weapons twice in the past, against his own citizens and in the war with Iran. After some four years without UN inspections, there is uncertainty about what weapons of mass destruction Saddam may actually now possess. There remains widespread and warranted doubt that Iraq has nuclear weapons – though it is not impossible to imagine that it has obtained either nuclear weapons themselves or the materials to make them through illicit means on an international nuclear black market. But the more immediate concern is that Saddam has chemical and biological weapons (CBW), and that he would not hesitate to use them (again). The scale of this nightmare would depend on the extent and character of Saddam’s inventories of CBW and on his ability to deliver them.<sup>21</sup> But if he possesses substantial quantities of such weapons, the war could grow very ugly very quickly. If U.S. bases are gassed or Tel Aviv is attacked with smallpox, the cost of this war will escalate considerably.

The Bush administration has argued that Saddam is undeterrable, that he will use any weapons in his arsenal, and this is the largest part of why preventive war is necessary to remove him from power. By this same logic, it seems highly likely that, if attacked, Saddam will attempt to use any weapons of mass destruction that are available to him. Arguably, the Bush policy of preventive war maximizes the likelihood of WMD use in the short run in order to eliminate longer-run fears of Saddam’s WMD capability. That is, Saddam’s WMD are most likely to be used if he is attacked. Moreover, U.S. intelligence has concluded that the probability of use of these weapons against the United States is low in all other circumstances, raising the question posed in the title of a recent article by Graham Allison: “Is Bush provoking an attack?” As Allison nicely summarizes the situation, “To prevent an attack the likelihood of which is low, the U.S. is taking action that makes the likelihood of the attack high?”<sup>22</sup> Any who share this view will doubt the logic of the Bush case for war.

*Set oil fields afire.* During the Gulf war of 1991, Saddam’s forces caused large economic and environmental damage by setting oil fields on fire. During the disorganized retreat from Kuwait, approximately 700 oil wells were set ablaze and burned for eight months.<sup>23</sup> At their peak, these fires consumed an estimated five million barrels a day – more than Kuwait’s daily exports at the time. The direct economic losses from destroyed resources mounted to billions of dollars. Cleanup and repair cost in excess of a billion dollars as well. And the fires produced severe air pollution for months. Indeed, dense smoke blocked the sun over distances of several hundred kilometers and produced significant localized surface cooling effects. The volume of smoke emitted was so large that it raised concerns (later revealed to be unfounded) about possible

21. According to press reports, there are 6,000 Iraqi chemical munitions that are unaccounted for. Rowan Scarborough, “Latest Weapons Commission Will Inspect Iraq,” *Washington Times*, 18 September 2002. Iraq reported to UNSCOM that it had used 100,000 chemical shells during the Iran-Iraq war. See *London Daily Telegraph*, 18 September 2002.

22. Graham Allison, “Is Bush Provoking an Attack?” *Boston Globe*, 12 October 2002.

23. A convenient summary of the facts can be found in Heather MacLeod McClain, “Environmental Impact: Oil Fires and Spills Leave Hazardous Legacy,” on the CNN.com website at <<http://asia.cnn.com/SPECIALS/2001/gulf.war/legacy/environmental>>.

global climatic effects.<sup>24</sup> In addition, the oil fires left a lasting environmental mess (persisting to the present day) in the form of huge lakes of unignited oil. (Iraqi forces also intentionally released 11 million barrels of oil into the Persian Gulf, with devastating short-term ecological consequences.) The Kuwaiti oil fires did not have lasting geopolitical or macroeconomic consequences, but they were far from a trivial development.

A dying Iraqi regime might be able to do even worse if it undertook a planned, organized, and purposeful campaign to destroy its own oil fields and possibly sabotage and set oil fires in other oil producing countries of the Persian Gulf. This would be a way of at least temporarily denying the United States access to Iraq's oil in a postwar environment and of causing significant problems for any successor regime.

*Disrupt the flow of oil.* Following from and related to the previous point, Iraq could attempt to disrupt oil deliveries from the Persian Gulf. During the Iran-Iraq war in the 1980s, it did just that by attacking oil tankers (as did Iran). Indeed, by 1987 the United States had increased its naval presence in the Gulf and pledged to protect Kuwaiti tankers in response to these attacks. A very large volume of oil – something approaching one-third of the world's crude oil – passes by sea out of the Persian Gulf.<sup>25</sup> Interference with this flow could be troublesome. To be sure, Saddam is unlikely to be able to mount a sustained campaign against tankers in the face of U.S. air and naval power, nor is he likely to be able to seriously disorient the global energy supply. But he could impose some losses, cause delays in delivery, provoke short-term price spikes, produce environmental damage, and otherwise cause costly short-term dislocations in the international petroleum system. Similarly, petroleum-loading facilities at Persian Gulf ports may be vulnerable to attack or to sabotage. Permanent closure of such facilities is not to be expected even if the attacks were to be wildly successful and even major damage is probably unlikely (one assumes that such important facilities will be protected). Nevertheless, attempting to disrupt port facilities would be a plausible component of Iraq's strategy if Saddam's goals are to raise costs, cause complications, induce fear or panic, or handicap possible successors who are hoping to draw on oil revenues.

*Urban combat in Baghdad (or, Jenin tactics on a large scale).* On April 3, 2002, as part of its reprisal operations on the West Bank, Israeli forces entered the town of Jenin (and the adjacent refugee camp).<sup>26</sup> After a week of occasionally ferocious fighting, 23 Israeli soldiers and 52 Palestinians (some of them civilians) were dead. For Israel, Jenin turned into a nightmare of ambushes, booby traps, and door-to-door fighting in a densely populated urban maze. Israel's losses were high, civilian casualties were unavoidable, widespread and visible destruction of civilian infrastructure took place, and politically damaging television footage of the devastation flooded the world. In

24. Atmospheric scientists at NASA investigated the potential global implications of the oil fires in Kuwait. See, for example, Peter Pilewskie, Francisco Valero, and Wnrran Gnra, "Kuwaiti Oil Field Fires and Nuclear Winter Theory," available at <<http://www.geo.arc.nasa.gov/>>.

25. For a useful overview of these issues, see Energy Information Administration, "Persian Gulf Oil and Gas Fact Sheet," U.S. Department of Energy, March 2002, available at <<http://www.eia.doe.gov/emcu/cabs/pgulf/>>.

26. The pertinent facts can be found in "Report of the Secretary General Prepared Pursuant to General Assembly Resolution ES-10/10," UN General Assembly Document UN A/ES-10/186, 30 July 2002, available at <<http://www.un.org/peace/jenin/>>.

this combat context, Israel's enormous military superiority – its advantages in technology, heavy equipment, air power, and trained military personnel – were undermined, neutralized or irrelevant and could be employed in this heavily populated urban environment only if Israel were willing to cause enormous casualties among civilians.

As Saddam Hussein and his high command contemplate another war with the United States, the Jenin model is bound to be more attractive than a re-run of the 1991 Gulf war. It is hard to imagine that Saddam will again sacrifice his military capabilities in force-on-force engagements in the desert against the overwhelmingly superior Americans. If the United States puts significant ground forces into Iraq, Saddam's goal may be to lure them into a Jenin-like fight, but on a vastly larger scale, in Baghdad – a city of nearly five million people. And in fact, members of the Iraqi regime have openly proclaimed that this will be their strategy. Cabinet member Mohammed Mehdi Saleh has been quoted as saying, for example, "If they want to change the political system in Iraq, they will have to come to Baghdad. We will be waiting for them here."<sup>27</sup> Iraqi officials have invoked the disastrous U.S. experience in Vietnam, suggesting, as one account puts it, that they will "let our streets be our jungles; let our buildings be our swamps."<sup>28</sup>

For Saddam, there are a number of advantages to the scenario involving urban combat in Baghdad. He can deploy his Republican guard there. He will have had plenty of time to lay traps and set up ambushes. His forces will have the substantial advantage of familiarity with the immediate environment. They will be able to use civilians as shields, as cannon fodder, and as political bargaining chips. The huge technological advantages possessed by American forces will be hard to employ effectively or decisively, especially if (as is likely to be the case) there is significant sensitivity about collateral damage. U.S. air power, even with its total dominance of the skies and its precision capabilities, may be difficult to bring decisively to bear in Baghdad if Iraqi forces have melted into the civilian population.

Opinion is divided about the implications of this scenario. Some dismiss the Iraqi threat as bluff on the grounds that it lacks the capability to effectively conduct urban combat operations.<sup>29</sup> Others worry that U.S. forces are deficient in urban combat skills.<sup>30</sup> In general, though, the prospect of urban combat in Baghdad raises fears that U.S. losses could be substantial; as one analysis reported, "The view in the Pentagon seems to be that street fighting in Baghdad could lead to heavy U.S. casualties. . . ."<sup>31</sup> America's military planners, says another report, "foresee a battle for Baghdad, a sprawling city of five million people, as one of the most difficult and unsettling aspects

27. Rajiv Chandrasekaran, "Iraqi Officials Plan for Urban Warfare," *Washington Post*, 27 September 2002.

28. Scott Peterson, "Iraq Prepares for Urban Warfare," *Christian Science Monitor*, 4 October 2002. For an excellent discussion of the difficulties this scenario may pose for U.S. forces, see Barry R. Posen, "Battling for Baghdad," *New York Times*, 13 October 2002.

29. An excellent example is William Arkin, "Return of the Chapstick Syndrome," *Washingtonpost.com*, 30 September 2002, in which he portrays Iraqi threats of urban warfare as propaganda to be disregarded as nonsense.

30. See Kim Burger, "U.S. Joint Ops Urban Warfare Training Insufficient," *Jane's Defense Weekly*, 2 October 2002.

31. William Rees-Mogg, "An Angry Man with a Gift for Making Enemies," *London Times*, 12 August 2002. But for a more optimistic view of the urban combat scenario, see Mark Bowden, "Urban War, The Right Way," *Los Angeles Times*, 30 August 2002, which suggests that well-armed, well-trained forces can operate quite effectively in urban environments – with enormous advantages though not without losses.

of any invasion of Iraq.”<sup>32</sup> From Saddam’s perspective, this must seem like a fight that is much less likely to be so one-sided, in which the Americans could well get bloodied, in which Iraq might garner political advantages by exploiting the propaganda opportunities occasioned by civilian death and destruction.

Certainly Washington will wish to avoid this fight for all the reasons that Saddam will seek it. But the goal of regime change may make it hard to avoid Baghdad. Can the Bush administration achieve its objective if Saddam and much of his Republican guard are still alive and holed up in Baghdad? The United States might decline to fight the door-to-door urban engagement that Saddam undoubtedly would prefer, but such a decision could preclude a quick victory and leave Saddam and some of his key forces intact. During the Iran-Iraq war, Saddam was willing to engage in various bloodbath tactics, even at a high price in Iraqi blood. No doubt he will be willing to do the same in a war against the United States.

*Produce a bloodbath in Baghdad for political and propaganda purposes.* If this war comes, Saddam will be a desperate man with no hope of military victory. He will need to find something that changes the political chemistry of the situation, that turns international public opinion and political pressure against the United States, that compels a stop to the fighting before he is eliminated. If the urban combat scenario comes to pass, Saddam may have an opportunity to exploit the fog of war by ensuring that there are large numbers of civilian deaths and wide destruction of civilian infrastructure in Baghdad. In what will likely be a confusing, messy, highly violent, and hard to describe situation, it will be easy for Saddam to claim that U.S. military action is causing large numbers of civilian deaths. His forces can certainly produce the bodies. His past record of ruthlessness suggests that few moral scruples would restrain him. Indeed, public accounts claim that since 1979 Saddam has killed one million of his own citizens, so a few hundred or a few thousand more sacrificed to the cause will be of no great moment to him.<sup>33</sup>

In the intense battle in Jenin, a few dozen Palestinians died. There were allegations (false, as it turned out) that a few hundred more had perished. Many, though not all, were civilians. The outcry was heard around the world. The political damage to Israel was substantial. The pressure on Israel to alter its plan was considerable. The UN launched an investigation as to whether war crimes had been committed. Here, in short, is something that looks as if it might produce political leverage. Even if later investigations were to show that Saddam had ordered the killing of large numbers of his own population as part of a propaganda strategy, in the midst of the war this could be a significant complication. As was true in Jenin, the facts could be difficult to sort out. If U.S. forces were operating vigorously against serious resistance in Baghdad, most likely they would be causing some civilian deaths. (Indeed, significant military operations in and near Iraq’s cities could shatter already fragile and insufficient infrastructures and rapidly produce widespread suffering among the civilian population.)<sup>34</sup> If there is close quarters combat in dense areas, substantial destruction would be likely.

32. Vernon Loeb, “Bracing for Primordial Combat,” *Washington Post*, 31 October 2002.

33. German expert on Iraq, Thomas von der Osten-Sacken, offers the 1 million figure in Micha Odenheimer, “Interview: Vicious Circles Closing In,” *Ha’aretz*, 4 October 2002.

34. See, for example, Anthony Shadid, “War Would Crush Iraqi Cities, Analysts Say,” *Boston Globe*, 20 October 2002.



Even if there was suspicion that Saddam's charges were false, there might also be pressure to investigate. And without a doubt, the stream of gruesome footage of dead Iraqi women and children, allegedly killed by American action, airing ceaselessly on Arab television would be a public relations disaster for an American government that believes it must win Arab hearts and minds if it is to address effectively the terrorism threat. This may be one of the ugliest and most cynical of the options available to Saddam, but it is not one that seems completely out of the realm of the possible.

*Launch an international campaign of terrorism.* In making its case against Iraq, the Bush administration recurrently has claimed that Saddam has been a serious supporter of and has deep ties with international terrorists. This allegation has produced controversy, at least in specific connection with the attacks on September 11, because there is no conclusive public evidence linking Iraq directly to Al Qaeda or to the attacks. But the broader accusation has more merit: Iraq has long been regarded, at least by the U.S. government, as a state sponsor of terrorism. It has employed its own agents in numerous terrorist attacks and assassination attempts. Further, published accounts accuse Iraq of harboring international terrorists, providing them with funding and facilities, and supporting their causes – including the Fatah Revolutionary Council, the Palestine Liberation Front, and the Arab Liberation Front, among others.<sup>35</sup>

Thus, to the extent that the Bush administration's interpretation is correct, this implies that Saddam has another strategic retaliatory option to utilize in response to an American-led attack: he can 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 (though this was undoubtedly harder after September 11 than before it). Perhaps he could forge or revive an anti-American/anti-Western alliance with other terrorist groups. Surely, from his point of view, if the United States can strike in Iraq then U.S. territory must be fair game. No doubt, under those circumstances he would regard any successful terrorist attacks against the United States as completely justified. Moreover, terrorism might be even more effective if directed not only against the United States but against other, less determined, members of whatever war coalition may form. Imagine the pressure that would likely be put on the Bush administration if its war in Iraq were producing terrorist reprisals in Riyadh or Paris or Brussels. If the Bush administration is right about Saddam's connections to international terrorism and if Saddam has been at all clever about thinking through his strategic options, then this is a scenario that cannot be discounted.

*Inflame the Israeli-Palestinian confrontation.* A common view throughout the past months of confrontation with Saddam holds that the Bush administration cannot initiate war with Iraq while simultaneously struggling to cope with the active and violent conflict between Israel and the Palestinian Authority. Among other things, it is argued, this will put excessive stress on U.S. relations with important Arab states and risks alienating Arab publics. In recent weeks, the Bush administration shows every sign of rejecting this proposition, mounting its pressure on Iraq though the conflict still burns in the West Bank and Gaza. But there can be no doubt that for the Bush administra-

35. For an overview of Iraq's connection to terrorist groups, see Anthony Cordesman, *Iraq and the War of Sanctions: Conventional Threats and Weapons of Mass Destruction* (Westport, CT: Praeger, 1999), 150–163.

tion's Iraq policy the Israeli-Palestinian conflict is both a distraction and a complication, if not an inhibition. Hence, despite the recurrent violence in the Middle East, the Bush administration, as one report puts it, retains the "hope of relegating the Israeli-Palestinian conflict to the policy backburner as it concentrated its attention on the confrontation with Iraq."<sup>36</sup> The intifada of the last two years has denied Washington the ability to focus solely on Iraq and hence has been very much in Iraq's interest.

Obviously, this gives Saddam every incentive to support the prolongation and the escalation of the violence in Israel, the West Bank, and Gaza. This has been true over the past months, and will probably be even more true as America's momentum toward war increases. As has been widely reported, for example, Saddam is paying the families of Palestinian suicide bombers. He has aligned himself with Palestinian extremists and supports their violent struggle, both politically and financially. Indeed, by some public accounts, some violent Palestinian groups are on Saddam's payroll.<sup>37</sup> It is not unlikely, even without direct Iraqi support, that Palestinians will actively oppose the U.S. action and will demonstrate their opposition in a variety of ways, including with the use of violence. In such circumstances, the Israeli government could conclude, to the consternation of the Arab world, that the time was ripe for expelling Yasser Arafat and others accused of orchestrating the violence. Perhaps, then, this is another card that Saddam can play: causing more trouble in Israel, as pressure on him grows, in the hopes of deflecting American policy.

*Escalate the war by attacking Israel.* During the Gulf war of 1991, Saddam launched 39 conventionally armed SCUD missiles at Israel. It was speculated that his aim was to provoke an engagement with Israel and thereby erode Arab and Islamic support for the U.S.-led coalition, incite Arab publics in ways that might produce pressures that would be transmitted from Arab governments to Washington, and in the best case, transform the conflict into one that pitted Israel and the United States against some coalition of Arab regimes. This stratagem did not succeed in 1991, but there is no guarantee that he will not try it again. Moreover, if events seem to be pushing Saddam in the direction of seeking a glorious defeat, lashing out at Israel would likely be a significant component of a final spasm of violence from his regime.<sup>38</sup>

Iraq's ability to harm Israel has certainly been limited by the sanctions and constraints of the past decade. Saddam has not been able to replenish or modernize his inventory of missiles, nor in general has he had unfettered access to international arms markets. But it is possible to imagine that he can combine several of the options available to him – chemical or biological weapons, for example, provided to terrorist allies in Palestine, intended to widen the war to Israel. He does not necessarily need missiles to threaten Israel.<sup>39</sup> Moreover, he does still possess a small number of missiles – as

36. Glenn Kessler, "Violent Reminder of a Simmering Issue: Eying Iraq, Administration had Hoped to Keep Mideast on Back Burner," *Washington Post*, 20 September 2002.

37. On Saddam's connection with the Palestinian struggle, see, for example, Janine Zacharia, "Stealth Bomber: Why Saddam Doesn't Need Missiles," *The New Republic*, 2 September 2002, pp. 9–10.

38. This point is not lost on Israelis. Netanyahu comments, for example, "I write this as a citizen of the country that is most endangered by a preemptive strike. For in the last gasps of his dying regime, Saddam may well attempt to launch his remaining missiles with biological and chemical weapons at the Jewish state." From Nethanyahu, "The Case for Toppling Saddam."

39. This is precisely the scenario that is examined in Zacharia, "Stealth Bomber."

many as fifty by some estimates – that could produce a dramatic political effect if armed with weapons of mass destruction. Furthermore, Saddam’s friends and supporters in the region, who hate Israel (and the United States) at least as much as he, may be prepared to exploit the situation if Iraq is attacked to threaten or even to strike Israel. Israeli Prime Minister Sharon has expressed public concern about this possibility, noting: “The Syrians, together with the Iranians, are playing a double game, escalating tension on our northern border.” Sharon suggests that Teheran and Damascus, in league with the terrorist group Hezbollah, will “be surrogates for Saddam, opening a second front to help him.”<sup>40</sup> Similarly, journalist Youssef Ibrahim argues, “it is almost a certainty that a U.S. attack will trigger a wider regional war that will drag in Israel, Lebanon and Syria. Hezbollah in Lebanon, another Iranian creation, will start this one, or Israel, America’s best friend and ally in the region, will do it if attacked by Iraq.”<sup>41</sup> It is, in short, possible to envision a number of ways in which Israel is drawn into any conflict with Iraq.

In the current crisis, Iraq has made explicit threats against Israel. Some of these threats appear to be efforts to deter Israeli involvement in a future conflict. Iraqi Trade Minister Mohammed Mahdi Salesh has stated, for example, that “Israel will suffer a profound and an unforgettable strike if it interferes in the war.”<sup>42</sup> Implicit in any retaliatory threat, of course, is an implied ability to inflict great harm by initiating an unprovoked attack. Further, Iraq has openly threatened to widen the war if it is attacked by the United States, and these warnings have attracted notice in Jerusalem. Israeli President Moshe Katsav has said, for example, that if Iraq attacks Israel, then Israel will “for certain” retaliate.<sup>43</sup> If war comes, Iraq may not strike Israel, and even if it does, Israel may be restrained in its response. But the potential for a very messy escalation clearly exists.

*Escalate the war by attacking or threatening others in the region.* Iraq can also seek to complicate the war and perhaps produce pressure on the United States by threatening or striking some of its regional neighbors.<sup>44</sup> As with many of these options, this one is given credence by the fact that in the past Saddam has attacked two neighboring states and has menaced others. If he is battling an American invasion, he is unlikely to launch conventional campaigns against Kuwait, Saudi Arabia, or anyone else. But he could hit them with missiles, as he did against Saudi Arabia in 1991. And, probably more importantly (especially given his limited missile capabilities), he could seek to frighten them with a campaign, real or threatened, of terrorism, rebellion, and sabotage. An

40. Sharon as quoted in William Safire, “A Chat with Sharon,” *New York Times*, 21 October 2002. Prime Minister Sharon later elaborated on this scenario in testimony before the Israeli Knesset’s Foreign Affairs and Defense Committee, suggesting that Hezbollah will escalate by “opening a ‘complex and difficult’ front against Israel in the North.” As reported in Nina Glibert, “Sharon: Israel Will Respond if Attacked by Iraq,” *Jerusalem Post*, 29 October 2002.

41. Youssef M. Ibrahim, “Bush’s Iraq Adventure Is Bound to Backfire,” *International Herald Tribune*, 1 November 2002.

42. “Iraq Will Attack Israel,” Drudge Report, 13 September 2002, <<http://www.drudgereport.com>>.

43. As quoted in Rajiv Chandrasekaran, “Iraq Threatens to Widen Conflict If U.S. Attacks,” *Washington Post*, 11 September 2002. See also Michael Gordon, “Israel Tells U.S. It will Retaliate If Iraqis Attack,” *New York Times*, 22 September 2002.

44. Secretary of Defense Rumsfeld has acknowledged this problem in Congressional testimony. For a report, see Bradley Graham, “Peril to Mideast Allies Acknowledged,” *Washington Post*, 19 September 2002.

Egyptian diplomat was quoted as saying, the Iraqi leaders “want countries like Jordan and Egypt and Saudi Arabia to know that if they support the United States, they’re going to have to deal with a new terrorism problem. . . . And the threat is not just going to be against the United States but the overall stability of other nations in the Arab world.”<sup>45</sup> Or, as another account has it, “What the Arab regimes fear most . . . is a cornered Hussein who, facing his own certain end with no option of personal survival, decides to lash out at his neighbors.”<sup>46</sup> Though many regimes in the Near East regard Saddam as a significant threat to their security and would likely be delighted if he were removed from the scene, they have been exceedingly reluctant to support the U.S. move toward war. No doubt Iraq’s explicit threat to jeopardize the stability of their regimes is a large part of the explanation for their cautious discouragement of the Bush administration’s push for war. And no matter what the outcome of the war in Iraq, it will have a Pyrrhic quality if some of America’s friends and allies in the region are undermined or overturned, if instability besets the region, and unfriendly forces come to the fore in key countries. Saddam will surely wish to exploit the fear of these outcomes if he can.

*Preempt the preventive war.* Under the label of preemption, the Bush administration loudly and laboriously prepares for a preventive war. But in fact, it is Saddam who possesses the option of preemption, who possesses the incentive to strike rather than be struck. So long as there is hope of avoiding the war, Saddam presumably will be reluctant to strike the blows that ensure armed conflict against the enormous military force of the United States. But the more inevitable this war seems, the more Saddam may be tempted to preempt. Most of his options for imposing costs and causing complications will be more effective if he takes the first swing. Waiting until American forces are already fully mobilized in the region and fully engaged in military operations against him will only limit Saddam’s options and reduce the likelihood that he can take actions that provide political room for maneuver or inflict telling costs on his attackers. Some of his options – attacking port facilities, sinking tankers, and so on – may require surprise for a high likelihood of effectiveness. And if Saddam is coming face-to-face with the “glorious defeat” scenario, striking first is undoubtedly the best way to maximize his final blaze of violent glory.

In 1991, Saddam sat quietly for months while the American buildup in the Persian Gulf took place. Despite enormous fears in Washington that Saddam would strike before adequate forces were in place, before the coalition was ready to fight, he did not. The results were disastrous for him. If war again seems unavoidable, is he likely to accept a re-run of this 1991 experience? Or will he be tempted to teach the Bush administration the meaning of the word “preemption”?

### *The Risk of Higher Costs*

Strategy is an interactive notion in which one must take into account the potential options and moves of one’s opponent. In a deeply hostile collision of interests, as between the United States and Iraq, it is a basic error to assume that one protagonist will behave “cooperatively” by passively letting the other side impose its preferred sce-

45. Chandrasekaran, “Iraq Threatens to Widen Conflict If U.S. Attacks.”

46. Philip Smucker, “As U.S. Talks Up Iraq Threat, Gulf States Stifle a Yawn,” *Christian Science Monitor*, 20 September 2002.

narios for the war. Of course, Baghdad's capabilities are limited, its options are constrained, some of its gambits may fail, and it too must take into account the impact of its acts on American behavior (unrestrained moves may provoke unrestrained reprisals). Of course, American military superiority is telling; Iraqi options may disappear or fail as a consequence of effective operations by U.S. forces.

Nevertheless, it is necessary and strategically sensible to assume that Iraq will be powerfully motivated to maximize American risks and costs, to exploit every political and strategic vulnerability of the U.S.-led coalition, and to move the conflict in directions that provide political and military advantages to Iraq. What is striking about the list of possible options identified above is that for the most part it consists of actions that Saddam has undertaken in the past. There is little reason to believe that he will not be willing to act in these ways again. On the contrary, the Iraqi regime has explicitly threatened to exercise some of these options if it is attacked. The Bush administration will presumably seek to foreclose Saddam's options and to push the nightmare scenarios out of the picture. If this war comes, we can only hope that they succeed. But surely Saddam will struggle to deny the Bush administration the war it wishes to fight and the outcome – a quick, clean, easy victory – that it ardently desires. And unless his power crumbles very quickly, Saddam will have a number of options for making this war messy, complicated, costly, and potentially very ugly. To test the Bush administration's hypothesis that the vigorous application of American power can bring an abrupt end to Saddam's regime at an acceptable, perhaps even a low, cost, it is necessary to run the risk that Saddam will succeed in implementing one or more of the damaging options available to him. For many, this risk seems too high.

It is important to note, however, that the existence of these risks does not mean that the Bush administration theory of victory is incorrect. As noted, the Bush argument is plausible and could be proven right. (At present, war with Iraq seems likely, in which case we will have a test of their hypothesis.) Nevertheless, it is worrying that the administration appears to have given little thought to the possibility that they could be wrong.<sup>47</sup> How much of their case for this war at this time rests on the expectation of a quick, cheap victory?<sup>48</sup>

To pose a hard test of their own views, however, opponents of the war should question what their position would be if they were persuaded that the Bush view of how the war will go was certainly correct. If a war against Saddam were certain to be quick, easy, cheap, and decisive, would it then be worthy of support? No doubt, a cheaper war is easier to support. However, positions for or against the war should depend not only on possible costs, but also on expected consequences. Will this war solve more problems than it causes?

47. The Clinton administration's mistaken confidence that a few days of bombing in Kosovo would suffice comes to mind.

48. The contrast in the Bush administration's handling of Iraq and North Korea is instructive. Unlike Baghdad, Pyongyang has admitted to having a covert nuclear weapons program. Though the transgression is flagrant and public, the initial Bush response has been to continue oil deliveries to North Korea, to preserve the 1994 Agreed Framework, and to pursue "discussions" with the North Korean regime. There has been not a single hint that the use of force will be considered in response to North Korea's affront, though it is a charter member of Bush's "axis of evil." Why war in one case and "discussion" in the other? The answer is that there is no theory of victory that promises a cheap war on the Korean peninsula. As one account puts it, "Attacking the North and destroying its weapons program simply isn't an option. Such a conflict would have disastrous consequences. . . ." See Stan Crock and Moon Ihlwan, "North Korea: Why Diplomacy is Bush's Only Weapon," *Business Week*, 4 November 2002. See also Karen DeYoung, "U.S. Might Try to Salvage Part of N. Korean Accord," *Washington Post*, 25 October 2002.

UNFORTUNATE CONSEQUENCES:  
FEARS OF A COUNTERPRODUCTIVE WAR

Uncertainty about the costs of a war against Iraq is one reason for hesitation about launching such a war. Concern about possible adverse effects of such a war constitutes another source of doubt that attacking Iraq is a wise course of action. Obviously, the removal of Saddam from power is not the issue here; unquestionably, that is a desirable result. Rather, there are fears that war against Iraq may have a number of other negative consequences. These have to be taken into account in any comprehensive cost-benefit assessment of the proposed war. Even if the military campaign goes as the Bush administration hopes and is easy and cheap, these other considerations may weigh so heavily in the scales that they would lead to the conclusion that the net impact of the war will be negative. This conclusion would, of course, be reinforced if the war were expected to be *both* costly and counterproductive.

What negative effects might result from a preventive war against Iraq? How might even a quite successful military campaign against Iraq turn out to be counterproductive?

*Harming the War on Terrorism*

For many skeptics of the war, especially in the United States, one of the most disturbing worries is that a preventive strike against Iraq may adversely affect the war against Al Qaeda. Such skeptics generally believe that the defeat of Al Qaeda should be the overweening focus of U.S. policy until the threat has been largely eradicated. As James Doyle of the Carnegie Endowment puts it, “The single most important strategic criteria [*sic*] for military action against Iraq is whether or not such a course will aid or hinder U.S. efforts to prevent terrorist attacks.”<sup>49</sup> Many skeptics believe that a preventive attack against Iraq will indeed significantly hinder the war against terrorism. Three concerns are paramount.

*Distraction from the war on terrorism.* On September 11, 2001, the United States was attacked by a determined, ruthless, and deadly adversary. In response, the Bush administration declared a war against terrorism, whose primary target is Al Qaeda. More than a year later, some real progress has been made in this war – Al Qaeda has been disrupted and the Taliban regime in Afghanistan has been eliminated – but the high command of Al Qaeda is largely intact, the whereabouts of Osama bin Laden are unknown, hundreds if not thousands of Al Qaeda operatives are still unaccounted for, further terrorist attacks have been attempted since September 11, and the situation within Afghanistan appears to be deteriorating. Furthermore, the effort to reduce the vulnerability of the United States to terrorist attack and to improve its ability to respond to such attacks has only just begun. More than a year after the September 11 attacks, most experts judge that huge vulnerabilities remain and major areas for improving the U.S. capacity to prevent and to cope with terrorism are far from exhausted.<sup>50</sup> There is, as most Americans would agree, much to be done with respect

49. James E. Doyle, “Attacking Iraq Could Increase Terror Against America,” Carnegie Endowment Proliferation News and Resources, 30 September 2002, available at <<http://www.ProliferationNews.org>>.

50. See, for example, James Dao, “Report Finds U.S. Unprepared for Next Terrorist Attack,” *New York Times*, 25 October 2002.

to the war on terrorism, the most immediate threat remains Al Qaeda, and therefore nothing should be done that diverts the focus of the U.S. government from those tasks.

Though the Bush administration has advocated the war against Iraq in the context of the struggle against terrorism, its Iraqi war is not directly related to the campaign against Al Qaeda. And it will inevitably divert attention and resources away from the desired focus on Al Qaeda. Stephen Van Evera has argued, for example, that the war against Al Qaeda deserves undiluted primacy: "Don't take your eye off the ball. Subordinate every other policy to it, including the policies toward Russia, the Arab-Israeli conflict, and Iraq."<sup>51</sup> An attack on Iraq will without question preoccupy the president, his administration, the Congress, the media, and even the public. The war against Al Qaeda may continue simultaneously, but it will no longer be the central focus. Indeed, the fixation on Iraq has been evident in the months of mounting confrontation with Baghdad, and will no doubt become all-consuming once military action commences. To many, this suggests that attention, effort, political energy, and resources will have been diverted from the most immediate and urgent threat. What the United States needs to do, in this view, is to give highest priority to a difficult, unconventional, long-term war against Al Qaeda. Instead, as *New York Times* columnist Paul Krugman puts it, "Our leaders, who seem determined to have themselves a conventional war, are playing right into the terrorists hands."<sup>52</sup>

*Undermining international cooperation on fighting terrorism.* President Bush's envisioned war has attracted dramatically few international supporters – only Britain and Israel seem to be clearly on board – and it appears to inspire real enthusiasm almost nowhere outside the United States. This leads to the fear that the war against Iraq will harm America's international standing, damage or complicate relations with overseas friends and allies, and – most importantly – thereby undercut or inhibit the international cooperation thought crucial to the effective prosecution of the war on terrorism. The global war on terrorism depends on extensive collaboration among intelligence services, policing agencies, militaries, and so on. This instinct to cooperate may be dampened if the focus shifts from a campaign directly devoted to the suppression of the terrorist threat to an attack on Iraq that many will regard as an unwarranted, illegal, and unjustified assault on the sovereignty of an independent nation.

The potential for damage to U.S. international relationships is clearly illustrated by the tension that arose with Germany as a consequence of Prime Minister Schroeder's opposition to and criticism of the Bush administration's approach to Iraq. The Bush administration states plainly that U.S.-German relations have been poisoned and has expressed its anger in a refusal to engage in normal diplomatic niceties with the German government.<sup>53</sup> As one expert on Germany has concluded about the friction between Washington and Berlin, "these relations are at their lowest point in

51. Quoted in Nicholas Lemann, "The War on What?" *The New Yorker*, 16 September 2002, p. 11 of the web version.

52. Paul Krugman, "Still Living Dangerously," *New York Times*, 15 October 2002.

53. See, for example, Steven Erlanger, "Moves by Germany to Mend Relations Rebuffed by Bush," *New York Times*, 24 September 2002; and Neal Boudette and Jeanne Cummings, "U.S.-Germany Rift Lingers After Schroeder Reelection," *Wall Street Journal*, 24 September 2002.

decades.”<sup>54</sup> Here is a clear instance in which U.S. relations with one of its closest and most important allies have been seriously worsened at a time when international cooperation is critical. Similarly, in Egypt “relations with the United States are at a low point and the public mood is sour. . . .”<sup>55</sup> Many other governments appear to be uneasy with the direction of American policy, including key members of the UN Security Council such as France, Russia, and China;<sup>56</sup> the potential for friction is obvious. Here the main point is not simply that U.S. attention will be diverted from the war on terrorism. It is that Washington’s ability to conduct that war may be undermined if the war against Iraq reduces the inclination of other states to cooperate with the United States. As Joseph Nye has argued, “Mounting a military campaign against Iraq at this point poses a significant problem for our war against terrorism. . . . Unilateral military operations against Iraq that divert our attention and weaken the willingness of others to work with us would be counterproductive.”<sup>57</sup>

*Losing hearts and minds and enraging the “Arab street.”* To win the war on terrorism, many believe, it will be necessary to “win hearts and minds” in the Arab world. Wide public hatred of the United States within the Arab world is thought to be one of the taproots of the long-term terrorist threat. That hatred, it is said, derives from the role of American power and policy in the greater Middle East. The United States supports Israel against the Arabs, it supports medieval autocratic Arab regimes, it deploys forces in Arab countries, it resists Islamic revolutions, and it seeks to bully whomever it needs to in the Arab world. A preeminent goal of American policy should be to reduce this hatred. As John Mearsheimer puts it, “the United States should adopt a ‘hearts and minds’ strategy that concentrates on reducing Islamic hostility towards it.”<sup>58</sup>

In such a strategy, a war against Iraq is a mistake, a step in the wrong direction. It will be just one more indictment of the United States within the Arab world, one more American insult to the region.<sup>59</sup> This might be especially true if the war were to result in significant civilian casualties among Iraqis. As Van Evera comments, “There are large risks in a war in Iraq. There could be a lengthy, televised public slaughter of Muslims by Americans. A wide imperial rampage through the Middle East. . . .”<sup>60</sup> Thus, another fear is that an American-led military action against Iraq will stir deep anger among publics in the Arab world and exacerbate the terrorism problem by moti-

54. F. Stephen Larrabee, “Now Patch Things Up,” *International Herald Tribune*, 29 October 2002.

55. Jane Perlez, “Arab Leaders Glumly Brace for Inevitable War,” *New York Times*, 8 October 2002. See also Janine Zacharia, “Mubarak to Bush: Don’t Attack Iraq,” *Jerusalem Post*, 30 October 2002.

56. See, for example, Joseph Fitchett, “A French-U.S. Divide Suddenly Grows Wider,” *International Herald Tribune*, 30 September 2002; and John Tagliabue, “France and Germany Agree on Iraq,” *New York Times*, 3 October 2002.

57. Joseph Nye, “Attacking Iraq Now Would Harm War on Terror,” *Wall Street Journal*, 12 March 2002.

58. John J. Mearsheimer, “Hearts and Minds,” *The National Interest* (69) (Fall 2002): 15. A similar judgment is offered in Fawaz Gerges, “Hearts, Minds, and Terror,” *Los Angeles Times*, 31 October 2002, which warns that the “U.S. should be wary of alienating Muslims through its focus on Iraq.”

59. Even unfriendly states have cautioned the United States about the counterproductive impact of some of its policies. During a trip to Europe, for example, President Khatami of Iran claimed that U.S. policy after September 11 and its threats of war against Iraq “had strengthened Osama bin Laden in the Muslim world.” See Elaine Sciolino, “Iranian Leader Says U.S. Helps Bin Laden’s Image,” *New York Times*, 30 October 2002.

60. Lemann, “The War against What?” 11.



vating larger numbers to express their intense anger through terrorist actions against the United States.

In sum, there seems to be little question that a war against Iraq will consume political energy, decision-making bandwidth, and military and economic resources that might otherwise be devoted to the war against Al Qaeda and to the strengthening of homeland defense. Indeed, one can see this happening even in the current run up to war. Further, friction with other parties and the substantial isolation of the United States on many issues related to the war raises a serious possibility that it will undermine the international cooperation thought essential to effectively combat terrorism. And if in the course of using force to remove Saddam from power, the United States enrages significant elements of the population in the Arab and Muslim worlds, the long-term terrorism problem may actually be made worse by the proposed war. It is because of these considerations that many American critics of the Bush policy are animated especially by fear that the war against Al Qaeda will be hampered by an attack against Iraq.

### *Undermining Global Order*

Many skeptics, particularly but not only among foreign critics of Bush's Iraq policy, are disturbed above all by what they believe is a disregard for global order and international law in Washington's powerful urge to conduct a preventive war. Their vision of a desirable international order involves an evolution, perhaps slow, imperfect, and painful, toward mechanisms of multilateral governance. As Robert Kagan has written of America's European allies, they prefer "a world where strength doesn't matter, where international law and international institutions predominate, where unilateral action by powerful nations is forbidden, where all nations regardless of their strength have equal rights and are equally protected by commonly agreed-upon international rules of behavior."<sup>61</sup> To the dismay of many, especially outside the United States, American policy appears to be substantially at odds with this preferred vision of world affairs.

War with Iraq may have large and undesirable implications for the international order and America's role in it. This is undoubtedly a substantial part of the explanation for the fact that much of the world is unenthusiastic about Washington's drive toward war with Iraq. Several concerns find frequent voice in the debate.

*What America, what order?* By virtue of its history and its power, the United States plays the leading role in the international order. Its preferences and actions have a disproportionate impact on the character and content of that order. Accordingly, there is great concern about Washington's inclinations and choices. What sort of order does it desire? Will it lead in directions congenial to others, inducing the cooperation of other states attracted by its vision and benefiting from the order that has been created? Will it promote an order marked by rules and restraints equitably applied? Or will it behave in a more willful and self-serving manner, privileging its own unilateral impulses, discarding or defying rules when they are inconvenient for American purposes, ignoring or rejecting the views and interests of others if necessary? In short, will the United States be more concerned with preserving its freedom of action than with the con-

61. Robert Kagan, "Power and Weakness," *Policy Review* (June/July 2002). Quotation from the web version, available at <<http://www.policyreview.org>>.

struction of a widely congenial international order in which U.S. leadership is readily accepted and perhaps even welcomed?

Arguably, the United States has played the internationally congenial role – that is, promoting international cooperation – for much of the period since the end of World War II. During the Cold War, writes Joseph Joffe, “The United States acted as the foremost producer of global public goods. Just to note the acronyms that stand for those goods – UN, IMF, GATT, OEEC/OECD, NATO, WTO, PFP – is to recognize that all were ‘made in the USA.’ These institutions upheld international security and free trade and thus cemented America’s preponderance by giving other key players potent reasons for choosing cooperation over ganging up.” Joffe pointedly argues that this approach is strongly in the American interest, that it prevents resistance to American policy and power. “The point,” Joffe writes, “is to make other powers *willing* participants in the American system.”<sup>62</sup> Similarly, Fareed Zakaria notes that the United States has long been one of the champions of international order: “For much of the twentieth century, America embraced international cooperation not out of fear and vulnerability but from a position of confidence and strength.” This remained true, Zakaria suggests, even when the United States was all-powerful, as at the end of World War II: “When America was even more powerful than it is today – by some measures it had fifty percent of world output – it put into place a series of measures designed to rebuild its adversaries, institutionalize international cooperation on dozens of global issues, and alleviate poverty.”<sup>63</sup> In this logic, its own enlightened self-interest should lead Washington to promote a cooperative international order that legitimizes American power, makes U.S. global leadership attractive, and eases the pursuit of American interests.

This is the United States, and the international order, that much of the world – and especially America’s friends and allies – have hoped for and perhaps expected given their experience of recent decades. But they display a growing uneasiness at the evolution of Washington’s policies, especially in the aftermath of the terrorist attacks of September 11, 2001. The crisis over Iraq has further exacerbated international concern over what sort of America it is that will be the dominating force in international politics for the foreseeable future. Nicole Gnesotto, Director of the European Union’s Institute for Security Studies, aptly conveys the dismay and puzzlement felt even by sympathetic foreign observers as they gape in disbelief at the policies emanating from Washington:

One year on, what has America become? That question has perturbed Washington’s partners ever since the attacks of 11 September. Indeed, within the Union, the Europeans have reacted to America’s responses to terrorism as much as they have to the terrorist threat itself. They have done so with a mixture of instinctive solidarity and growing scepticism over the policy being pursued by Washington. And they have looked on with both fascination and incomprehension at the political agitation that, whether it concerns Afghanistan or Iraq, mobilisation against terrorism or rejection of the International

62. Joseph Joffe, “Of Hubs, Spokes, and Public Goods,” *The National Interest* (69) (Fall 2002): 19 (emphasis in original).

63. Fareed Zakaria, “Annals of Foreign Policy: Our Way,” *New Yorker*, 14–21 October 2002. Quotation from web version, <<http://www.newyorker.com>>.

Criminal Court, obsession with military technology or scarcity of political vision, is upsetting all the previous certainties and traditional givens in the transatlantic debate. Is the United States evolving on another planet and in a different frame of reference from the Europeans? Have the attacks of 11 September led to a total break in America's relations with the outside world. . . :<sup>64</sup>

Far from building and promoting institutions, championing international law, and exercising leadership in the creation of multilateral governance, as many outside the United States would prefer, Washington seems dominated by a different and, to outsiders, very disturbing vision, one that, as Julian Lindley-French puts it, sees America as "the new Leviathan, benign master of all it surveys, constrained by none, drawing its legitimacy by right of power."<sup>65</sup> But there appear to be few others, even among Washington's closest friends, who find this an attractive vision of the American role in international politics or of the kind of world order that should be sought. As an unnamed French diplomat offered in explaining France's resistance at the UN to U.S. preferences with respect to Iraq, "This is about the rules of the game in the world today. About putting the Security Council in the center of international life. And not permitting a nation, whatever nation it may be, to do what it wants, when it wants, where it wants."<sup>66</sup>

*Disrespect for international law.* How lawful is the policy of preventive war now formally articulated as the general doctrine of the Bush administration? Bush and his supporters argue that it is justified as anticipatory self-defense under Article 51 of the UN Charter. But preventive war – that is, attack in the absence of imminent threat out of fear of what an opponent may do in the future – is at a minimum in a legal gray area. And to many, in the United States and elsewhere, it appears to be clearly illegal. According to Tom Farer, for example, "there is simply no cosmopolitan body of respectable legal opinion" that supports the Bush position.<sup>67</sup> Similarly, international lawyer Abdullahi Ahmed An-Na'im (who has emphatically condemned the September 11 attacks against the United States and who acknowledges the American right to defend itself) has concluded, "I am unable to appreciate any moral, political or legal difference between this jihad by the United States against those it deems to be its enemies and the jihad by Islamic groups against those they deem to be their enemies. . . . Whatever legal justification(s) may be claimed for the actions of the United States, they can never authorize it to act as prosecutor, judge, jury and executioner in its own cause and still claim the legitimacy of international legality." American behavior, An-Na'im argues, constitutes "a fundamental challenge to international legality."<sup>68</sup> To

64. From Nicole Gnesotto, "Preface," in Pierre Hassner, *The United States: The Empire of Force or the Force of Empire?* Chaillot Papers No. 54 (Paris: Institute for Security Studies, September 2002), 5.

65. Julian Lindley-French, "U.S.: The New Leviathan?" *Institute for Security Studies Newsletter*, No. 3–4, September 2002.

66. As quoted in Maggie Farley and Doyle McManus, "To Some, Real Threat is U.S.," *Los Angeles Times*, 30 October 2002.

67. Farer as quoted in Loretta Bondi, *Legitimacy and Legality: Key Issues in the Fight Against Terrorism*, The Fund for Peace, 11 September 2002, p. 9.

68. Abdullahi Ahmed An-Na'im, "Upholding International Legality Against Islamic and American Jihad," in Ken Booth and Tim Dunne, eds., *Worlds In Collision: Terror and the Future of Global Order* (London: Palgrave, 2002), 163, 167, 162.

those who wish to promote a law-based international order, the willingness of the world's most powerful state to act in a manner they regard as lawless is a great disappointment.

In addition, though a desire to avoid substantial isolation on the Iraq issue led the Bush administration to seek and obtain UN Security Council support for a new inspection regime, it has denied that there is any need for UN legitimization of the American use of force against Iraq. Indeed, the administration and its supporters are in general extremely critical of the notion that the UN has primary authority to sanctify the use of force. Columnist George Will presents a view that is typical: "It is perverse, and profoundly dangerous, that the United Nations is being encouraged to place upon its own brow a garland of laurels it has woven for itself as the sole legitimizer of force in international affairs."<sup>69</sup> (This is consistent with the long-standing conservative view in the United States that the UN has no authority to exercise judgment over American actions taken in the national interest.)<sup>70</sup>

*A desirable precedent?* The Bush administration made it clear that it would act against Iraq with or without the UN's blessing or a large coalition of supporters. In asserting the sovereign right to use force to address future threats in hostile but distant lands, Washington is setting an example that many critics find disturbing. Thus, goes this argument, with little regard for the legality or legitimacy of its acts, the Bush administration proposes to establish the precedent that it is appropriate to use force at self-chosen moments against self-determined threats that might eventuate in the future. Historian Paul Schroeder, in his severe critique of the Bush administration's preventive war policy, highlights the adverse effects of this position:

A more dangerous, illegitimate norm and example can hardly be imagined. . . . It completely subverts previous standards for judging the legitimacy of resorts to war, justifying any number of wars hitherto considered unjust and aggressive. . . . It would in fact justify almost any attack by any state on any other for almost any reason. . . . We cannot want a world that operates on this principle, and therefore we cannot really want to use it ourselves.<sup>71</sup>

Is the United States really content to have other states render similar judgments about threats to their own interests and accept the legitimacy of their preventive uses of force? Is this really the sort of order the United States wishes to build? Is this not a precedent, as one report put it, to be invoked by other countries "whose motives or timing the U.S. may not support?"<sup>72</sup> As former Vice President Al Gore commented in his critique of Bush's policy, "If other nations assert that same right [of preventive

69. George Will, "Stuck to the UN Tar Baby," *Washington Post*, 19 September 2002.

70. See, for example, the article written during the Clinton administration by now-Undersecretary of State John Bolton, explicitly and vigorously condemning the claim of Kofi Annan that "Only the UN Charter provides a universally legal basis for the use of force." See John R. Bolton, "Kofi Annan's UN Power Grab," *The Weekly Standard*, 4 October 1999.

71. Paul Schroeder, "Iraq: The Case Against Preemptive War," *The American Conservative*, 21 October 2002. Quotation from the web version at <<http://www.amconmag.com>>.

72. Peter Slevin, "Analysts: New Strategy Courts Unseen Dangers," *The Washington Post*, 22 September 2002. Slevin also reports the concerns of critics who fear that the Bush doctrine of preemption raises "troubling echoes of vigilante justice."

war] then the rule of law would be quickly replaced by the reign of fear.”<sup>73</sup> Possibly, though, the Bush administration means this to be a precedent only for the United States. According to one interpretation of the administration’s new National Security Strategy, the Bush view is that “the strongest nation in the world has the right to preemptively attack anyone who seeks to harm its people or interests.”<sup>74</sup> Such a viewpoint will seem to many people as if the United States is simply insisting on a separate set of rules for itself that allow it to throw its vast weight around.

*Double standards.* And indeed, critics of U.S. policy find that, in many respects, it rests on a set of double standards that undermine the legitimacy and attractiveness of American power and preferences. Outsiders are struck, as French scholar Pierre Hassner has bitinglly observed, by:

the absolute right that the United States currently claims to make sovereign judgements on what is right and what is wrong, particularly in respect of the use of force, and to exempt itself with an absolutely clear conscience from all the rules that it proclaims and applies to others. . . . The Americans are absolutely against any encroachment on their own sovereignty but absolutely in favor of intervention against others. . . .

States that operate this way, Hassner warns, are bound eventually to be “thwarted.”<sup>75</sup>

Others note the irony that the United States has been perhaps the foremost defender and legitimizer of nuclear weapons. It has formally and officially dissented when the morality or legality of nuclear weapons was being questioned (for example, at the International Court of Justice). It has repeatedly proclaimed the centrality and value of nuclear weapons in its own defense posture. It has had few qualms about issuing nuclear threats directed at its rivals – as was explicitly true of the Bush administration’s Nuclear Posture Review. Indeed, the permanent embrace of nuclear weapons reflected in the Nuclear Posture Review is regarded by many as a violation of Washington’s obligation to the Nuclear Nonproliferation Treaty. And yet, Iraq’s so-far fruitless nuclear program is construed as providing a major part of the rationale for preventive war. It is not surprising that this bold contrast – self-serving justification of U.S. nuclear weapons versus absolute intolerance of Iraqi nuclear weapons – strikes some as hypocritical. Writes Elaine Scarry, “U.S. nuclear weapons exist; Iraqi nuclear weapons don’t. U.S. nuclear weapons number in the thousands; Iraq’s count is zero. U.S. weapons are (in the official view of the country) compatible with all international laws; Iraq’s not yet acquired weapon is monstrous.”<sup>76</sup> Obviously, it cannot be expected that the United States will welcome the acquisition of nuclear weapons by hostile powers. Nor should a blind eye be turned to Iraqi noncompliance with its international obligations. But here, Washington appears to regard the amassing of nuclear weapons, an activity it has pursued with singular attention and success, as grounds for preventive war. This may seem entirely natural from Washington, but from afar it looks like another context in which the United States does as it wants but objects – in

73. As quoted in William Saletan, “Two Concepts of Anti-Terrorism: The Party of Fear vs. the Party of Good Will,” *Slate*, 24 September 2002.

74. Michael Duffy, “Does Might Make Right?,” *Time*, 30 September 2002, p. 39.

75. Hassner, *The United States: The Empire of Force or Force of Empire?* 46–47.

76. Elaine Scarry, “A Nuclear Double Standard,” *Boston Globe*, 3 November 2002.

this instance, with threats of violence – when others attempt to do the same.

Similarly, the Bush administration's disdain for international law, noted above, raises in many minds another particularly important double standard that undermines the case for preventive war. An important component of the Bush administration's case against Saddam Hussein (indeed, in diplomatic terms, perhaps its most effective argument) is that he is a law-breaker, violating his international obligations, flouting UN resolutions, and making a mockery of international law. In his speech at the UN on September 12, 2002, President Bush sought to define the confrontation with Iraq as one about enforcement of international commitments, about the UN's need to compel Saddam's compliance with agreements he has signed. These are, in fact, quite legitimate concerns, and Bush was right to raise them.<sup>77</sup>

But the Bush administration has chosen as its means of enforcement a policy – the preventive use of force – that critics find to be not only unwarranted but also flat-out illegal.<sup>78</sup> The Bush administration refutes this claim, arguing that it is merely exercising the legitimate right of self-defense as articulated in the UN Charter.<sup>79</sup> Preventive war, however, is in a legal gray area. Yes, Saddam is nasty and menacing, but he has not attacked the United States and no threat can be construed to be imminent. The argument that a U.S. attack is illegal is therefore likely to find wide resonance around the world.

Can one promote a rules-based order while appearing to ignore, bend, or reshape the rules oneself? Can one punish the noncompliant by engaging in behavior that many others will view as noncompliant? To believe so is to have moved a long way from the “humble” foreign policy promised by candidate Bush. To many in the international community, this appears to be a clear and power-based exercise of a double standard. Bush will try to puncture that view by trying to obtain a second UN resolution permitting the use of force. Alas, the administration has conducted the diplomacy of its run-up to war in such a way that any new UN resolution authorizing force will appear to be the result of heavy-handed U.S. pressure. The impact of the resolution itself will be limited or negated by the fact that it merely codifies a path that the Bush administration was clearly resolved to pursue no matter what the UN did. Before its belated conversion to the political virtue of seeking multilateral support, the Bush administration had been outspoken in its determination to smash Saddam, the UN and international law notwithstanding. Under the circumstances, it will not be surprising if many see any new UN resolution as a cynical ploy that really does not alter the fundamental disrespect for law and institutions that lay at the foundation of the Bush approach.

*Open-ended war?* The Bush administration has articulated a sweeping doctrine of preventive war, one whose logic is spelled out in general terms that are not limited to

77. With some important audiences (notably but not only in the Arab world), however, Bush will find an immediate double-standard problem: why is the United States so concerned about enforcing UN resolutions concerning Iraq and so unconcerned about enforcing UN resolutions concerning Israel? This problem, I believe, is invisible to the U.S. government, which counts Iraq as an evil force and Israel as one of the good guys.

78. Making the case that an American attack on Iraq would be illegal is Stephen Zunes, “Why Not to Wage War with Iraq,” *Foreign Policy in Focus*, 31 August 2002, available at <<http://www.fpif.org>>.

79. This argument is well and concisely articulated in Lee A. Casey and David B. Rivkin Jr., “War Is Not Against the Law,” *Wall Street Journal*, 25 September 2002. Casey and Rivkin defend preventive war by reference to the principle of “anticipatory self defense,” which is, it is argued, fully consistent with the right of self defense enshrined in the UN Charter.

the case of Iraq. There are others who are on Washington's list of bad guys. There are others who are thought to transgress nonproliferation obligations. There are others who seek ends and employ practices that Washington finds objectionable. Some fear, accordingly, that the Bush administration has deployed an open-ended rationale for war, one that places a premium on eliminating potential foes early, before serious threats materialize. If the war against Iraq goes well, there will have been established a precedent that could perhaps lead to other conflicts. As one critical analysis asks, "Why Stop at Iraq?"<sup>80</sup>

The Bush administration does not have a high regard for international institutions; if anything, they are often seen as a nuisance, an inconvenience, a source of opposition to American power and policy. Further, the administration is populated with individuals who have voiced, occasionally with vehemence, skepticism about the value of treaties, regimes, and even international law. Hence, the administration does not pay great heed to objections that its preferred course in Iraq will harm the rules-based, institution-oriented international order that many other states prefer. Their view presents a stark challenge to many who oppose the war and fear its adverse international consequences. Paul Schroeder has warned, for example, that "An American campaign to overthrow Hussein by armed force would be an unjust, aggressive, imperialist war which even if it succeeded (indeed, perhaps especially if it succeeded) would have negative, potentially disastrous effects on our alliances and friendships, American leadership in the world, the existing international system, and the prospects for general peace, order and stability."<sup>81</sup> In short, those who have a different vision of the preferred international order, and of America's role in it, worry about the damage that a preventive war may inflict, about the precedents that are being set, and about the erosion of international restraints that may ensue.

### *Undermining America's Global Position*

Critics of the Bush approach often fear that the U.S. global position will be damaged, that its influence will be weakened, by a war that almost no one else seems to want. A number of potential adverse consequences have been articulated in the debate.

*Provoking resistance to the United States.* The Bush administration is playing the bully against Iraq. Or so it seems to critics in the United States and to many states abroad. Playing this role has a predictable consequence. As William Saletan puts it, "A bully tends to unite his victims against him."<sup>82</sup> Others see the move toward war with Iraq as a manifestation of an emerging American imperialism, marked by unilateralism and smug, arrogant expressions of predominance that are sure to have negative consequences. John Ikenberry offers an excellent summary of this point of view: "America's nascent neoimperial grand strategy threatens to rend the fabric of the international community and political partnerships precisely at a time when that community and those partnerships are urgently needed. It is an approach fraught with peril and likely

80. Jason Vest, "Why Stop At Iraq?" *Global Beat*, 2 September 2002, available at <<http://www.nyu.edu/globalbeat>>.

81. Schroeder, "Iraq: The Case Against Preemptive War." Quotation from the web version at <<http://www.amconmag.com>>.

82. Saletan, "Two Concepts of Anti-Terrorism."

to fail. It is not only politically unsustainable but diplomatically harmful. And if history is a guide, it will trigger antagonism and resistance that will leave America in a more hostile and divided world.”<sup>83</sup>

Indications of the instinct to resist the United States were evident in the protracted – and for the Bush administration, extremely frustrating – diplomatic imbroglio at the United Nations over the negotiation of a new resolution addressing Iraq’s non-compliance with past UN resolutions. Seeking the blessing of the UN as it approached war, the Bush administration encountered many weeks of haggling and delay, much of which was rooted in a distrust of U.S. power and a desire by other states to establish the primacy of the UN Security Council even over the UN’s most powerful member state. What seemed to Washington to be a clear-cut issue involving Iraqi defiance and malfeasance seemed to many others to be a more complicated question of law, order, and power. As one news report observed, “Many members of the UN Security Council see American bullying, not Iraqi defiance, as the greater risk to geopolitical stability.”<sup>84</sup> Characterizing the struggle to achieve a UN resolution on Iraq that would satisfy both the Bush administration and its skeptics, one diplomat explained, “The whole debate is about two issues. One is Iraq. The other is U.S. power in the world. The second issue is the bigger part of the debate.”<sup>85</sup> Discussing the prominent role played by Paris in thwarting the desires of the Bush administration at the UN, one analysis explained that France “is taking the lead in an attempt to tame U.S. power.”<sup>86</sup>

During the course of the protracted UN deliberations, a coalition of one hundred developing countries spoke out against American policy and urged the UN Security Council to reject Washington’s request for a new resolution on Iraq.<sup>87</sup> Though it ultimately prevailed, the Bush administration discovered, to its considerable displeasure, that it is not always easy to throw one’s weight around, and that efforts to do so are frequently met with resentment and resistance. If the United States continues to seek complete freedom of action and to pursue force-oriented policies that look to others (if not to itself) as unilateralist, this latest UN experience will be a taste of things to come.

*Damaging America’s reputation.* The Bush administration’s willingness to wage a war that is unpopular and widely regarded as illegitimate can have a damaging effect on the global reputation of the United States. America’s international role will be undermined if it comes to be widely viewed as a force-prone, bullying, dangerous, reckless, and uncontrollable unilateralist power. Even those who harbor deeply positive feelings towards the United States view the current drive for war against Iraq with consternation. A remarkable passage by Anatol Lieven illustrates the point: “What we

83. G. John Ikenberry, “America’s Imperial Ambition,” *Foreign Affairs* 81 (1) (September/October 2002): 45.

84. Maggie Farley and Doyle McManus, “To Some, Real Threat is U.S.,” *Los Angeles Times*, 30 October 2002.

85. Glenn Kessler and Walter Pincus, “Fear of U.S. Power Shapes Iraq Debate,” *Washington Post*, 30 October 2002. For similar views, see Tyler Marshall, “Unlike in ’90, Fear of U.S. Defines UN Iraq Debate,” *Los Angeles Times*, 1 October 2002.

86. Marc Champion, “After a Decade of Retreats, France Again Walks Proudly,” *Wall Street Journal*, 1 November 2002.

87. As reported in Colum Lynch and Karen DeYoung, “U.S. Officials Meet to Take Stock of Iraq Policy,” *Washington Post*, 16 October 2002.



see now is the tragedy of a great country, with noble impulses, successful institutions, magnificent historical achievements and immense energies, which has become a menace to itself and to mankind.”<sup>88</sup> It can hardly be favorable to the maintenance of Washington’s international leadership that even sympathetic observers reach such conclusions. Joseph Nye offers a conclusion that conveys the point: “America needs the help and respect of other nations. We will be in trouble if our unilateralism prevents us from getting it.”<sup>89</sup> The impulse to resist American power and to oppose American policies will, many critics believe, increase as its reputation declines. As Thomas Friedman has written, “Good will and popularity are underrated strategic assets.”<sup>90</sup>

*Undermining U.S. relationships with friends and allies.* Washington’s relentless urge to use force against Iraq also has the potential to isolate the United States or at least to sour many of its close relationships. As Jeffrey Garten has warned, “Washington may well gather international support for its invasion of Iraq, but it will be only after every one of its allies except Britain has strenuously objected to the U.S. going it alone. It’s hard to recall so many nations opposing the U.S. in such a high-pitched fashion.”<sup>91</sup> Even most of America’s closest friends and allies are, in Francois Heisbourg’s nice phrase, “reluctant followers in a likely war.” Expressing concern about the long-term effects of this rift, Heisbourg concludes, “There will be resentment in Europe at having had this situation forced upon it. One can but hope that this will not lead the Europeans to part strategic ways with a United States which has already squandered so much of its post-September 11 goodwill as a result of its heedless unilateralism.”<sup>92</sup>

No one who expects the war against Iraq to produce such counterproductive consequences will believe that it is a wise choice.

*Undermining America’s moral position.* President Bush often emphasizes that the United States is a force for good in the world, that it seeks to use its power for civilized ends against forces of evil (of whom Saddam is one). But some critics suggest that the United States will not look this way to much of the world if it does not behave in ways that are true to its own values, if it pollutes its reputation by acting in a morally dubious manner. Can the United States uphold these values while utilizing brute force against a much smaller, distant, semi-sovereign power that is not immediately threatening? Noted American political theorist Michael Walzer has concluded, for example, “The administration’s war is neither just nor necessary.”<sup>93</sup> What are the reputational consequences of such judgments especially if, as seems to be the case, this conclusion is widely shared around the world? Is this really the way to enhance American’s influence or to position the United States as a force for good in the world? Zbigniew Brzezinski, criticizing the conduct of the war against terrorism, offers an answer that is particularly suggestive because it issues from a tough-minded figure in the American

88. Anatol Lieven, “The Push for War,” *London Review of Books*, 3 October 2002, available at <<http://www.lrb.co.uk>>.

89. Joseph Nye, “This is No Time For Unilateralism,” *Boston Globe*, 14 April 2002.

90. Thomas L. Friedman, “Tone It Down a Notch,” *New York Times*, 2 October 2002.

91. Jeffrey Garten, “A Foreign Policy Harmful to Business,” *Business Week*, 14 October 2002, p. 76.

92. Francois Heisbourg, “Reluctant Followers in a Likely War,” *International Herald Tribune*, 9 September 2002.

93. Michael Walzer, “No Strikes: Inspectors Yes, War No,” *The New Republic*, 30 September 2002, p. 22.

debate. "If America comes to be viewed by its key democratic allies in Europe and Asia as morally obtuse and politically naïve in failing to address terrorism in its broader and deeper dimensions . . . global support for America's policies will surely decline. America's ability to maintain a broadly democratic antiterrorist coalition will suffer gravely."<sup>94</sup> Moral obtuseness can have its costs.

### *Jeopardizing Significant U.S. Interests*

A further set of concerns voiced by critics of preventive war with Iraq focuses on specific U.S. interests that may be harmed by such a war.

*U.S. relations with the Arab world may be damaged.* There is, *The Economist* writes in a recent issue, "deep Arab opposition to an attack on their neighbor."<sup>95</sup> "A war in Iraq," notes another assessment, "is one that no Arab leader wants."<sup>96</sup> Israeli national security specialist Ephraim Kam observes that "the Arab and Muslim world has great reservations over a full-scale military incursion into Iraq, and most of the countries in the region have openly expressed their misgivings about American plans."<sup>97</sup> As noted above, this opposition arises not out of any love for Saddam, but out of fear of the potentially destabilizing regional and domestic consequences of a war. Egypt's President Mubarak, for example, "has repeatedly warned about the chaos that a war against Iraq would unleash."<sup>98</sup> Some Arab regimes may also fear the precedent that the United States will use force to remove hostile, misbehaving regimes; several governments in the region can probably imagine themselves in the same predicament as Iraq. Whatever the source of their concerns, the opposition of Arab governments to the preferred course of the Bush administration is regarded as a potentially serious complication. Their cooperation is needed in the war against terrorism. Their oil at reasonable prices is needed to lubricate the world economy. The stability of key states – Saudi Arabia, for example – is a major U.S. and Western interest. A policy that destroys Saddam but also harms American relations with the Arab world and destabilizes important Arab states is not, it is argued, necessarily a net gain for the United States.

*Complicating the U.S. presence in Southwest Asia and the Gulf.* One of the significant sources of American influence in the Persian Gulf is, ironically, the regional threat posed by Saddam Hussein. Because he is menacing to his neighbors, they have a need or a desire for American protection. Certainly Kuwait and Saudi Arabia, and possibly other Gulf states, depend on American power for their external security. In some cases, this is reflected in the presence of American bases and forces in their states. Obviously, in the case of Kuwait, Washington led a coalition war to preserve its sovereignty. In effect, the United States is the linchpin of an informal alignment in the Gulf to cope with the threat posed by Saddam. But if Saddam is eliminated, there will be less need for the United States to play this role, less dependence on the United States by countries in the region, and hence possibly less influence for Washington and more room

94. Zbigniew Brzezinski, "Confronting Anti-American Grievances," *New York Times*, 1 September 2002.

95. "Saddam Plays His Ace: The Arab World, Iraq, and America," *The Economist*, 21 September 2002, p. 43.

96. David Lamb, "Anti-U.S. Feeling Bubbles Up in Egypt," *Los Angeles Times*, 29 October 2002.

97. Kam, "Target: Iraq," 4.

98. Jane Perlez, "Arab Leaders Glumly Brace for Inevitable War," *New York Times*, 8 October 2002.

for maneuver for the states in question. Because they fear the risks and potential costs of preventive war, states in the region seem to prefer something like the status quo – that is, Saddam kept “in his box,” contained by U.S. and international exertions and unable to substantially replenish his military forces or to engage in adventures against his neighbors. This may in fact also be the best scenario for maximizing American influence in the region.

Another set of worries, particularly evident in Europe, pertains to Pakistan. The Musharraf government, crucial to the war against terrorism, has been stalwart and reasonably effective so far. But there is a wide belief that the internal situation in Pakistan is fragile and potentially explosive. There is concern that a preventive war against Iraq could inflame anti-American sentiments and undermine an important and cooperative government. In the worst case, instability would sweep away the Musharraf government and bring to power a more hostile regime – one that would inherit a nuclear capability. This could turn into a truly nightmarish scenario if Pakistan were to be ruled by forces sympathetic to Al Qaeda, or if disorder within Pakistan were to enable Al Qaeda to establish a new base of operations.

An additional set of worries focuses on the impact on Turkey of a war against Iraq. In part, this is due to the potential upsurge of Kurdish nationalism that might accompany a war; the Kurds inhabit northern Iraq and adjacent areas in Turkey and have been a source of violence and instability for years.<sup>99</sup> But it is also a consequence of potentially adverse economic and political effects of the war. (Turkey still feels that it was damaged by and never adequately compensated for the 1991 Gulf war.) If Turkey believes that its preferences have been ignored and its interests harmed by an American war against Iraq, this could in turn damage U.S.-Turkey relations, to the detriment of NATO and to America’s relations with the Islamic world. Turkish leaders and elites are so concerned about the possible destabilizing effects of a war that they have refused to support American policy despite months of mounting pressure from Washington. When he was Prime Minister of Turkey, Bulent Ecevit openly voiced his dissent to Washington about the proposed war against Iraq: “We are advising that it [the United States] abandon the idea. We’re telling Washington that we are worried about the matter.”<sup>100</sup> It cannot be a hopeful sign that America’s closest ally in the region, and the only NATO member to border Iraq, clearly thinks the war is a bad idea and fears the consequences for its own stability.

Those who believe that the war against Iraq may diminish American influence in the Gulf (paradoxically, by removing the threat from Saddam that makes U.S. protection so essential), or, that it has the potential to undermine the stability of Pakistan or Turkey, will doubt the net wisdom of this option.

*Provoking proliferation.* If Saddam’s regime is eliminated by the application of American military power, other states hostile to the United States are likely to draw the conclusion that weapons of mass destruction are necessary to deter American intervention. The Bush administration’s doctrine of preventive war can be viewed as highly

99. See, for example, Jeffrey Fleishman, “Kurdish Dream of Nation is a Nightmare for Turkey,” *Los Angeles Times*, 25 October 2002. Fleishman writes, “Many messy sideshows are expected in a war to topple Saddam Hussein, but few will be more dangerous than in the mountains of northern Iraq, where Turkey’s national security will collide with Kurdish dreams of a homeland.”

100. As quoted in Ian Fisher, “Turkey Grows More Worried Every Day About a U.S. Attack on Iraq,” *New York Times*, 28 October 2002.

threatening to those whose world views and policies collide with Washington's, and this may fuel their determination to acquire nuclear, chemical, or biological weapons to deter the United States. The Bush administration's explicit adoption of preventive war as a counter-proliferation strategy will put a premium on acquiring WMD as secretly as possible, in ways that are deniable for as long as possible. This could compound the already difficult problem of monitoring the various nonproliferation regimes. Thus, although it is desirable to derail Saddam's determined efforts to acquire WMD, achieving this outcome by force may produce undesirable consequences for the wider nonproliferation effort.

*Loose weapons of mass destruction?* In the midst of the confusion, chaos, and instability that might emerge in Iraq after an American invasion, what is to come of Iraq's chemical and biological weapons?<sup>101</sup> What guarantee is there that these will be in responsible hands? Daniel Benjamin has sketched the nightmare scenario with respect to Saddam's inventories of chemical and biological agents:

In the fog of war, much of this material would rapidly be "privatized" – liberated by colonels, security service operatives and soon-to-be-unemployed scientists. They know there is a market for unconventional weapons and they will have no trouble finding buyers. . . . Even with U.S. special forces combing the country, the collapse of the Iraqi regime could prove to be the greatest proliferation disaster in history. The beneficiaries will be terrorists who have no interest in the weapons for their deterrent value; they will just want to use them.<sup>102</sup>

Ironically, it is Saddam who has held these weapons for years without using them, who has subjected them to a proper chain of command, and who has not, to any public knowledge, shared them with terrorists. In the aftermath of a preventive attack on Saddam, these worrying weapons could become far more dangerous.

*Economic dislocations.* Economic considerations have been largely ignored in this debate, but they are not invisible or trivial. If Saddam were to succeed in disrupting oil supplies or if the war were to produce a significant spike in oil prices, the effects could be global, though temporary.<sup>103</sup> Sheik Yamani has invoked the specter of \$100 per barrel of oil.<sup>104</sup> Energy expert Daniel Yergin fears short-term oil prices of \$60–80 per barrel and argues that the world is already paying a \$5 per barrel "fear premium" as a result of the war scare.<sup>105</sup> Should the war protract, or assume a wider regional character, painful disruptions of oil supplies could occur.<sup>106</sup> Skittish markets, already hurtling from recent global economic troubles, clearly signal a nervousness about the

101. I am grateful to Barry Posen for suggesting that I add this point.

102. Daniel Benjamin, "In the Fog of War, A Greater Threat," *Washington Post*, 31 October 2002.

103. Pollack, "Next Stop Baghdad?" 41–42, describes concerns about the cutoff of supply or destruction of Iraq's oil fields.

104. George Trefgarne, "Yamani: Oil May Hit \$100 a Barrel," *London Daily Telegraph*, 25 September 2002.

105. Daniel Yergin, "How Much Damage to Oil from a War in Iraq?" *New York Times*, 25 August 2002.

106. On the other hand, a quick and successful war that leaves Iraq's oil in U.S. hands could put downward pressure on oil prices. The optimistic scenario is sketched in Phillip Day, "Iraq War Could Lead to Glut of Oil, Fueling Global Growth," *Wall Street Journal*, 28 October 2002.

prospect of war and could tumble if it occurs. In general, there are concerns about the adverse economic impact that confrontation with Iraq could have – and indeed, some believe that economic harm is being done even by the prospect of war with Iraq. Felix Rohatyn writes, for example, “It is clear today that uncertainty over Iraq has become an important factor in weakening an already weak economy. This is caused by uncertainty about the war, its costs, and, more important, the cost of its aftermath.”<sup>107</sup> Adverse economic effects should not be a decisive factor in this debate; on the other hand, they are far from desirable and should count on the negative side of the ledger.

*Bogged down in Baghdad? Running postwar Iraq may be a nightmare.* To many, the real trouble may start after the war is won. As Patrick Clawson puts it, “A strategy that ensured victory over the Iraqi military would be of little value if it prevented the United States and its allies from achieving their larger goal – stability and responsible leadership for Iraq.”<sup>108</sup> But what will come of Iraq? How will it be governed? How long will the United States need to stay in Iraq? With how large a force? How violent is post-Saddam Iraq likely to be? How much will it cost to restore Iraq to a healthy state? The Bush administration, characteristically, has an upbeat view of this issue. The United States will be, as Condoleezza Rice has stated, “completely devoted” to the reconstruction of Iraq.<sup>109</sup> Many proponents of the war see it as a huge opportunity to bring democracy to Iraq and thereby to begin the process of transforming the wider Middle East.

Others are daunted by the enormous scale of the postwar challenge and worried that the United States and its partners could end up with substantial responsibility for an enormous, costly, and violent mess. Indeed, this was precisely the judgment of the first Bush administration during the Gulf war of 1991. In response to criticism that the war had been ended prematurely, then Secretary of Defense Cheney commented in April 1991:

If you’re going to go in and try to topple Saddam Hussein, you have to go to Baghdad. Once you’ve got Baghdad, it’s not clear what you do with it. It’s not clear what kind of government you would put in place of the one that’s currently there now. Is it going to be a Shia regime, a Sunni regime or a Kurdish regime? Or one that tilts toward the Baathists, or one that tilts toward the Islamic fundamentalists? How much credibility is that government going to have if it’s set up by the United States military when it’s there? How long does the United States military have to stay to protect the people that sign on for that government, and what happens to it once we leave?<sup>110</sup>

Good questions all, and just as relevant today as they were in 1991.

Even if the worst scenarios for postwar Iraq are avoided, the occupation, political

107. Felix Rohatyn, “From New York to Baghdad,” *New York Review of Books*, 21 November 2002, p. 6.

108. Patrick Clawson, “Introduction: Shaping a Stable and Friendly Post-Saddam Iraq,” in Patrick Clawson, ed., *How To Build a New Iraq After Saddam* (Washington, D.C.: The Washington Institute for Near East Policy, 2002), 6. This volume is a useful collection of essays about the various problems that will need to be addressed if Saddam is removed by force.

109. Rice as quoted in James Harding, Richard Wolff, and James Blitz, “U.S. Devoted to Iraq’s Reconstruction,” *London Financial Times*, 23 September 2002.

110. Cheney is quoted in Timothy Noah, “Al Gore Semi-Exonerated,” *Slate*, 15 October 2002. Noah attributes the quote to a story from the *New York Times*, 13 April 1991.

renovation, and economic reconstruction of Iraq will be a difficult, expensive, and lengthy job. As James Fallows has concluded in his lengthy and detailed discussion of the postwar challenges that are likely to arise in Iraq, “Merely itemizing the foreseeable effects of a war with Iraq suggests reverberations that would be felt for decades. If we can judge from past wars, the effects we can’t imagine when the fighting begins will prove to be the ones that matter most.” Fallows’ own judgment about the scale of the postwar mission in Iraq is suggested by the title of his article: “The Fifty-First State?”<sup>111</sup>

Another concern is that American occupation forces in Iraq, perhaps for a protracted period of time, will be vulnerable to the violence and instability that could ensue once Saddam’s regime has collapsed.<sup>112</sup> Considerable recent experience, from U.S. Marines bombed in Lebanon to U.S. military personnel murdered in Kuwait, suggests that U.S. forces in dangerous circumstances are prone to be victimized by terrorist attacks. As Daniel Benjamin has written, “Al Qaeda and its affiliates would find American forces in a post-Hussein Iraq to be an irresistible target. . . . Those who today blow up French tankers off Yemen or bars in Bali will soon be picking off GIs in Basra.”<sup>113</sup> Will the United States persevere in the face of such losses, especially if they begin to mount? Will it be willing to sacrifice its citizens in Iraq once Saddam is gone? Perhaps, but earlier sudden withdrawals from Lebanon and Somalia after relatively small losses of life indicate that Washington is not always prepared to pay the price of protracted presence in violent environs.

There are few public indications that these postwar problems are figuring significantly in the preparations for war, no suggestions that a game plan is in place to cope with the large responsibilities that will descend when the war in Iraq is over. This too is disturbing to skeptics of the war. Columnist Nicholas Kristof puts the point well: “Before we rush into Iraq, we need to think through what we will do the morning after Saddam is toppled. . . . Unless we’re prepared for the consequences of our invasion, we have no business invading at all.”<sup>114</sup>

### *Counterproductive Consequences?*

The Bush administration will say that the war against Iraq is not a distraction from the war against terrorism but an integral component of it. The Bush administration will say that leadership and success will sway skeptical friends and allies overseas; in the end, they will be with us, not least because everyone loves a winner. In any event, the administration’s experience is that if it perseveres with its unpopular policies, its opponents and skeptics ultimately capitulate (as in the case of the ABM treaty withdrawal, an example that has been specifically invoked by supporters of the war in Iraq). The Bush administration will say that most Arab regimes will be overjoyed to see the end of Saddam Hussein, even if they do not dare state this publicly. In the end, U.S. relations with the Arab world will not be fundamentally harmed; on the contrary, Washington will have removed the primary external threat faced by most of the states in the region. The Bush administration will say that the so-called Arab street is rou-

111. James Fallows, “The Fifty-First State,” *The Atlantic Monthly*, November 2002, available at <<http://www.theatlantic.com>>.

112. I am indebted to Barry Posen, who first pressed this point upon me.

113. Daniel Benjamin, “In the Fog of War, A Greater Threat,” *Washington Post*, 31 October 2002.

114. Nichols Kristof, “The Day After,” *New York Times*, 24 September 2002.

tinely invoked by their critics as grounds for inaction, but it has failed to rise up as critics predicted despite U.S. support of Sharon's forceful policy toward the Palestinians and despite the American campaign in Afghanistan. The Bush administration will say that war against Iraq represents a vigorous enforcement of the nonproliferation regime and that its doctrine of preventive war will dissuade other potential proliferators from pursuing weapons of mass destruction. The Bush administration will say that preventive war in Iraq will bring in its wake democracy and freedom for the long-suffering people of that land. In short, the case for war rests on the belief that the negative consequence can be avoided, that all will turn out positively. Skeptics fear that Bush's boundless optimism will turn out to be wrong. If so, then this will turn out to be a very costly and possibly counterproductive adventure.

#### AVOIDING WAR: ARE THERE ACCEPTABLE ALTERNATIVES?

##### *Why War is Unnecessary*

Proponents and critics of the proposed preventive war against Iraq offer very different answers to these two critical questions: "What costs?" and "What consequences?" They also differ greatly on the answer to a third pivotal question, "What alternatives?" Are there acceptable alternatives to the proposed war?<sup>115</sup> As noted, the Bush administration sees none. The national security advisor has put the point plainly, arguing in public statements that the United States has no choice but to act. "We do not have the luxury of doing nothing."<sup>116</sup> For proponents of the war, this is a very effective way of framing the issue. Arguments about the possible costs and risks of a preventive war are moot if no acceptable alternative policy is available.

There can indeed be circumstances in which war, no matter what attendant risks and potential costs, is imperative and unavoidable. Whether this is now in fact the case with Iraq is highly debatable; this is a premise that needs to be examined carefully, not an inexorable conclusion to be accepted uncritically. Certainly Saddam's regime is both unattractive and hostile. Certainly it is capable of taking dangerous steps and of menacing others. But though these points appear to be widely accepted, most of the world seems to reject the proposition that preventive war with Iraq is necessary and inevitable. In the protracted diplomatic battle in the UN Security Council over the wording of the new resolution about Iraq the United States failed to gain the automatic trigger for war as the Bush administration had hoped: As one diplomat commented, "The United States has not persuaded other countries that there is an immediate threat posed by Iraq. This looks like a battle over words, but it's really a battle over the failure of the United States to make its case."<sup>117</sup> Why is the case for war unpersuasive to so many others when it is so compelling to the Bush administration? What are the sources of this rather profound disagreement? Several factors weigh heavily in the thinking of those who reject the Bush administration's argument that war is unavoidable.

115. An excellent discussion of alternatives can be found in Patrick Clawson, ed., *Iraq Strategy Review: Options for U.S. Policy* (Washington, D.C.: The Washington Institute for Near East Policy, 1998). Because it was written before the current war scare, it has the advantage of assessing options outside the intense passions of the current debate.

116. Rice as quoted in Glenn Kessler, "Rice Lays Out the Case for War in Iraq," *Washington Post*, 16 August 2002.

117. Steven Weisman, "Language Barrier at the UN: Once More Into the Breach," *New York Times*, 3 November 2002.

First, Iraq operates from a very limited power base. Indeed, relative to the United States, Iraq is strikingly small, weak, and vulnerable. Its population of approximately twenty-two million is well less than 10 percent that of the United States – and the Bush administration itself suggests that large portions of the Iraqi population are disloyal but suppressed opponents of the regime. Iraq’s estimated 2001 defense expenditures of \$1.4 billion pale in comparison to a rapidly growing U.S. defense budget in excess of \$300 billion.<sup>118</sup> Iraq’s defense spending is less than one half of 1 percent of the U.S. defense budget; and it is an even more miniscule proportion of the defense spending of any coalition that might take up arms against it. Iraq’s economy is similarly vastly smaller than that of the United States, with an estimated 2001 GDP of \$15 billion compared to a U.S. GDP of \$10.2 trillion; the U.S. economy is roughly 700 times that of Iraq. In short, the power of the United States is staggering compared to that of Iraq – leaving many outside the United States mystified at why Washington is so obsessed with and so fearful of what is, in the end, a minor power whose wealth and power have been truncated by internationally imposed constraints.

But further, Iraq is not terribly powerful even relative to its regional rivals (see Table below). Iran and Turkey, both bordering on Iraq and hostile to it, are much larger powers. Turkey has three times the population, ten times the GDP, five times the defense expenditures, and 50 percent more men under arms than does Iraq – and as a NATO member Turkey has the defense support of the United States and access to American military technology. Iran has three times the population, nearly six times the GDP, three times the defense expenditures, and 50 percent more men under arms. Iraq’s other great adversary in the region, Israel, outspends Iraq nearly ten-fold on defense, benefits from American military technology and assistance, and is widely regarded as possessing nuclear weapons capabilities and a significant qualitative edge over all other states in the region. Even Saudi Arabia, though regarded as vulnerable to Saddam’s menace and in need of American protection, is not hopelessly overmatched in aggregate resources; it has a population almost identical in size to that of Iraq, it has a GDP that is just shy of twelve times that of Iraq, its defense expenditures are 17.5 times those of Iraq, and though it has only one-third as many men under arms, it possesses an expensive and advanced air force. Tiny Kuwait, with less than 10 percent of Iraq’s population and only 15,500 men under arms, nevertheless has three times the GDP and three times the estimated defense expenditures of Iraq. And it is worth underlining that while not all these states are particularly friendly with each other, they are all hostile toward Iraq.

Table. Iraq and the Regional Balance of Power, 2001

Country	Population	GDP in U.S. dollars	Defense Expenditures	Men Under Arms
Iraq	22,300,000	\$ 15 billion	\$ 1.4 billion	389,000
Iran	68,281,000	\$ 82 billion	\$ 4.8 billion	520,000
Turkey	67,600,000	\$148 billion	\$ 7.4 billion	514,850
Saudi Arabia	21,000,000	\$176 billion	\$24.7 billion	124,500
Israel	6,200,000	\$110 billion	\$10.6 billion	161,500
Kuwait	2,065,000	\$ 42.3 billion	\$ 5.1 billion	15,500

Source: *The Military Balance*, 2002–2003.

118. The data in this paragraph and the next are taken from the relevant sections of International Institute for Strategic Studies, *The Military Balance 2002–2003* (London: Oxford University Press, 2002).



To all these aggregate considerations must be added the qualitative factor that Saddam has been denied access to international arms markets since 1991. He has not been able to modernize his major combat equipment. No doubt some weapons purchases have been made on the black market and smuggled into Iraq. But this can produce only marginal improvements in Iraq's capabilities. For the most part, Saddam possesses an arsenal of old and inferior Soviet equipment left over from the Gulf war. This equipment did not perform well then and is now a dozen years older. Compared to the forces arrayed against him, Saddam's military is limited, even crippled, in a number of important respects.

Thus, when viewed in the context of the regional balance of power, Saddam's Iraq does not appear to be a dominating power, much less an unstoppable juggernaut. Saddam may have a menacing reputation and expansionist aspirations, but his capability to expand actually appears to be rather limited while his array of enemies is impressive and possesses substantial resource advantages. Those who view Iraq in this perspective do not see the same large and urgent threat portrayed by the Bush administration, even if they recognize Saddam's disturbing ambitions.

Second, there does not seem to be anything new that has been learned about Saddam Hussein in the last decade that was not known in 1991 when the first Bush administration judged that it was not worthwhile to employ U.S. military power to remove him (though the United States had huge forces in the region and military units literally on the road to Baghdad). His brutal character and his human rights abuses were well-known. His use of chemical weapons had already taken place. His aspiration to acquire nuclear weapons was understood. His willingness to use force had been demonstrated in the Iran-Iraq war and the 1991 Gulf war. As these examples attest, many of Saddam's worst sins were committed a decade or more in the past. Some of those sins were committed during the period when he enjoyed U.S. and Western support in alignment against Iran.

For many skeptics of the war, something major is lacking: the momentous piece of evidence that would explain why war now, when Saddam is no different than he has been for years and decades. Writing in 1998 of the possibility that the United States might invade and occupy Iraq, John Hillen wrote, "Obviously, the United States and its allies would never entertain such an extreme policy unless Iraq carried out a significant act of aggression."<sup>119</sup> The Bush administration has vaguely invoked a connection between Saddam and Al Qaeda, but not a single tangible piece of evidence to support this connection has been made public, nor do leaders and officials of other states seem convinced by whatever explanations the Bush administration is offering privately. This is a telling point, because the Bush administration is highly motivated to find real evidence of such a connection, it has had many months to do so, and no doubt if such evidence did exist it would have been trumpeted around the world many times over. Instead, the Bush administration makes the rather tepid claim that Al Qaeda operatives have been spotted in Iraq. Of course, the same could be said of Florida. This claim does not demonstrate a meaningful link between those long-time antagonists, Saddam and Osama bin Laden (who appear to share little other than enmity for the United States). Thus, while the Bush administration sees the preventive war against Iraq as the

119. John Hillen, "Invade: Conquering and Occupying Iraq," in Clawson, ed., *Iraq Strategy Review*, 116. Hillen also identifies a number of conditions that must be met if an invasion is to succeed. Some of these have not been fully met in the current crisis.

necessary next step in the struggle against terrorism, skeptics see no direct connection at all to Al Qaeda and see little in the recent behavior of Saddam, unsavory though he may be, to justify an attack upon him.

Third, the Bush administration's argument about why this war cannot be avoided is built around a set of premises and claims that are debatable and unpersuasive to many. The alternative that Washington rejects as unacceptable – continuing to contain, deter, and undermine Saddam – is deemed not merely acceptable but preferable by most other states, by essentially all of Saddam's regional adversaries, and by internal critics of the war. This divergent preference is based on different conclusions about the feasibility and effectiveness of efforts to contain, deter, and inspect Iraq. In contrast to the Bush administration, which appears to be very much in the minority in its judgments on these matters, most of the world regards Saddam as an unpleasant but manageable problem and comes to opposite conclusions about the prospects for keeping him "in his box."

*Saddam can be adequately contained.* Though the Bush administration believes that containment will not work, over the past decade Saddam has in fact been contained. Saddam's country has been subjected to de facto partition. His sovereignty has been compromised. His access to arms markets has been greatly circumscribed. Indeed, as noted, he has been unable to modernize his military in any systematic way, and has been forced to pursue whatever equipment can be bought from minor suppliers and smuggled into Iraq. His economic position has been weakened. He has been subjected to painful if imperfect economic sanctions. Two-thirds of his oil fields sit idle. His ability to promote the exploration and development of Iraq's oil reserves has been crippled.<sup>120</sup> He has been subjected to regular military strikes in response to his transgressions. His every move is subjected to the closest scrutiny. As noted above, he has been left in a weakened position that affords him little opportunity in the short run to threaten his neighbors, whatever his ambitions.

This is not to suggest that the containment policy has worked flawlessly. The past decade of dealing with Iraq has often been unpleasant and imperfect. The collapse of the inspection regime over the past several years is an obvious failure. Similarly, the restrictions on Iraq's international trade activity have been evaded and subverted.<sup>121</sup> Despite the flaws, however, containment has been acceptable and effective in limiting Saddam's power and containing his ambitions. Moreover, with greater international will and cooperation, the containment of Iraq could (and should) be strengthened. And despite the views of the Bush administration, containment has been deemed satisfactory even by Saddam's neighbors, who are most directly threatened by him.

*Inspections are useful.* Inspections are not a complete answer to the challenge posed by Saddam's lust for weapons of mass destruction. Nor can they ever give full confidence that no illicit activities are taking place. If held to a standard of perfection,

120. On the state of the oil industry in Iraq, see "Giant Fields of Dreams," *New York Times*, 3 November 2002.

121. See, for example, Mark Hosenball, "Iraq's Black Gold," *Newsweek*, 11 November 2002, pp. 26–30, which spells out Iraq's methods for illicitly selling oil on the international market despite UN sanctions. See also Gary Milhollin and Kelly Motz, "Shopping with Saddam Hussein," *Commentary*, July-August 2001, pp. 23–27, for a discussion of how Iraq circumvents UN restrictions in order to further its WMD programs.

inspections will always fail the test. However, sustained, properly conceived, and appropriately supported inspections can serve useful purposes. They expose Saddam to the risk of detection if he does conduct illicit WMD activity. The outside world will worry about cheating that may remain undetected, but Saddam will have to worry about the cheating that may be found – not least because this could provide the Bush administration with the *causus belli* that it presently lacks. Saddam will need to proceed on the assumption that Iraq is being subjected to intense scrutiny, not only by UN inspectors when they are functioning, but also by intelligence services. If Iraq is pursuing a covert nuclear program, inspections force it to undertake inefficient and costly efforts to elude detection – by trying to hide facilities or make them mobile, for example. They also make it very difficult to engage in the large-scale activities normally associated with a serious nuclear weapons program because these are likely to attract the attention of inspectors. Even to produce modest amounts of highly enriched uranium, for example, Iraq would need to utilize 1,000 or more centrifuges, the accumulation of which would require extensive traffic in prohibited technology and the operation of which would require a substantial facility. It is not impossible to do all this covertly, but it is surely much more difficult when Iraq is regarded as deeply untrustworthy. Any suspicious activity invites the attention of UN inspectors who are, under the terms of the new resolution, granted broad and intrusive authority to investigate.

Further, under the terms of the 1991 settlement of the Gulf war, the U.N. was empowered not simply to inspect Iraq in search of illicit WMD programs. It was authorized to destroy any WMD assets that it discovered. As a consequence, over the years that UNSCOM was operating (1991–1998), much of the nuclear program that Saddam had built up was directly destroyed by the hand of the UN. Director General of the International Atomic Energy Agency (IAEA) Mohamed El Baradei has written of this experience: “We neutralized Iraq’s nuclear program. We confiscated its weaponisable material. We destroyed, removed or rendered harmless all its facilities and equipment relevant to nuclear weapons production. And while we did not claim absolute certainty, we were confident that we had not missed any significant component of Iraq’s nuclear program.”<sup>122</sup> Nuclear experts David Albright and Khidhir Hamza confirm, “Vast amounts of equipment, materials, and facilities have been destroyed by the inspectors.”<sup>123</sup> Successful inspections can result in – indeed, have resulted in – serious setbacks to Saddam’s nuclear ambitions.

Thus, sustained and effective inspections, while no guarantee that Iraq’s illicit nuclear efforts have stopped, can slow and inhibit its nuclear weapons program, impose additional costs and inefficiencies, and reverse progress when prohibited activities are discovered. To be sure, erratic and ineffectual inspections will be much less effective at achieving these desirable results. Hence a central goal of present policy should be well conceived and sternly implemented inspections.<sup>124</sup>

*Saddam is deterrable.* Though the Bush administration believes that Saddam cannot be deterred, others believe that he is deterrable, and indeed that he has been

122. Mohamed El Baradei, “Inspections Are the Key,” *Washington Post*, 21 October 2002.

123. From the very useful discussion in David Albright and Khidhir Hamza, “Iraq’s Reconstitution of Its Nuclear Weapons Program,” *Arms Control Today* (October 1998). Quotation from the web version available at <<http://www.armscontrol.org/act/>>.

124. See, for example, the symposium, “Disarming Iraq: How Weapons Inspections Can Work,” *Arms Control Today*, November 2002, available at <<http://www.armscontrol.org/act/>>.

deterred. He did not use chemical weapons in the 1991 Gulf war, though he certainly possessed them, and the explicit threats of the first Bush administration are viewed by many as part of the explanation. It is true that Saddam has used chemical weapons twice in the past, but never against anyone who could retaliate in some commensurate fashion. Moreover, it is thought that Saddam has possessed chemical (and perhaps also biological) weapons over all the intervening years since 1991, but he has not used them. As international relations experts Steven Walt and John Mearsheimer ask, “If Hussein is a tyrant who cannot be deterred, what is stopping him from using WMD against U.S. forces in the Persian Gulf, forces that have bombed Iraq repeatedly over the past decade?”<sup>125</sup>

What about Saddam’s repeated aggressions? As proponents of the war frequently point out, such attacks indicate an appetite for expansion and a willingness to use force. But others who have looked carefully at Iraq’s behavior conclude that his wars with Iran and Kuwait were not irrational and uncalculating acts of an undeterrable force. Rather, both times that Saddam went to war, he was attacking at moments when he determined that he could succeed. Again, Mearsheimer and Walt offer a conclusion that conveys the point:

A careful look at Hussein’s two wars with his neighbors shows that his behavior was far from reckless, and that he was not fighting to dominate the Persian Gulf. In fact, both times he went to war because Iraq was vulnerable and he had good reason to believe his targets were weak and isolated. In each case, his goal was to rectify Iraq’s strategic dilemma with a limited military victory. There is no evidence that he sought to dominate the region, or that he would have been able to do so even if Iraq had been victorious.<sup>126</sup>

In this view, Saddam is not hell-bent on domination but rather opportunistically driven to repair Iraq’s vulnerabilities at moments that seem propitious. He is not an irrational, unstoppable force but a cunning strategic actor. He is not a reckless and self-destructive figure but a calculating and self-interested survivor. He has been willing to gamble, but only when the odds seemed favorable. Those who see Saddam more from this perspective will believe that he can be deterred. If so, then obviously preventive war is not necessary to deal with the threat he poses.

*Proliferation is not inevitable.* No one questions Saddam’s aspiration to acquire nuclear weapons. His appetite for weapons of mass destruction appears to be insatiable. But he has been seeking nuclear weapons for some thirty years, since the early 1970s.<sup>127</sup> Without question, Iraq had made progress by 1991, at the time of the Gulf war. But even then, after two decades and billions of dollars, it was still struggling to find a way to generate the necessary fissile material on a production scale. Iraq had not solved the hardest and most essential problem associated with the acquisition of

125. John J. Mearsheimer and Stephen M. Walt, “Can Saddam Be Contained? History Says Yes” (unpublished manuscript), 5.

126. *Ibid.*, 2.

127. A concise but fairly detailed account of Iraq’s nuclear weapons program can be found in Albright and Hamza, “Iraq’s Reconstitution of Its Nuclear Weapons Program.” For an extensive insider account of Saddam’s quest for the bomb, see Khidhir Hamza with Jeff Stein, *Saddam’s Bomb Maker: The Terrifying Inside Story of the Iraqi Nuclear and Biological Weapons Agenda* (New York: Scribners, 2000).

nuclear weapons: the irreducible need for fissile material. With the destruction of essentially Iraq's entire nuclear weapons infrastructure during the course of the 1990s, Saddam is probably further from a weapon today than he was in 1991.

There is universal agreement among both proponents and opponents of preventive war that it is desirable to keep it this way, to prevent Saddam from getting what he needs to manufacture nuclear weapons. This can be done far short of war by foreclosing Saddam's opportunities to obtain fissile material. In the first instance, this would imply redoubled efforts to secure still inadequately protected holdings of fissile material – especially highly enriched uranium – in Russia and the other states of the former Soviet Union. Until September 11, the Bush administration was intending to cut programs aimed at helping Russia improve the security of its enormous inventories of fissile material. But if one is really worried about Saddam's nuclear ambitions, no programs could be more imperative. Illicit purchase of a sufficient quantity of weapons grade material would by far be Saddam's most direct route to nuclear weapons.

His only alternative is to develop the capacity to manufacture fissile material within Iraq. This will require him to obtain illicitly large quantities of forbidden technologies. It is possible that through black market machinations Saddam will be able to get his hands on some of the requisite technology. But there is an entire system for regulating international nuclear commerce that is intended to make this difficult. And Saddam is subjected to particular scrutiny, so it will not be easy for him to succeed in covertly obtaining an industrial capacity to manufacture fissile material; there is a substantial risk that large flows of such technology will be detected, particularly if Iraq is being subjected to regular, intrusive inspections.

Nevertheless, every effort should be made to increase Iraq's difficulties in obtaining illicit nuclear commerce. A reinvigorated inspection regime is one element. Enhanced border monitoring to scrutinize the flow of goods and materials into Iraq from neighboring states is another step that could be taken.<sup>128</sup> Rather than assume that Saddam will eventually succeed in obtaining nuclear weapons, it seems sensible to take every precaution to see that he fails in this quest.

*Saddam is too weak to be aggressive.* Advocates of the preventive war have suggested that when Saddam Hussein is armed with nuclear weapons, he will then be in a position to pursue his aggressive designs behind a shield of nuclear threats. Critics of this view question whether Saddam will ever succeed in acquiring nuclear weapons and urge that strenuous efforts be made to prevent him from doing so. But even if he does attain a nuclear capability, he will still be both deterrable and conventionally weak. There is no reason to assume that Saddam will then be free to run amok. Certainly, in any context in which Saddam must contend with the United States, his inevitably limited nuclear capability will be massively outclassed by the nuclear arsenal at Washington's command. Any use of nuclear weapons against the United States would certainly elicit the most ferocious reprisal; that is one thing Saddam could do that would ensure the end of his regime. In addition, as mentioned, Israel has its own nuclear arsenal. Turkey is protected by NATO's nuclear umbrella. Kuwait and Saudi

128. According to David Cortright and George Lopez, this would be the "chief component" of an enhanced program of containment. See their "Disarming Iraq: Nonmilitary Strategies and Options," *Arms Control Today* (September 2002).

Arabia are protected by the United States. It is not obvious where Saddam turns to find an open field in which to exploit a small nuclear capability.

All told, just as the Bush administration's judgments on these five points lead to the conclusion that preventive war is unavoidable, opponents of the war offer a set of perspectives on these points that lead to the conclusion that preventive war is not necessary. Where proponents of the war see Saddam as a domineering, irrational, undeterrable monster, opponents see a weak and vulnerable Iraq, incapable of aggression, headed by a figure who is brutal but deterrable, reprehensible but containable. Hence, what is needed is not preventive war but a policy of vigilant containment.<sup>129</sup>

### *Are there Alternatives to Preventive War?*

Though the Bush administration has concluded otherwise, the wider international community, as well as skeptics at home, believes that there is an alternative that seems feasible and acceptable. It is to continue basically the practice of the past decade, which has involved sustained efforts to deter, contain, and undermine Iraq.

Imagine a world ten years hence, in which a long-lived Saddam has been subjected to another decade in which a program of containment has worked as well as the containment of the last decade. Saddam will have pursued nuclear weapons but not obtained them. He will have possessed chemical and biological weapons, but not used them. He will have wanted to modernize his military but been unable to do so in any meaningful way. He will have coveted the full revenues from Iraqi oil exports but been denied them. He will have wanted to expand Iraq's oil sector but been prevented from doing so. He may have wanted to implement an expansionist foreign policy, but he will be too weak to do so. Of course, if the system of containment can be improved and strengthened, then Saddam will be even more constrained and the risks of this strategy will be further reduced. This is a vision of the future that is acceptable to most parties other than the Bush administration. In my view, this approach is preferable to the gamble of war.

It is hard to understand why this is not the first preference of the Bush administration as well. If it is prepared to incur all the costs, risks, and difficulties of launching a preventive war over the protests of a doubting world, why isn't it prepared to make strenuous efforts to strengthen the containment of Saddam? If it is prepared to cajole, bribe, browbeat, intimidate, and coerce to gain needed support for its war, why won't it make similar exertions to gain international cooperation in keeping Saddam "in his box?" The Bush administration is correct that the containment system imposed on Iraq is imperfect and had been eroding. Why isn't the first answer to this problem to attempt at least to repair and strengthen that system? Indeed, at this point, having created momentum toward war, the Bush administration may be in a strong position to extract cooperation both from those states who are essential to the containment of Iraq and from Iraq itself. If Washington played its hand this way, the war scare of 2002 would look in retrospect like a brilliant diplomatic strategy that reanimated the efforts of the international community to restrain Iraq.

129. See, for example, Mearsheimer and Walt, "Can Saddam be Contained?" *History Says Yes*, 9, which concludes: "Both logic and historical evidence suggest that a policy of vigilant containment would work, both now and in the event that Iraq did get a nuclear weapon."

## CONCLUSION

The Bush administration has embraced a set of expectations about the costs and consequences of a preventive war with Iraq that incline it to act. Those who do not share those optimistic expectations are much more fearful about the price that may be paid, about the problems that may arise, and about the consequences that may ensue. Where proponents of the war tend to see opportunity, opponents see risks and dangers. Where proponents of this war see it as a fulfillment of Washington's global leadership role, opponents worry that it may undermine the ability of the United States to play a constructive role in shaping the international order. Where proponents of the war believe that it will buttress respect for American power and shore up Washington's global standing, opponents fear that it will damage America's reputation and subvert its international influence. Many of these differences, in truth, have their origins in very different attitudes about the value of American predominance, about the international order to be desired, and about the likely effects of the use of force.

In effect, this debate involves a competing set of predictions about the impact of a preventive war against Iraq. 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? These are the questions that haunt worried skeptics about the war. They see many ways that costs could mount, many scenarios in which the interests of the United States and its partners are adversely affected. To be sure, it is not likely that all the negative predictions about the war will come true. But if the critics are even partially correct – if Saddam does succeed in implementing some of his options for making the war painful and messy, if the conflict does produce some of the undesired counterproductive effects feared by opponents of the war – then the cost-benefit calculus associated with this war will be very different from the one offered by the Bush administration. That is what makes this war such a gamble.

# The Economic Consequences of a War with Iraq

WILLIAM D. NORDHAUS

Armed with strong resolutions from the U.S. Congress and the UN Security Council, the United States is marching toward war with Iraq. The October 2002 Congressional Resolution authorizing the use of force describes U.S. policy, “to defend the national security of the United States against the continuing threat posed by Iraq and enforce all relevant United Nations Security Council resolutions regarding Iraq.”<sup>1</sup> In early November 2002, the unanimous Security Council Resolution warned “Iraq that it will face serious consequences as a result of its continued violations of its obligations. . . .”<sup>2</sup>

The major benefits of a war are reckoned to be disarming Iraq of its weapons of mass destruction and removing a leadership that is unrelentingly hostile to the United States.

But what of the costs? Even asking such a question may be thought a sign of insufficient resolve at best and appeasement at worst. However, while cost estimates are often ignored when war is debated, most people recognize that the costs in dollars, and especially in blood, are acceptable only as long as they are low. If the casualty estimates mount to the thousands, if oil prices skyrocket, if a war pushes the economy into recession or requires a large tax increase, and if the United States becomes a pariah in the world because of callous attacks on civilian populations, then decisionmakers in the White House and the Congress might not post so expeditiously to battle.

Given the salience of cost, it is surprising that there have been no systematic public analyses of the economics of a military conflict in Iraq. This essay attempts to fill the gap. It is recognized that the estimates here are virtually certain to be wrong, for the fog of war extends far beyond the battlefield to include forecasts of political reactions and economic consequences. However, as Keynes said, it is better to be vaguely right than precisely wrong.

While historians have documented the many miscalculations involved in war, little has been written on faulty economic forecasts, but a couple of examples will suffice. Lincoln’s Secretary of the Treasury estimated that the direct cost of the war to the North would be \$240 million, which amounted to about 7 percent of annual GDP at

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1. H.J.Res.114 (October 2002).

2. Resolution 1441 at Security Council meeting 4644, 8 November 2002.



that time. The actual cost to the North turned out to be \$3,200 million, or about 13 times the original estimated cost.<sup>3</sup> The cost to the South was much greater, for most of its capital stock was destroyed and output per worker was depressed for nearly a century. The most prophetic economic analysis of war and peace of all time, Keynes's *Economic Consequences of the Peace*, did not foresee the great German inflation that was virtually at hand, nor did it contain any hints of the coming Great Depressions in Britain of the 1920s or of the world of the 1930s.

In recent times, the costs of the Vietnam War were grossly underestimated even as the buildup occurred. The original budget projection in early 1966 underestimated the cost for the subsequent fiscal year by \$10 billion, or about 1.5 percent of GDP. In assuming that the war would end by June 1967, the Pentagon underestimated the total cost of the war by around 90 percent. The war in fact dragged on until 1973, and the total direct cost was in the range of \$110 billion to \$150 billion.<sup>4</sup> The indirect costs were more difficult to gauge but comprised inflation and economic instability, civil unrest, and, some have argued, a growing disenchantment with authority and government in the United States.

## ESTIMATING THE COSTS OF WAR

### *The Economic Background in Iraq*

It is widely recognized that the United States is an economic and military superpower. The military status of Iraq has been carefully reviewed,<sup>5</sup> and I will concentrate on the current economic situation, beginning with Iraq's major economic asset, oil.

Oil experts believe that Iraq has immense oil resources. Iraq has about 10 percent of the world's proven oil reserves and resources. A review in early 2002 by the U.S. Energy Information Agency stated:

Iraq contains 112 billion barrels of proven oil reserves, the second largest in the world (behind Saudi Arabia) along with roughly 220 billion barrels of probable and possible resources. Iraq's true resource potential may be far greater than this, however, as the country is relatively unexplored due to years of war and sanctions. Deep oil-bearing formations located mainly in the vast Western Desert region, for instance, could yield large additional oil resources, but have not been explored.<sup>6</sup>

Iraq's oil resources could satisfy current U.S. oil imports for almost a century.

Iraq's oil production in 2000 and 2001 averaged around 2.5 million barrels per day (bpd). About 1 million bpd of this came from the northern Kirkuk field located largely in Kurdish Iraq, and the balance was produced largely in the southern, Shiite-majority Rumaila region.

3. See Table 2 below.

4. The economic story is thoughtfully laid out in Arthur Okun, *The Political Economy of Prosperity* (Washington, D.C.: Brookings, 1970), chap. 3.

5. See particularly Anthony H. Cordesman, *Iraq's Military Capabilities in 2002: A Dynamic Net Assessment* (Washington, D.C.: Center for Strategic and International Studies, September 2002).

6. <<http://www.eia.doe.gov/emeu/cabs/iraq.html>>.

What is the current state of Iraq's economy? The regime of Saddam Hussein has been as disastrous for the Iraqi economy as for other aspects of Iraqi society. Iraq's statistical system, like much of its economy, is in a sad state. None of the major international organizations has provided reliable data on Iraq's economy for the last decade, but a rough estimate of economic conditions can be obtained on the basis of informal estimates.

In recent decades, Iraq has been heavily dependent upon oil production. During those periods when oil production was not constrained by war or sanctions, it peaked at around 3 million bpd, or about 1 billion barrels per year. This constituted about half of Iraq's GDP during the late 1970s. GDP per capita peaked in 1979 at around \$9,000 in 2002 prices.

The year 1979 also marked Saddam Hussein's rise to power. Since that time, Iraq has experienced one of the most catastrophic economic declines in modern history. It appears that per capita income was in the range of \$1,000–1,200 in 2001. These figures suggest that in the 23 years since Saddam came to power, living standards in Iraq's economy have declined by around 90 percent.

The first phase of the economic decline came during the Iran-Iraq war (1980–1988), and second during the first Persian Gulf war and under the subsequent UN sanctions. The Iran-Iraq war dealt a devastating blow to the Iraqi economy. The war destroyed a large part of Iraq's capital stock, reduced oil production and exports, and depleted much of its foreign assets and foreign exchange reserves. Kamran Mofid estimated that the total cost to Iraq was \$450 billion (in current dollars), which amounts to about eight years of Iraq's GDP at that time.<sup>7</sup>

The first Persian Gulf war and the ensuing sanctions dealt two more blows to Iraq's economy. The war destroyed about \$230 billion of infrastructure.<sup>8</sup> The UN sanctions in place since 1991 have been the most severe ever imposed. Under sanctions, oil production during the 1991–2002 period averaged 1.4 million bpd. Assuming that Iraq could have produced 3 million bpd during this period, the revenue shortfall since the first Persian Gulf war was about \$150 billion. Although reliable statistics on the Iraqi GDP are unavailable, it probably averaged \$25 billion in the 1990s. This suggests that the sanctions reduced Iraq's oil revenues by approximately six years of GDP, and the total cost to the Iraqi economy was probably even larger than that. Overall, the wars and sanctions during the Saddam regime probably cost Iraq in the order of two decades of GDP in lost output, capital, and financial resources. There are no parallels in modern history to economic devastation on that scale.

Economic statistics are too abstract to capture the grim reality on the ground. A recent report captures the impact of economic decline on day-to-day life.

While the accuracy of statistics demonstrating the impact of United Nations sanctions on Iraq cannot be fully determined, there is no question that their impact has been severe. Infant mortality has doubled from the pre-sanctions era, with the Food and Agriculture Organization (FAO) reporting a fivefold increase in mortality among children under age five. Kwashiorkor and marasmus – symptoms of severe protein deficiency and usually seen only in famines – are

7. Kamran Mofid, *The Economic Consequences of the Gulf War* (London: Routledge, 1990).

8. Abbas Alnasrawi, *The Economy of Iraq* (Westport, CT: Greenwood Press, 1994).

increasingly common. . . . According to the World Health Organization (WHO), “The vast majority of the country’s population has been on a semi-starvation diet for years.” An FAO Mission to Iraq in the summer of 1997 found that 25 percent of young men and 16 percent of young women show signs of chronic energy deficiency, reflecting the reduced availability of food over the past seven years . . . . Before sanctions, 93 percent of urban and 70 percent of rural residents had access to potable water. Currently more than half of rural residents do not have access to clean water.<sup>9</sup>

### *The Costs of Wars Past*

Before analyzing the current conflict, it will be useful to review the costs of past major wars. Table 1 shows the size of forces and total fatalities suffered by the United States in past wars.

Table 1. American Casualties from Major American Wars

Conflict	Population [millions]	Military Personnel		Fatalities	
		[thousands]	[% of population]	[numbers]	[% of population]
Revolutionary War	3.5	200	5.7%	4,435	0.127%
War of 1812	7.6	286	3.8%	2,260	0.030%
Mexican War	21.1	79	0.4%	1,733	0.008%
Civil War					
Union	26.2	2,803	10.7%	110,070	0.420%
Confederate	8.1	1,064	13.1%	74,524	0.920%
Combined	34.3	3,868	11.1%	184,594	0.538%
Spanish- American War	74.6	307	0.4%	385	0.001%
World War I	102.8	4,744	4.6%	53,513	0.052%
World War II	133.5	16,354	12.2%	292,131	0.219%
Korean War	151.7	5,764	3.8%	33,651	0.022%
Vietnam War	204.9	8,744	4.3%	47,369	0.023%
First Persian Gulf War	260.0	2750	1.1%	148	0.000%

Source: Al Nofi, *Statistical Summary: America’s Major Wars* at <<http://www.cwc.lsu.edu/cwc/other/stats/warcost.htm>>, based on *Principal Wars in which the US Participated: US Military Personnel Serving and Casualties*, Washington Headquarters Services, Directorate for Information Operations and Reports, U.S. Department of Defense Records, Table 2–23. Casualties are limited to U.S. military forces.

9. Sheila Carapico, “The Impact of Sanctions in Iraq,” *Middle East Report* No. 206 Vol. 28 No. 1 (Spring 1998), slightly edited for brevity, available at <<http://www.cam.ac.uk/societies/casi/info/themes.html#hum>>.

Table 2 provides estimates of the direct military costs to the United States of major wars (statistics on losses to adversaries are not available). These costs omit veteran's benefits and health costs, which are appropriate budgetary items and have sometimes added substantially to costs but are difficult to reckon. They also omit interest costs, which are not appropriate economic costs as they reflect decisions about financing rather than costs. Major wars in the past cost more than one-half of a year's GDP. By contrast, the first Persian Gulf war cost only about 1 percent of GDP.

Table 2. American Costs of Major Wars

Conflict	Total Direct Cost of Wars [billions]		Per Capita Cost	Cost
	[current \$]	[2002 \$]	[2002 \$]	[% of annual GDP]
Revolutionary War (1775 – 1783)	0.1	2.2	447	63%
War of 1812 (1812 – 1815)	0.09	1.1	120	13%
Mexican War (1846 – 1848)	0.07	1.6	68	3%
Civil War (1861 – 1865)				
Union	3.2	38.1	1,357	84%
Confederate	2.0	23.8	2,749	169%
Combined	5.2	62.0	1,686	104%
Spanish American War (1898)	0.4	9.6	110	3%
World War I (1917 – 1918)	16.8	190.6	2,489	24%
World War II (1941 – 1945)	285.4	2,896.3	20,388	130%
Korea (1950 – 1953)	54.0	335.9	2,266	15%
Vietnam (1964 – 1972)	111.0	494.3	2,204	12%
First Persian Gulf War (1990 – 1991)	61.0	76.1	306	1%

Source: U.S. Commerce Department, *Historical Statistics of the United States*, Government Printing Office, 1975, vol. 2, series Y, and Al Nofi, *Statistical Summary: America's Major Wars* at <<http://www.cwc.lsu.edu/cwc/other/stats/warcost.htm>>. Estimates in 2002 dollars are reflatd using the GDP deflator. The costs include only costs to the U.S. federal budget and generally exclude postwar costs of veterans' pensions and health benefits.

## MILITARY SCENARIOS

An assessment of the costs of a war with Iraq is based on scenarios for the conduct of the war, the aftermath of hostilities, the impacts on oil markets, and the macroeconomic effects. It is impossible to project the detailed military strategies. However, we can describe the general contours of a “quick victory” and a “protracted conflict” and attempt to put price tags on each.

The difference between the good and bad cases is unlikely to revolve around the victor, for there is little doubt among military specialists that the United States will prevail if it enters with overwhelming force and perseveres through all obstacles. Rather, the difference lies in the duration of the conflict, the total damage to Iraq, civilian casualties, the potential for unconventional warfare, and the spread of the conflict outside Iraq.

Several studies have outlined the likely force requirements for a full-scale invasion of Iraq. A study prepared by the Democratic staff of the House Budget Committee<sup>10</sup> and studies by private specialists such as Anthony H. Cordesman, Michael E. O'Hanlon, and Kenneth M. Pollack<sup>11</sup> lay out a plausible starting point for the analysis. Most experts believe that the war would begin with an intensive bombing of Iraqi targets, focusing on command and control sites, leadership headquarters, Scud missiles, chemical, biological, radiological, and nuclear (CBRN) weapons sites, communications infrastructure, and elite Republican guard troops.<sup>12</sup>

These studies estimate that the United States will need to deploy between 150,000 and 350,000 personnel to achieve overwhelming force – this being approximately half of the troop strength deployed in the first Persian Gulf war. To some extent, the conduct of the war will be limited by decisions on use of territory by Turkey, Jordan, and Saudi Arabia. Specialists provide a wide array of scenarios ranging from heavy reliance on Special Forces to intensive air war to ground invasion, but it seems most likely that if the United States decides to overthrow the current regime it will deploy sufficient forces to ensure that the job is accomplished swiftly. All scenarios end up with some form of capitulation by Iraq, occupation of Baghdad, and destruction or capture of Saddam and Iraq's top leadership.

The “quick victory” scenario would involve some combination of strategy and luck in which Saddam Hussein and his top leadership were captured or killed, the Iraqi ground forces surrendered quickly, and the presence of U.S. forces prevented civil disorder from breaking out in the south or Kurdish regions. This is the outcome analyzed in the Democratic staff report, which envisions between 30 and 60 days of air war, invasion, and ground combat, followed by 2.5 months of post-victory presence by troops in the theatre. It is hard to see how anything short of preemptive capitulation by the Saddam regime could be less costly than this scenario. U.S. casualties under the quick victory strategy might be similar to those in first Persian Gulf war of around 150 fatalities.

When the smoke has cleared, military analysts will spend many years sifting through the results of the battles. From an economic point of view, the tactical details are unpredictable, but they are also inessential for the economic analysis.

### *Prolonged Conflict and Nasty Outcomes*

The quick victory scenario would resemble the first Persian Gulf war, the Kosovo war, and the Afghanistan war. The outcome might instead be a prolonged conflict if the dice of war roll unfavorably. Often, as in the case of September 11, problems arise simply because people thought they could not or would not happen. Sometimes, things go wrong because there are no good ways to prevent them. However, the opportunity for miscalculation is unlimited. Anthony Cordesman concludes his review of the bat-

10. *Assessing the Cost of Military Action Against Iraq: Using Desert Shield/Desert Storm as a Basis for Estimates*, an Analysis by the House Budget Committee, Democratic Staff, 23 September 2002.

11. Cordesman, *Iraq's Military Capabilities in 2002*; Michael E. O'Hanlon, “Three Months to Baghdad,” *The Washington Times*, 30 August 2002; and Kenneth M. Pollack, *The Gathering Storm: The Case For Invading Iraq* (New York: Random House, 2002), chap. 11.

12. In addition, there have been several newspaper reports on American battle strategies purportedly coming from administration sources, but these “leaks” are as likely to be designed to mislead as to inform.

tlefield prospects by emphasizing the intrinsic uncertainty:

Anyone who looks seriously at this list of independent variables will quickly see that it is impossible to predict when and how the United States will use decisive force, the Iraqi response to a U.S.-led coalition, the nature of a U.S.-led coalition, how long Iraq can endure, and what strategy Iraq will actually pursue if it does use its CBRN weapons.<sup>13</sup>

Analysts point to a wide variety of potential complications and costs that need to be contemplated. These include the effects of prolonged conflict and an Iraqi urban defense strategy; the cost of buying support from allies; war with Israel; contagion of terrorist acts around the world; the use of weapons of mass destruction; impact on oil markets; subsequent terrorist acts inside or outside the United States; macroeconomic shocks; spillover to other policies; occupation and peacekeeping costs; reconstruction costs; humanitarian assistance; and costs of nation-building. This section outlines some potential adverse military scenarios, and the subsequent sections attempt to put a price tag on them where they involve economic impacts.

*Urban defense strategy.* A first possibility, viewed as a serious risk by military analysts, involves an urban defense strategy on the part of the Iraqis. The first Persian Gulf war was a turkey shoot in part because the turkeys were in the open desert. Cordesman described the implications of an urban strategy as follows:<sup>14</sup>

While much would depend on the loyalty of the population and the army, dispersing and sheltering in towns and cities would make it much harder to use air and missile power effectively. Iraqi fixed facilities would remain highly vulnerable, but Desert Fox, Kosovo, and Afghanistan have all shown that air targeting and weaponry have not reached the point where it is possible to destroy massive amounts of major ground weapons without high collateral damage and civilian casualties. Similarly, forcing the US and its allies to fight urban warfare on a city-by-city basis means close combat of a kind where many of the technical advantages of US troops have far less effectiveness. It also would mean giving the war a far more negative public profile in the eyes of the rest of the world.

The dangers of an urban redoubt strategy were stated forcefully by retired General Joseph Hoar, former Commander in Chief of the U.S. Central Command, before the Senate in September 2002:<sup>15</sup>

The nightmare scenario is that six Iraqi Republican Guard divisions and six heavy divisions reinforced with several thousand anti-aircraft artillery pieces defend the city of Baghdad. The result would be high casualties on both sides as well as in the civilian community. U.S. forces would certainly prevail, but at what cost and what cost as the

13. Cordesman, *Iraq's Military Capabilities in 2002*, 81.

14. *Ibid.*, 7f.

15. <<http://www.fednet.net/archive>> and cited at <<http://www.smh.com.au/text/articles/2002/09/27/1032734328055.htm>>.

rest of the world watches while we bomb and have artillery rounds exploded in densely populated Iraqi neighborhoods. . . . All our advantages of command and control, technology, mobility, all of those things are in part given up and you are working with corporals and sergeants and young men fighting street to street. It will look like the first 15 minutes of *Saving Private Ryan*.

The peril of urban warfare for the United States is that Iraqi forces have better cover, while U.S. precision weapons are not smart enough to separate out troops from civilians or tanks from trucks. O'Hanlon notes that "even after eight years of further modernization after Desert Storm, NATO air power was of quite limited effectiveness against small groups of Serb forces operating within forests, towns, and civilian populations in the Kosovo war."<sup>16</sup>

An urban defense strategy might produce much higher casualties on both sides. O'Hanlon estimates the casualties in an Iraqi war as follows:<sup>17</sup>

Based on available methodologies, the likely numbers of U.S. military personnel killed in a future war to overthrow Saddam Hussein could plausibly range anywhere from roughly 100, in the event of little fighting, to 5,000, in the event of intense if relatively short urban combat, with total numbers of wounded about three to four times as great either way.

An effective urban defense strategy by Iraq would prolong the combat, increase casualties, and broaden the destruction of Iraq's urban areas and infrastructure. Collateral damage and civilian deaths would probably be much greater, and the nightly news (or at least the news in the Arab world) would produce many grisly pictures. Intensive urban fighting would provoke massive movements of refugees fleeing combat zones and seeking the protection of American forces. A long and bloody urban conflict would induce hundreds of thousands of protesters, or more, on the streets of America, Europe, and the Muslim world.

*Iraqi use of chemical and biological weapons.* A major risk is that Iraq might successfully use biological or chemical weapons. The most likely targets would be U.S. troops, Saudi Arabia, or Israel. Cordesman provides a useful summary of the prospects:

In spite of some defector claims, it seems doubtful that Saddam has even one nuclear weapon. The same, however, is probably not true of biological and chemical weapons and a radiological weapon is possible. Iraq may also have enough components to assemble as many as 25 Scuds, has shorter range missiles, can modify drones and combat aircraft to act as "cruise missiles," and has significant capability to smuggle weapons of mass destruction out of Iraq and deliver

16. Michael E. O'Hanlon, "Counting Casualties: How many people would die in an Iraqi War?" *Slate*, 25 September 2002.

17. *Ibid.*

them covertly. There is considerable evidence that he may have the capability to make dry, storable biological weapons in aerosol form.<sup>18</sup>

Unless U.S. forces are caught by surprise, they have protective gear and training against biological and chemical weapons. However, U.S. troops have not experienced germs or gas under combat conditions in modern times, so the effectiveness of training and equipment are not established. The major threat, however, is the casualties and panic that would occur if these weapons were launched on civilian populations in large cities.

*Iraqi preemption and wider conflict in the region.* Another set of worrisome outcomes would occur if the war spills outside of Iraq. For example, Iraq might preempt the preemptors by attacking the population centers of Kuwait or Saudi Arabia, or attempting to destroy the oil facilities of other Gulf states. (I discuss the oil issues below.)

Alternatively, the conflict might stoke widespread resentment against the United States, boiling over into political protests, mob action, adverse policies, or even regime changes outside Iraq. The parade of concerns includes attacks by Russia or China on dissident groups or regions, turmoil in the Indian subcontinent, a takeover of Pakistan by fundamentalists, military conflict between Israel and its neighbors, or terrorist actions by Al Qaeda. The range of outcomes here is so broad as to defy any serious attempt to quantify the likelihood or impacts.

One particularly dangerous scenario would involve a damaging Iraqi attack on Israel, perhaps with chemical or biological weapons. Israel would probably strike back with great ferocity, leading to a further poisoning of relations between the Israel and the Arab world as well as of U.S.-Arab relations. A most frightening scenario is described by Cordesman: "If Iraq should succeed in delivering extremely lethal biological agents against an Israeli city, Israel would probably massively retaliate with nuclear ground bursts against every Iraqi city not already occupied by U.S.-led coalition forces."<sup>19</sup>

These three nasty outcomes – urban warfare, unconventional warfare, and wider escalation – are obvious to both sides. The United States has undoubtedly analyzed these scenarios and has plans to prevent, preempt, deter, or overcome them.<sup>20</sup> Successfully avoiding a wider war is probably the key to a rapid and relatively bloodless victory.

#### THE MILITARY COSTS OF A WAR

What is known about the cost of a war in Iraq? Two conceptual points need to be made before starting the analysis. First, we are attempting to estimate the total costs to the nation, not just the budgetary costs. That is, we are asking how much of our national output will be sacrificed by the war and its consequences – in effect, the loss of butter because of the resort to guns.

18. Anthony H. Cordesman, *Iraq's Military Capabilities: Fighting A Wounded, But Dangerous, Poisonous Snake* (Washington, D.C.: Center for Strategic and International Studies, 3 December 2001), 8.

19. Cordesman, *Iraq's Military Capabilities in 2002*, 45.

20. A report on a new U.S. approach to urban warfare is given in Eric Schmitt and Thom Shanker, "Threats and Responses: Military Tactics; U.S. Refines Plans For War In Cities," *The New York Times*, 22 October 2002, p. A-1.



Second, these calculations should count only the incremental costs of the war. The 82nd Airborne Division has to be paid whether it is in Iraq or North Carolina. Only additional costs such as the cost of transport, combat pay, and replacement cost of the munitions should be counted in the cost of the war. The implication of this conceptual point is that the cost of a short war is likely to be surprisingly small because most of the costs have already been paid for in the current defense budget.

### *Lindsey's Estimates*

The only public estimate of the cost of the war by the Bush administration came in an interview by Larry Lindsey, the economist-in-residence in the West Wing. As reported by *The Wall Street Journal*, Lindsey estimated the "upper bound" cost of \$100 billion to \$200 billion. He dismissed the cost as small, stating that these numbers would be only 1 to 2 percent of U.S. GDP. The *Journal* report continued:

Mr. Lindsey said that Mr. Hussein's ouster could actually ease the oil problem by increasing supplies. Iraqi production has been constrained somewhat because of its limited investment and political factors. "When there is a regime change in Iraq, you could add three million to five million barrels of production to world supply" each day, Mr. Lindsey estimated. "The successful prosecution of the war would be good for the economy."<sup>21</sup>

The lead editorial in the *Journal* joined Lindsey's upbeat assessment, opining: "the best way to keep oil prices in check is a short, successful war on Iraq that begins sooner rather than later."<sup>22</sup>

The next day, Scott McClellan, the White House spokesman, distanced the White House from Lindsey's interview.<sup>23</sup> OMB Director Mitch Daniels stated that Lindsey's estimates were "very, very high." An authoritative administration source said to the author that he knew of no basis for Lindsey's comments. Indeed, the one factual element in Lindsey's comments – the statement that a regime change in Iraq could add 3 to 5 million bpd to oil production – is far off base. The oil situation is discussed below, but the general conclusion is that Iraq's production in 2001 was close to its sustainable level.

It is certain that the Pentagon has made internal forecasts of the military cost of the war. The Council of Economic Advisers has reportedly sent a classified study of the economic impacts of a war in Iraq to the President. None of these has been made public, nor are they likely to be released for a decade. In short, aside from Lindsey's assessment, the administration has remained silent on the economic impacts of the war.

### *Estimates by the Democratic Staff of the House Budget Committee*

There were two published studies of the prospective cost of a war with Iraq prepared by government budget analysts through mid-November 2002. One was undertaken by

21. *Wall Street Journal*, 15 September 2002.

22. *Wall Street Journal*, 15 September 2002 ("Saddam's Oil").

23. White House Daily Briefing, 16 September 2002.

the Democratic Staff of the House Budget Committee (the House study)<sup>24</sup> and the second was by the Congressional Budget Office (the CBO study).<sup>25</sup>

The House study was a “top-down” analysis. It assumed that the costs of the second Persian Gulf war could be projected based on the costs of the 1990–1991 conflict. The study priced two scenarios for the war. The most relevant one is “New War A,” which involves 250,000 troops (the other scenario plans for only half that number). As Table 3 shows, New War A is estimated to cost between \$48 billion and \$60 billion.<sup>26</sup> This figure is slightly less than the earlier war, which cost about \$80 billion in today’s dollars.

Table 3: Comparing the Costs of the First Persian Gulf War to Estimates of the New War Scenario “A” (in billions of 2002 dollars)

Cost Category	Persian Gulf	New War A
Airlift/Sealift (Buildup)	10.6	6.6
Personnel & Personnel Support	21.5	11.3 – 13.4
Operating Support & Fuel	32.2	14.6 – 24.1
Investment	10.1	10.1
All Other	5.6	5.6
<i>Subtotal, Cost of Defeating Iraq</i>	<i>79.9</i>	<i>48.3 – 59.8</i>

Source: House Study, p. 2.

Most of the cost involves fuel and extra outlays for the buildup. The costs labeled “investment” are somewhat vague but appear to include the replacement cost of weapons, ammunition, weapon systems, and other equipment. The total costs of the second Persian Gulf war are estimated to be smaller than those for the first because the size of the force is estimated to be about half as large.

The advantage of relying upon the costs of Desert Shield/Desert Storm is that these represent the actual costs of operating in the same theater of operations against the same enemy. Therefore, as long as the war unfolds in roughly the same manner, the estimates are likely to be relatively accurate.

#### *Estimates by the Congressional Budget Committee*

The CBO study used a different methodology from the House study. It examined two options – a “heavy ground” option involving 370,000 military personnel in the Persian Gulf and a “heavy air” option relying primarily on air power with 250,000 military personnel. The CBO methodology was a “bottom-up” approach, which priced out the components and added them up, rather than the “top-down” approach of the House study, which priced the war based on the numbers from the earlier conflict.

Table 4 shows the CBO’s building blocks used to estimate the costs of the “heavy ground” war. Two parts, deployment and redeployment, are fixed in nature and total

24. *Assessing the Cost of Military Action Against Iraq: Using Desert Shield/Desert Storm as Basis for Estimates*, an Analysis by the House Budget Committee, Democratic Staff, 23 September 2002 (hereafter, “House study”).

25. Congressional Budget Office, “Estimated Costs of a Potential Conflict with Iraq,” September 2002, available at <<http://www.cbo.gov/>> (“CBO study”).

26. The House study also includes interest costs in the estimates. These costs are inappropriate, however, for they depend upon the financing of the war.

Table 4: Costs of Different Components of a War in Iraq for Heavy Ground Force Option (in billions of 2002 dollars)

Cost Element	Deployment [3 months]	First Month of Combat	Subsequent Months of Combat [per month]	Redeployment [3 months]	Occupation [per month]
Personnel and personnel support	4.3	1.4	1.4	4.3	n.a.
Operations support	5.4	7.1	5.4	1.5	n.a.
Transportation	2.8	0.7	0.7	1.5	n.a.
Total	12.5	9.2	7.5	7.3	1.4 to 3.8

Source: Congressional Budget Office Study, Table 3.

about \$20 billion. The other component of wartime cost is combat, estimated to cost \$9 billion per month for the first month and \$8 billion for subsequent months. (The heavy air scenario costs slightly less.)

We can compare the two studies by plugging the assumptions for duration in the House report into the CBO costs for the different components. The “New War A” assumption in Table 3 assumed 30 days of combat plus 2.5 months of post-combat presence in the region. For a conflict of that duration, the CBO formula yields \$44 billion as compared to the House study estimate of \$48 billion to \$60 billion.

The two studies come to a slightly different conclusion, which is not surprising given that they use completely different methodologies. A reasonable ballpark estimate based on these two studies is that the cost of a short and successful war would be around \$50 billion. This compares with the cost of \$80 billion (in 2002 dollars) for the first Persian Gulf war.

Neither report estimates the costs of a protracted war. These costs would depend upon the length of the conflict, the extent to which it spread to other countries, and the need for the United States to devote more resources to the conduct of the war. Pollack considers a six-month ground invasion to be the outer limit of the length of the conflict.<sup>27</sup> One might rather consider, as a reasonable upper bound, the case where Iraq pursued an urban defense strategy and where some of the neighboring countries refused basing and overflight rights to the United States. In this situation, the conflict, including buildup and mopping up operations, might drag on for a year, and the United States might need to devote 50 percent more resources than in the “heavy ground” option analyzed by the CBO. In that case, the cost would rise from \$50 billion to around \$140 billion. While much larger, these military costs would still be only around 1.5 percent of GDP – on the scale of the Mexican or Spanish-American wars rather than the more costly Vietnam or Korean wars.

#### COSTS OF POSTWAR OCCUPATION AND RECONSTRUCTION

The two Congressional studies are valuable contributions to public awareness of the costs of the coming war. They are incomplete, however, because they explicitly exclude a number of potential costs, generally non-military in nature, most of which are highly

27. Pollack, *The Gathering Storm*, chap. 11.

uncertain. The reports exclude, with the exception of a brief mention in the CBO study, estimates of the total costs of occupation, peacekeeping, democratization, nation-building, and humanitarian assistance. They assume that there will be no use of weapons of mass destruction or subsequent terrorist activities. Furthermore, they exclude the costs of persuading other nations to support the United States and exclude impacts upon oil supplies, macroeconomic activity, and the federal budget.

This point was put more dramatically by James Fallows, who recently asked a number of experts, “What will the U.S. do when it gets to Baghdad?”<sup>28</sup> He found a long list of worries. The United States might easily face a humanitarian crisis, with tens of thousands of wounded and hundreds of thousands of refugees without adequate shelter or food. Someone will have to do the policing to keep yesterday’s victims from becoming tomorrow’s tyrants. The United States might face the cleanup of any biological or chemical weapons attacks; anthrax, for example, can remain potent for many years. Moreover, the Iraqi population might view the Americans as occupation troops rather than as liberators – in essence, they might see themselves as Palestinians on the Tigris.

### *Occupation and Peacekeeping*

General Wesley Clark, who oversaw implementation of the Bosnia peace accord and commanded NATO forces in Kosovo, recommended that, after a war in Iraq, the United States should plan for humanitarian assistance, police and judicial capabilities, emergency medical and reconstruction assistance, and preparations for a transitional governing body.<sup>29</sup>

It seems highly likely that there will need to be a substantial occupation and peacekeeping force in Iraq for a lengthy period after the war. There is no evidence that the American people are prepared for the potential scale of the operation. Gordon and O’Hanlon provide the following estimates:<sup>30</sup>

[T]o avoid the risk of prolonged conflict among various Kurdish, Shi’a, and Sunni groups, which could draw Iraq’s neighbors into a regional conflict, the United States would need to lead a major international effort to help form a stable national government. Such an effort could require a multi-year military presence by tens of thousands of U.S. military forces, implying annual military costs of at least \$10 billion. (In Bosnia, one-eighth the size of Iraq and with one-sixth the population, NATO deemed it necessary to deploy over 50,000 peacekeeping troops, at a cost of some \$10 billion per year; six years later nearly 20,000 troops remain.)

28. James Fallows, “A ‘Liberated’ Iraq Could End Up Like Weimar Germany,” *Guardian*, 24 September 2002.

29. Statement of General Wesley K. Clark, U.S. Army (Retired), before the House Armed Services Committee, United States House of Representatives, 26 September 2002, at <<http://www.house.gov/hasc/openingstatementsandpressreleases/107thcongress/02-09-26clark.html>>.

30. Philip H. Gordon and Michael E. O’Hanlon, “Should the War on Terrorism Target Iraq? Implementing a Bush Doctrine on Deterrence,” Brookings, Policy Brief #93, January 2002.

Pollack's estimated that the force size required for security in Iraq might initially be as high as 250,000 to 300,000, but that after five years the forces could be reduced to 100,000.<sup>31</sup>

The CBO estimates are considerably higher than Gordon and O'Hanlon's:

The costs associated with an occupation force for Iraq remain highly uncertain, varying from about \$1 billion to \$4 billion a month, depending on the assumptions used about force size and operations. Some military experts suggest that a force of up to 75,000 peacekeepers might be needed; another plan discussed by the U.S. Central Command calls for up to 200,000 troops. For its estimate, CBO used an average cost for a U.S. Army peacekeeper consistent with experiences in Bosnia and Kosovo, and assumed that U.S. force levels would range between 75,000 and 200,000 troops. It also assumed that replacement occupation personnel and equipment would be periodically rotated to the theater in a manner similar to that used in recent peacekeeping activities. However, current Army forces would be unable to support those rotations for a prolonged 200,000-person occupation.<sup>32</sup>

The CBO numbers are between \$17 billion to \$46 billion per year, or approximately \$250,000 per peacekeeper per year. This figure is at the low end of the estimated cost of U.S. peacekeepers in Kosovo; it might actually underestimate the cost if the post-combat environment in Iraq is hostile and its dangers resemble the West Bank more than the Balkans.

The duration of the occupation-peacekeeping effort is unpredictable. The occupation of Japan lasted seven years, while the United States has stationed more than 30,000 troops in South Korea for a half-century. It is difficult to see how a successful occupation of Iraq could be less than five years and might easily extend for two decades. While there are no public estimates of the total, a minimum cost would be \$75 billion, and an upper bound of \$500 billion over the next decade is consistent with peacekeeping operations in the Balkans and the size and scope of the task in Iraq.<sup>33</sup>

### *Reconstruction Costs and Nation-Building*

The democratization of Iraq is one of the most politically appealing aspects of the Bush administration's current policy. The stated U.S. policy is to "promote the emergence of a democratic government." President Bush committed the United States to nation-building in his October 7, 2002 address:

Freed from the weight of oppression, Iraq's people will be able to share in the progress and prosperity of our time. If military action is necessary, the United States and our allies will help the Iraqi people rebuild their economy, and create the institutions of liberty in a unified Iraq at peace with its neighbors.<sup>34</sup>

31. Pollack, *The Gathering Storm*, 398.

32. CBO Report, 4. Monthly occupation estimates are rounded. The actual figures are \$1.4–3.8 billion.

33. The low and high numbers assume, respectively, peacekeeper costs of \$200,000 to \$250,000 per peacekeeper per year, with the numbers from 75,000 to 200,000, and for a period of 5 to 10 years.

34. <<http://www.whitehouse.gov/news/releases/2002/10/20021007-8.html>>.

This goal has been widely praised by columnists and political leaders, as exemplified by Thomas Friedman's appraisal:

So I am for invading Iraq only if we think that doing so can bring about regime change and democratization. Because what the Arab world desperately needs is a model that works—a progressive Arab regime that by its sheer existence would create pressure and inspiration for gradual democratization and modernization around the region.<sup>35</sup>

When some semblance of order has been imposed, the United States and its coalition partners must turn to reconstruction and nation-building. What are the goals for Iraq, and how would these goals be accomplished? Would the regime change be followed by turning over the reins of power to local representatives as occurred with the Loya Jirga in Afghanistan? Would the United States install an occupation regime like those in Germany or Japan after World War II, imposing a Western-style constitution, a free press, free elections, and all the other infrastructure of Western democracy? Would the United States introduce a new Marshall Plan for democracies of the Middle East?

Planning for postwar Iraq within the Bush administration is in its infancy. Newspaper reports on one day in mid-October suggested that the Bush administration was coalescing around a plan modeled after the postwar occupation of Japan. However, the very next day, administration sources indicated that the Japanese model had too much of the taint of “occupation” and that the United States would be friends rather than enemies. About the same time, Secretary of State Powell candidly described the state of U.S. planning: “And we are obviously doing contingency planning, and there are lots of different models from history that one could look at: Japan, Germany, but I wouldn't say that anything has been settled upon. . . .”<sup>36</sup> Therefore, the answer clearly is that as of mid-October, the United States does not know what it will do when it gets to Baghdad.

Scholars who have studied the problems of nation-building caution that the process is difficult, costly, and fraught with dilemmas. Recent examples of U.S. nation-building, including Haiti, Bosnia, and Afghanistan, indicate that the United States has not discovered any formulas for quick success. A recent review of efforts concludes:

Like Afghanistan, Iraq is a country torn by profound ideological, religious and ethnic conflicts. Before democratization can even begin, the United States would have to assemble a power-sharing agreement among ethnic Kurds, Shiites, and Sunni Muslims. Because no obvious leader is waiting in the wings and the exiled Iraqi opposition is chronically divided, Washington would have to provide the political and, most importantly, military and security infrastructure necessary for holding a new government together. In short, the United States would have to become engaged in nation building on a scale that would dwarf any other such effort since the reconstruction of

35. Thomas Friedman, *The New York Times*, 18 September 2002.

36. Interview by Robert Siegel of NPR's “All Things Considered” with Secretary Colin L. Powell, Washington, D.C., 11 October 2002, available at <<http://www.state.gov/secretary/rm/2002/14344.htm>>.

Germany and Japan after World War II. And it would have to stay engaged not just years, but decades, given the depth of change required to make Iraq into a democracy.<sup>37</sup>

The length of the nation-building effort is highly uncertain, but it is hard to see how a serious attempt to turn Iraq into a modern democratic society could be accomplished in less than a decade. This effort is orders of magnitude higher than what the United States has undertaken in the region in the past; the United States spent about \$250 million on democracy programs in the Middle East in the last decade.

Reconstruction needs will depend upon the extent of destruction during a war as well as the current situation of the Iraqi economy. There are several different approaches to estimating this number. A 1991 report to the United Nations on restoring Iraq's infrastructure back to its prewar condition estimated a cost of \$22 billion in 1991 prices.<sup>38</sup> Converting this into 2002 prices and accounting for further deterioration in Iraq's economy and for a short war suggests that \$30 billion in reconstruction costs would be a reasonable estimate. An alternative approach is to look at the capital-output ratio for oil-rich developing countries like Iraq. This number is usually in the range of 1 to 2. If Iraq is to attain a per capita GDP equal to Egypt or Iran, and if one-half of the capital stock requires rebuilding, this would imply rebuilding needs of about \$1,200 per capita, or a total of \$30 billion. Estimates by the World Bank have found that rebuilding in Lebanon, East Timor, and Bosnia would require approximately \$1,000 per person, which implies a total of around \$25 billion.<sup>39</sup> I take an estimate of \$30 billion in 2002 dollars as the best guess for the minimal rebuilding needs in postwar Iraq (including the oil sector).

A more ambitious plan would be a "Marshall Plan for Iraq."<sup>40</sup> To refresh our memories, recall that the Marshall Plan cost the United States \$13.3 billion over a four-year period, this being about 4.5 percent of the GDP of that period, or about \$450 billion as a share of today's GDP. At today's income levels, the assistance comprised about \$2,000 per person, or \$500 per person per year, in the recipient countries, which is about two times the size of the minimal figure cited above.

The parallel is optimistic, even simplistic, for the Marshall Plan was introduced after the countries of Western Europe had undertaken a substantial part of their reconstruction efforts, and European countries had most of the infrastructure of democracy and civil society in place before the war. Moreover, the threat of an Islamic republic, or even a fundamentalist regime, in Iraq will worry nation-builders looking to other countries, like Iran or Algeria. To recognize that the nation-building in Iraq begins with much less social capital and civic infrastructure, we might conservatively expect

37. Marina Ottaway, Thomas Carothers, Amy Hawthorne, and Daniel Brumberg, "Democratic Mirage in the Middle East," Policy Brief no. 20 (Washington, D.C.: Carnegie Endowment for International Peace, October 2002).

38. *Report to the Secretary-General dated 15 July 1991 on humanitarian needs in Iraq prepared by a mission led by the Executive Delegate of the Secretary-General for humanitarian assistance in Iraq*, S/22799, 17 July 1991. Excerpts are available at <<http://www.cam.ac.uk/societies/casi/info/undocs/s22799.html>>.

39. World Bank, "Afghanistan: World Bank Approach Paper," November 2001, available at <[http://lnweb18.worldbank.org/SAR/sa.nsf/Attachments/\\_az/\\$File/afgApproach.pdf](http://lnweb18.worldbank.org/SAR/sa.nsf/Attachments/_az/$File/afgApproach.pdf)>.

40. Roger D. Carstens, "A Marshall plan for Iraq," *The Washington Times*, 5 August 2002. ("The solution is to provide U.S. leadership in the implementation of a Marshall plan for Iraq. An Iraq that is stable, strong and pro-American is in our interests. Both America and the people of Iraq deserve it.")

that the effort would be six rather than four years of effort at the expenditure rate of the Marshall Plan, for a total of \$75 billion.

The numbers for both reconstruction and nation-building, therefore, are substantial, from a minimum \$30 billion for reconstruction to as much as \$105 billion.

### *Humanitarian Assistance*

Humanitarian assistance will be necessary to feed, house, clothe, and care for the refugees, wounded and ill in Iraq, and possibly in neighboring countries. Estimates of the costs of humanitarian assistance are uncertain because they involve knowing the population at risk, the level of need after the war, and the duration of the assistance.

One benchmark for estimating the cost of humanitarian assistance is the experience in Bosnia and Herzegovina (including Republika Srpska) during the 1990s. Humanitarian assistance in the country was \$5–6 billion during the war and \$7–8 billion in the postwar period, for a total of \$12–14 billion over a period of approximately a decade. On a per capita basis, this amounted to approximately \$500 per person per year.<sup>41</sup>

Only the roughest of estimates are available for the cost of humanitarian assistance. A plausible estimate would be that 1 to 5 million residents of Iraq (out of a total population of around 24 million) would require assistance in the postwar environment. If the time required for assistance was between two and four years, then the total cost of humanitarian assistance would be \$1 billion to \$10 billion.

### WHO WILL PAY FOR THE WAR?

Who will pay for all these efforts? Iraq has one major advantage compared to recently damaged countries like Afghanistan, Serbia, Bosnia, or Kosovo because it has major oil resources that might be tapped. If Iraq could rebuild its production back to 3 million bpd, this would yield around \$25 billion per year at prevailing oil prices.

However, claims on these resources will be numerous. To begin with, these revenues amount to only \$1,000 per capita in today's Iraq, and much of these funds will be required for domestic fuel use and imports of food, medicines, and other necessities of daily life. Some revenues would be needed to finance the rebuilding and upgrading of Iraq's economic infrastructure. Additionally, Iraq has close to \$100 billion of foreign debts and Kuwaiti reparation claims. As of early 2002, there were \$78 billion of business claims against Iraq, but only \$3.6 billion had been paid by Iraq.<sup>42</sup> The claims against Iraq after the 1991 war totaled over \$300 billion. Given all these claims, to divert funds from vital necessities to pay the expenses of the U.S. occupation forces would be economic and political folly.

Will other countries step up to pay the bills, as they did after the first Persian Gulf war? Probably not. If the war is undertaken without UN sanction or broad international support, the United States could be forced to pay the lion's share of the costs. Indeed, the United States may actually need to increase assistance or provide debt relief to countries to persuade them to join a coalition. The House study suggests that the United States might need to forgive up to \$4 billion in Turkish loans to gain

41. Žarko Papić, "Normal Social Policy and International Humanitarian Assistance in the Conflict Context," IBHI, Sarajevo, October 2000, available at <[www.stakes.fi/gaspp/seminar/papapic.pdf](http://www.stakes.fi/gaspp/seminar/papapic.pdf)>.

42. "Iraq Presses Firms to Forgo Billions in War Reparations," *Wall Street Journal*, 21 June 2002.



Turkey's participation in the effort. This would not be a direct economic cost but would qualify as a "negative allied contribution" to the cost of the war.

Can these costs be covered by the United Nations? Current UN peacekeeping efforts of \$2.6 billion per year are a pittance by comparison to the needs in postwar Iraq. In addition, payments for UN peacekeeping missions are in arrears, and little of the half-billion dollar commitment for the reconstruction of Afghanistan has been paid.

Will the United States actually undertake the massive effort required to rebuild and democratize Iraq? In virtually every country where the United States intervened militarily over the last four decades, it has displayed a "hit and run" philosophy, where bombing runs have seldom been followed by construction crews. The latest war in Afghanistan is a signal example. In the year ending September 2002, the United States spent \$13 billion on the war effort. By contrast, the total Pentagon effort has committed only \$10 million to civil works and humanitarian aid.

The disproportion between military destruction and civilian construction in Afghanistan and elsewhere does not augur well for an ambitious rebuilding effort in Iraq. Is it plausible that such an enormous civilian effort will be appropriated when the United States today spends only \$15 billion annually on foreign aid for the entire world? The prospect of an ambitious nation-building plan that is left half-built is the most realistic prospect.

#### BROADER ECONOMIC IMPACTS:

##### OIL MARKETS AND THE OVERALL ECONOMY

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. These broader economic impacts will depend largely on the war's effects on oil prices and the psychological reactions that might occur if a war is protracted or has unfavorable side effects of the kind discussed above.

Concerns about oil markets in the context of war in the Middle East are not idle. Every recession in the last three decades has been associated directly or indirectly with turmoil in oil markets, terrorism, or war. Both of the oil-price shocks of the 1970s led to sharp recessions, while the first Persian Gulf war induced a sharp spike in oil prices that contributed to the 1990 recession. Talk of war over the last half year has produced a "war premium" in oil prices amounting to perhaps \$5 a barrel.

In weighing potential costs of a war, it is useful to analyze first the impacts of war that operate directly through oil and energy markets and second the effects on the broader economy. The oil-market effect operates by raising the costs of imported oil as well as by lowering productivity growth. The broader economic impact, which is associated with the business cycle, comes through the impact on the economy of defense spending as well as psychological effects operating through private investment and consumption. I discuss each of these two mechanisms in turn.

## *Oil Markets*

*Background on oil markets.* War in the Persian Gulf would affect the economy if oil prices rise sharply due to production declines arising either from physical damage or if oil producers restrict production after the war.

When pressed on the reasons for the first Persian Gulf war, Secretary of State James Baker stated the reason was “jobs, jobs, jobs.” When later asked what this meant, Baker stated, “[T]he fact of the matter is it would have boiled down to jobs if Saddam Hussein had been able to control the flow of oil from the Persian Gulf or to, by controlling his own oil and Kuwait’s oil, act in a way to influence prices.”<sup>43</sup> So, perhaps Baker was really saying that the reason for the war was “oil, oil, oil.”

The current administration has said little about jobs or oil, although the interview with Larry Lindsey suggests that thoughts about improved oil security and control of Iraq’s oil resources after the war may be hidden in the classified analyses. Whatever the role of oil supplies in the Bush administration’s calculus, many foreign nations suspect that getting control of Iraqi oil supplies for American companies and American SUVs is high on the American priority list.

Some background information will be useful for this discussion. World oil consumption in 2000 and 2001 averaged around 68 million bpd. OPEC was responsible for approximately 29 million bpd, or 42 percent, of the total. The Arab states plus Iran contributed 22 million bpd, or 32 percent, of world production. Excess capacity in OPEC countries in 2001 was around 4 million bpd, which was dangerously low by historical standards (there is little or no excess capacity outside OPEC). In earlier periods, when excess capacity dipped to or below 4 million bpd – as occurred in 1973–1974, 1978–1979, and 1991 – oil prices rose sharply.

A particularly worrisome outcome would be a wholesale destruction of oil facilities in Iraq, and possibly in Kuwait, Iran, and Saudi Arabia. In the first Persian Gulf war, Iraq destroyed much of Kuwait’s petroleum infrastructure as it withdrew. The damage included most of Kuwait’s oil wells in addition to refineries and export facilities. The sabotage was apparently well planned, and not just a last minute act of revenge, and shut down Kuwaiti oil production for approximately a year.<sup>44</sup> Kuwait’s production was 0.2 million bpd in 1991, 1.1 million bpd in 1992, and only reached 1.9 million bpd – close to prewar levels – by 1993.

Cordesman suggests the possibility of a reprise: “Saddam Hussein might well see burning Iraq’s oil fields and chemical, biological, radiological, or nuclear (CBRN) attacks on major Gulf oil fields as both a defense and form of revenge.”<sup>45</sup>

Unless the Iraqi leadership is caught completely off-guard, destruction of Iraq’s oil production facilities in a new war is probably within the capabilities of Iraqi forces. There is no military logic behind this step, but such an act of revenge cannot be ruled out. This would reduce world oil capacity by about 3 million bpd. Sabotage of Kuwait’s northern oil fields is not impossible, particularly as a preemptive measure, but sabotage of other countries’ oil fields would require a military operation that Iraq

43. Frontline/BBC, “Oral History,” January 1996, available at <<http://www.pbs.org/wgbh/pages/frontline/gulf/oral/baker/5.html>>.

44. U.S. Central Intelligence Agency, “Damage Assessment – Kuwait Oil,” April 2002, available at <[http://www.fas.org/irp/gulf/cia/960702/70076\\_01.htm](http://www.fas.org/irp/gulf/cia/960702/70076_01.htm)>.

45. Cordesman, *Iraq’s Military Capabilities in 2002*, 81.

was unable to accomplish in the first Persian Gulf war and is even less capable of undertaking today. Contamination of major areas by biological or chemical means would pose much greater problems for oil markets, but the risks of that contingency are impossible to assess.

A final possibility is a concerted reduction in oil production. This might occur through a boycott against the United States and other Western countries, such as the one that followed the 1973 Arab-Israeli war, or if control of a substantial part of OPEC's oil resources fell under the control of anti-Western elements. This possibility is worrisome because of the high degree of dependence of industrial countries, particularly the United States, on imported oil.

*Potential impacts of a third oil-price shock.* Among the dizzying array of possible unfavorable outcomes in oil markets, I analyze first an unfavorable case and then a favorable case. For the unfavorable case, I analyze an oil-market shock similar in magnitude to the oil-price shocks of 1973–1974 and 1978–1979. In each of these periods, restrictions in production led to sharp increases in the price of oil imports. From 1972 to 1974, prices of imported oil rose by a factor of four, while from 1978 to 1980 prices rose by a factor of slightly under three.

The unfavorable case assumes a decline in world oil production of 7 million bpd, partially offset by a drawdown of 2.5 million bpd from strategic oil reserves. Many combinations of events – arising from wartime destruction, terrorism, or political reaction of governments in the region – could lead to such an outcome. Specific examples would be destruction of most of Iraq's oil-production capacity along with one-quarter of the productive capacity of other Gulf states. Another possible cause would be an OPEC boycott that cut oil production by 25 percent. The boycott route is economically plausible in oil markets because producer profits go up rather than down with lower production.

We should avoid the common fallacy of thinking that the United States or any country can insulate its economy from an oil shock because it imports oil from “safe” sources. As long as oil prices are determined in the world market, oil is a fungible commodity, and a price shock anywhere affects importers everywhere.

A recent study by George Perry analyzed the short-run impacts of disruptions of world oil supplies. He analyzed a bad case, a worse case, and a worst case. His “worse” case is the same as the unfavorable case analyzed here. The results of Perry's three scenarios for the first year are shown in Table 5. Focusing on the worse case, Perry projects a tripling of oil prices to around \$75 per barrel, with gasoline rising to almost \$3 per gallon. The cost of imported oil is projected to rise about \$200 billion per year, and the projected decline in real GDP is almost 3 percent. Perry's projection is not entirely appropriate for the present purpose because it extends for only a single year and because it includes business-cycle elements in the costs along with productivity losses.

Table 5: Perry's Estimate of the Impact of Oil Supply Disruption on the U.S. Economy

Cost Element	Baseline	Bad Case	Worse Case	Worst Case
World production shock (mbpd)	0	-3.5	-7	-10
Less: supply from reserves (mbpd)	0	2.5	2.5	2.5
Net supply change (mbpd)	0	-1	-4.5	-7.5
Crude oil prices (\$/barrel)	25	32	75	161
Gasoline price (\$/gallon)	1.60	1.76	2.78	4.84
Change in real GDP				
Percent	0.0%	0.6%	2.7%	4.6%
Billions (2002 \$)	0	62	282	478

Source: George L. Perry, "The War on Terrorism, the World Oil Market and the US Economy," Brookings Institution, Analysis Paper #7, 24 October 2001, available at <<http://www.brook.edu/views/papers/perry/20011024.htm>>. For a description of the scenarios, see text.

To estimate the total impact of an oil-price shock similar to that of Perry's worse case, I follow his methodology by assuming that oil prices rise by a factor of three in 2003. Based on historical data, I further assume that the real oil price regresses back to the pre-shock level at a rate of 20 percent per year. I then track the impact on real national income<sup>46</sup> over the next decade assuming full employment and using a neo-classical economic model of oil markets described in the appendix.<sup>47</sup> (The Keynesian or business-cycle effects are provided in the next section.)

The impact of the "worse" oil shock is a reduction in real national income of \$175 billion in the first year and \$778 billion over the entire decade (the full results are shown in Table A-1 in the appendix). One-seventh of the decadal cost comes in higher cost of imported oil, while the balance comes in lower domestic production. For the first-year cost, \$148 billion comes from the higher cost of imported oil and \$27 billion in lower domestic output. The first-year numbers are considerably lower than Perry's estimates because they assume full employment, whereas Perry's GDP loss primarily arises from business-cycle impacts, which are analyzed in the next section.

Our summary estimate is that an oil-price shock of the kind seen in the 1970s and assumed in Perry's "worse" case would have extremely adverse impacts totaling \$778 billion over the decade following the war. The impact would be smaller if the price shock were smaller or more short-lived than assumed, and it would be larger if macro-economic, economic, or political frictions were added to the irreducible minimum for the full-employment economy modeled here.

*A "happy" outcome in oil markets.* Some strategists may be betting that a successful war in Iraq will liberate Iraqi oil as well as the Iraqi people. A quick victory in Iraq fol-

46. "Real national income" is a measure of income that measures sustainable consumption. It first adjusts GDP by subtracting depreciation to get net domestic product; it then adjusts net domestic product by subtracting the decline in living standards that would be caused by higher prices of imported oil. In technical language, it includes a correction for changes in the terms of trade.

47. The estimates provided here are described in the appendix, which sketches a model of the oil sector that can be used to estimate the impact on the U.S. economy of changes in oil prices. The model is a full-employment, putty-clay model in which the price elasticity of demand for oil is relatively low in the short run because the capital stock is inflexible, but the elasticity becomes larger over time as the capital stock is replaced.

lowed by relative stability in the region could lead to increases in oil-production capacity in Iraq, Iran, and other countries, putting downward pressure on oil prices in the years ahead. Some observers have pointed to the possibility of \$10 per barrel of oil and gasoline below \$1 per gallon.

Such a scenario is not physically impossible. A rapid development of Iraqi oil resources could flood the market with oil, drive down oil prices, and give a boost to industrial economies. But there are several obstacles down that path: the physical and financial requirements for oil-field expansion, OPEC quotas, resistance to Iraqi oil growth from OPEC and other oil producers, and reluctance of oil-importing countries to become even more dependent on Persian Gulf oil.<sup>48</sup>

We can sketch out a reasonable “happy” scenario as follows. After two decades of war and sanctions, Iraq’s oil infrastructure is poorly maintained and plagued by technical difficulties. From a peak of around 3.5 million bpd in 1979, Iraq’s current capacity declined to between 2.8 and 3.0 million bpd in 2002. Oil production in 2000 and 2001 was close to capacity at 2.5 million bpd. Experts believe that, if restructuring operations can operate effectively, Iraq’s production capacity can be raised to between 3 and 4 million bpd within two years.

Iraq has enormous oil resources relative to its current production, as noted above. Iraq has negotiated \$40 billion of contracts with Russia, China, and France to develop approximately 5 million bpd of new capacity.<sup>49</sup> While threatening the United States with the oil weapon, these contracts were in the nature of “oil carrots.” They were negotiated on extremely favorable terms and were probably devoted more with an eye to gaining Security Council vetoes or foot-dragging than to adding capacity. The jockeying for contracts in postwar Iraq is likely to be time-consuming, particularly if the United States tries to ensure “equity” for its own companies. Unless the United States decides to treat Iraq as a fifty-first state – Texas on the Tigris – developing new oil fields is likely to be a contentious and lengthy process.

The most important limitation on Iraqi oil expansion revolves around its OPEC membership and quota. Iraq has been a card-carrying member since the founding of OPEC. Since the first Persian Gulf war, Iraq’s oil production has in principle (but not of late in practice) been controlled by the United Nations. In the postwar era, a first decision Iraq’s decisionmakers will face is whether to remain in OPEC.

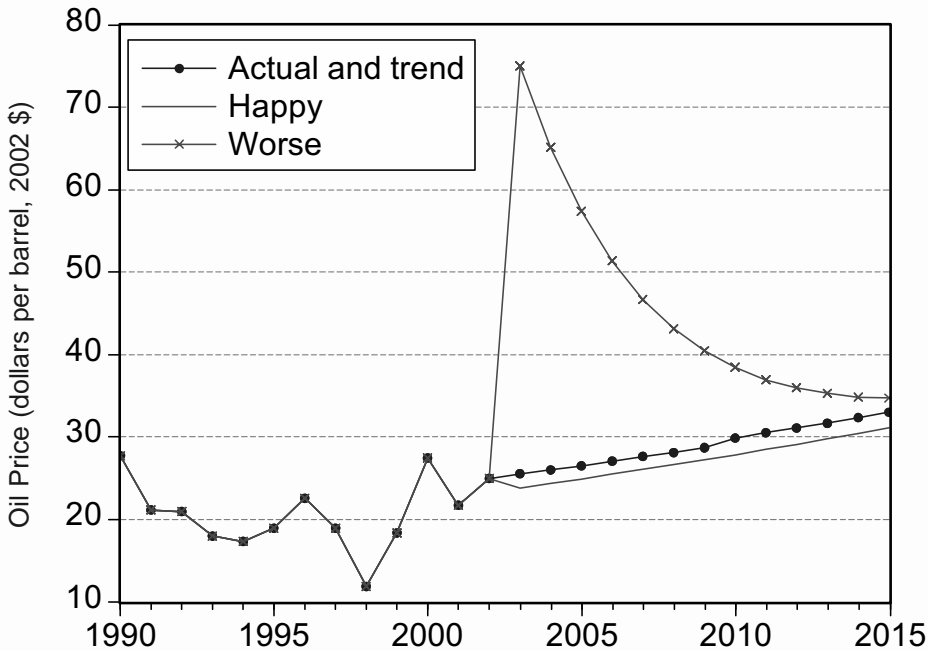
A decision to quit OPEC would have major political and economic ramifications. The economic beneficiaries would be the oil-importing countries, primarily the United States, which could enjoy economic growth with low oil prices for many years to come. If the decision to quit were dictated from Washington, it would be the economic equivalent of the recent national security doctrine that trumpets U.S. hegemony over the world.<sup>50</sup> But the political implications are also far-reaching. Forcing Iraq out of OPEC, and encouraging a major production increase by Iraq, would be an economic declaration of war on OPEC. It would lower incomes in all the major Middle

48. A full treatment of the issues is contained in Adam Sieminski et al., *Oil Market Outlook: OPEC’s Balancing Act*, Deutsche Bank, 5 September 2002; J. J. Traynor et al., *Baghdad Bazaar: Big Oil in Iraq*, 21 October 2002; and Philip Verleger, “Oil Markets After Saddam,” undated from Fall 2002.

49. See Traynor et al., *Baghdad Bazaar: Big Oil in Iraq*, and U.S. Energy Information Agency at <<http://www.eia.doe.gov/emcu/cabs/iraq.html>>.

50. *The National Security Strategy of the United States of America*, 27 September 2002, available at <<http://www.whitehouse.gov/nsc/nss.html>>.

Figure 1: Oil Prices in the Trend, Worse, and Happy Scenarios



Source: See text and appendix.

East countries, deal a blow to the Russian economy, and could destabilize the region from Algiers to Novosibirsk. From the U.S. point of view, it would be a myopic policy leading to even greater dependency upon Persian Gulf oil supplies and inviting decades more of political, economic, and military struggles in that region. The conjunction of circumstances that would lead to a free fall in oil prices in a world without OPEC constraints might qualify as a “best economic case” but it is sufficiently remote that I have not included it in the “happy” outcome for oil markets.

If Iraq stays in OPEC, then it will attempt to negotiate a high quota. Experts believe that Iraq is unlikely to get a major increase from its prior quota of 2.8 million bpd, and a quota equal to that of Iran (currently 3.2 million bpd) would seem a plausible one for Iraq.<sup>51</sup> Even with a small amount of cheating, an outer limit of 3.5 million bpd would seem the outer limit of Iraq’s new production level if it remains in OPEC. Assuming that this was accompanied by no change in the quotas, cheating, or excess capacity of other countries, the net effect would be an increase in OPEC oil production of about 0.67 million bpd.

What would be the beneficial impact of such an increase in Iraqi oil production? Assuming a trend (no war) oil-price path of \$25 per barrel in 2002, which rises gradually thereafter, the model described in the appendix estimates that an oil price of \$0.92 per barrel below trend over the postwar decade would balance supply and demand in the happy case. Figure 1 shows the projected oil prices in the trend case along with the paths for the adverse and happy cases. For the happy case, lower prices have no net effect on the cost of imported oil and raise productivity by \$40 billion over the decade. The total effect would be an increase in U.S. real national income of \$40 billion over the postwar decade at full employment.

51. See Sieminski et al., *Oil Market Outlook: OPEC’s Balancing Act*.

### *Impacts on Aggregate Spending and the Business Cycle*

Historically, economic expansions were the constant companions of war. As can be seen in Table 6, the iron law of wartime booms was caused by the large wartime increases in military expenditures. In World War II, for example, defense outlays rose by almost 10 percent of total GDP before Pearl Harbor, and this spending boosted the economy out of the doldrums of the Great Depression. Similar but smaller military buildups accompanied economic expansions in the Korean and Vietnam wars.

Table 6: Size of Defense Buildup and Economic Expansion in Past Conflicts

War	Economic Stimulus from Defense Spending		
	Period	Increase in Defense Spending as Percent of GDP	Real GDP Growth Over Buildup Period (%)
World War II			
Before Pearl Harbor	1939 – 1941	9.7%	26.7%
All Years	1939 – 1944	41.4%	69.1%
Korean War	1950:3 – 1951:3	8.0%	10.5%
Vietnam War	1965:3 – 1967:1	1.9%	9.7%
Persian Gulf War I	1990:3 – 1991:1	0.3%	-1.3%

Source: Department of Commerce, National Income and Product Accounts, available at <<http://www.bea.gov>>.

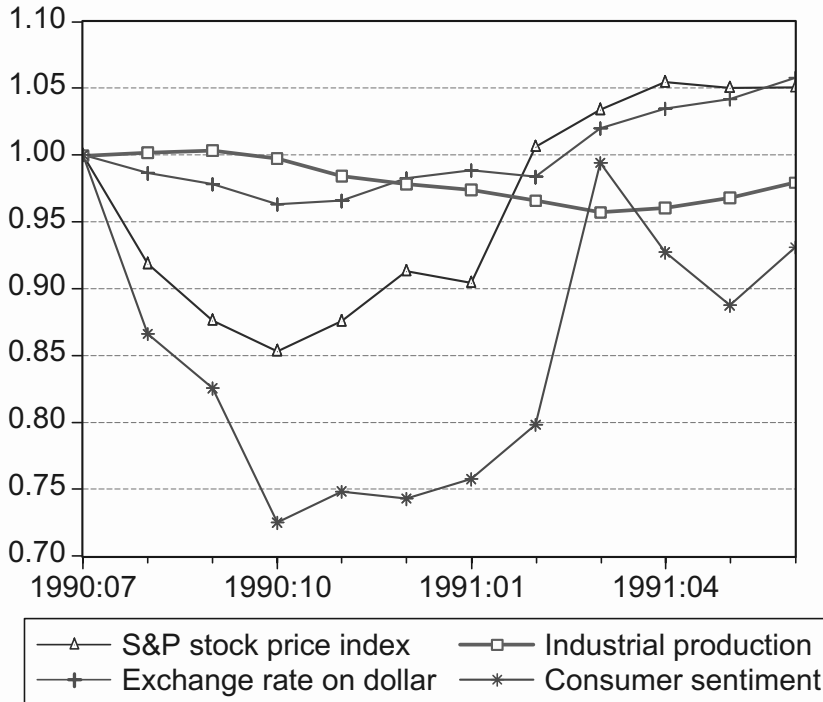
Note: Quarters are designated by the number following the colon.

The iron law of wartime booms ended with the first Persian Gulf war. One of the reasons why the iron law was repealed is that defense spending during the first Persian Gulf war increased by only 0.3 percent of GDP. Because the public sector provided little expansionary impetus, the course of macroeconomic activity was determined by the private sector, which in turn was driven in the short run by psychological reactions to the war.

The major psychological factors that affect the economy in the short run are those driving stock prices, exchange rates, and consumer sentiment. Sharp drops in consumer sentiment and stock prices tend to depress investment and consumer spending, particularly on consumer durables. Sharp declines in the exchange rate of the dollar tend to raise inflation and are sometimes associated with declines in asset prices.

Figure 2 shows the dramatic psychoeconomic reaction to the Iraqi invasion of Kuwait in August 1990. The figure shows indexes of consumer sentiment, stock prices, the exchange rate of the dollar, and industrial production; each variable has been normalized to equal 1 in July 1990, the month before the invasion. Consumer sentiment and the stock market both took a nosedive after the initial Iraqi invasion. They then recovered sharply with the quick U.S. victory in February 1991. Industrial production reacted gradually to the resulting decrease in demand. The recession was sharp, but, notwithstanding the general euphoria after the 100-hour war (seen in the upturn in consumer sentiment), the recovery was slow. The total shortfall of GDP relative to its potential from the beginning of the war until the end of 1991 was around \$490 billion (in 2002 prices).

Figure 2. Major Factors Determining Short Run Economic Behavior After the Beginning of the First Persian Gulf War, July 1990 – June 1991



Source: Data from the U.S. Department of Commerce, Federal Reserve Board, Standard and Poor's Corporation, and the University of Michigan. Each series is normalized by setting its value equal to 1.00 in July 1990.

What is likely to be the overall economic impact of a war in Iraq? The increase in defense spending over the last year (third quarter 2001 to third quarter 2002) was small, only 0.3 percent of GDP. Since early 2002, markets have discounted the prospect of a war – or at least of a short war. Stock prices have fallen 25 percent, the dollar has depreciated, oil prices have risen sharply, and indexes of consumer sentiment are at their lowest level for almost a decade. Fears of war are hard to separate from the bursting of the dot-com bubble, a weak economy, corporate scandals, and poor profits, but most of the adverse psychological reaction to a short war has probably already occurred. Assuming that oil prices are stable and victory is swift, a repetition of the 1990–1991 recession is unlikely and the macroeconomic impact is likely to be nil to favorable.

If the war goes badly, the macroeconomic outcome might turn sour. The dangers of tipping into recession are real, particularly given that the U.S. economy was growing very slowly in the fall of 2002. If there is some combination of heavy casualties, protracted urban warfare, gory pictures on the nightly news, massive foreign denunciations of American policy, rumors or reality of chemical or biological weapons, or major terrorist actions at home or abroad, the economic reactions might resemble the sharp economic declines following the Iraqi invasion in August 1990 or the attacks of September 11.



The most likely cause of a business-cycle downturn is an oil-price shock of the kind discussed above. Oil-price shocks have been associated with at least three of the last five recessions. The appendix develops a simple approach to estimating the business-cycle impact of an oil-price shock and compares it with alternative estimates. A sharp oil-price increase is likely to be followed by a spurt of inflation, a fall in consumer and business spending, and tight money as the Federal Reserve contains the inflation. Assuming that the cyclical impact lasts only two years, and that monetary and fiscal policy close the gap between the no-shock and the oil-shock output after that time, the net cyclical impact of the adverse price reaction is estimated to be \$391 billion. This equals a gross cyclical impact of \$492 billion less the \$101 billion already included in the full-time employment calculation above. The gross cyclical impact is consistent with Perry's estimate, being approximately 1.5 years of Perry's estimate of the GDP impact of the same oil-price scenario. This number is close to the output lost from the recession triggered by the first Persian Gulf war, which amounted to \$490 billion over a two-year period.

The impact of the happy oil price scenario is likely to be small because most of the macroeconomic impacts will come well into the future and are likely to be anticipated. Using the same methodology as is employed for the oil-shock case, the impact is estimated to be \$17 billion in net cyclical gain in the first two years.

#### SUMMARY OF ECONOMIC COSTS

We can now collect the different components of the cost of a war with Iraq. It should be emphasized that these estimates vary in terms of precision and empirical support. Indeed, aside from the estimates of the direct military costs, all of the numbers should be regarded as informed conjecture. The costs are limited to the United States and exclude other countries.

Moreover, these costs do not attempt to estimate the benefits of resorting to arms. Since reducing future dangers from the current Iraqi regime are one of the major objectives of the war, we cannot truly balance the costs and benefits of war without considering the benefits of the disarmament of Iraq. The point was clearly put by Secretary Powell when he asked, "But do we want Saddam Hussein to have nuclear, chemical and biological weapons that he can use, as he has used these kinds of weapons in the past against his neighbors, against his own people, or perhaps against us someday? This is the time to stop him."<sup>52</sup> We do not (and cannot) measure the extent to which military action today may reduce the threat of Iraqi weapons of mass destruction in the future. At the same time, we do not and cannot estimate the increase or decrease in risk of terrorist acts that are triggered or prevented by a war, or that are triggered or prevented when U.S. attention is focused on Iraq.

Table 7 shows a summary compilation of the different elements that we have been able to quantify. Recall that these costs include only the costs to the United States over the decade following the beginning of a war. The favorable case indicates that the economic costs over the 2003–2012 period are \$99 billion.<sup>53</sup> This outcome assumes that the military, diplomatic, and nation-building campaigns are successful.

52. Interview on the Oprah Winfrey Show, 22 October 2002, available at <<http://www.state.gov/secretary/tm/2002/14563.htm>>.

53. The spurious precision of the estimates should be ignored. Numbers are retained to the nearest billion dollars to maintain numerical consistency. Any single number, and therefore the total, is likely to be accurate only within a range of plus or minus 50 percent.

Table 7: Estimates of Decadal Cost to the United States of a Potential War in Iraq (in billions of 2002 dollars)

Source of Cost	Costs of War (billions of 2002 \$)		Notes
	Low (short and favorable)	High (protracted and unfavorable)	
Direct military spending	\$50	\$140	[1]
Follow-on costs			
Occupation and peacekeeping	75	500	[2]
Reconstruction and nation-building	30	105	[3]
Humanitarian assistance	1	10	
Impact on oil markets	-40	778	[4]
Macroeconomic impact	-17	391	[5]
<b>Total</b>	<b>\$99</b>	<b>\$1,924</b>	

These costs are the total for the decade following the conflict (e.g., 2003–2012). Negative numbers are benefits.

Notes:

[1] Protracted conflict assumes that the monthly cost is 50 percent greater than the CBO estimate and that the conflict lasts 8 months longer.

[2] The low and high numbers assume, respectively, peacekeeper costs of \$200,000 to \$250,000 per peacekeeper per year, with the numbers from 75,000 to 200,000, and for periods of 5 to 10 years.

[3] This includes, at the low end, reconstruction costs of \$30 billion and minimal nation-building costs. At the high end, it adds a “Marshall Plan for Iraq” as described in the text.

[4] These estimates refer to a full-employment economy. The high estimate is based on Perry’s “worse” or middle case, which assumes a production decline of 7 million bpd offset by withdrawals from reserves of 2.5 million bpd. The “happy” case assumes that OPEC increases production by 0.67 million bpd in the five years after the end of hostilities and that production stays at the higher level. The sign is negative to indicate a benefit or negative cost.

[5] The macroeconomic impact excludes the full-employment impacts in [4] and includes only the first two years of a cyclical impact.

The high case is a collage of potential unfavorable outcomes rather than a single scenario. It shows the array of costs that might be incurred if the war drags on, occupation is lengthy, nation-building is costly, the war destroys a large part of Iraq’s oil infrastructure, there is lingering military and political resistance in the Islamic world to U.S. occupation, and there are major adverse psychological reactions to the conflict. The outer limit of costs would be around \$1.9 trillion, most of which fall outside of the direct military costs.

Be warned that this discussion vastly oversimplifies the analysis by constructing only two cases, whereas reality presents a dizzying array of outcomes. Returning to the metaphor of war as a giant roll of the dice, we might say that the United States could end up paying the low costs of around \$100 billion if the dice come up favorably. If some dice come up unfavorably, the costs would lie between the low and the high cases. However, if the United States has a string of bad luck or misjudgments during or after the war, the outcome could reach the \$1.9 trillion of the high case.

Even the high case is not the limit of fortune's frowns. This number excludes any costs to other countries and consequent further impact on the United States, omits the most extreme outcomes (such as chemical or biological warfare), and excludes Perry's "worst" case in oil markets. Moreover, the quantified costs ignore any tangible or intangible fallout that comes from worldwide reaction (except that of a potential boycott by oil producers) against perceived American disregard for the lives and property of others.

One feature not shown in Table 7 is the extent to which other countries share the costs. In the first Persian Gulf war, U.S. diplomatic efforts reduced the military expenditures for the war essentially to zero. It seems highly unlikely that the United States can transfer most of the military costs to other countries in the present circumstance, and help from U.S. allies is even more unlikely if the United States undertakes a unilateral war without broad international support. Indeed, the longer, more expensive, bloodier, more unilateral, and more destructive is the war, the larger the fraction of the very large costs the United States will be forced to bear.

#### WHY DO NATIONS UNDERESTIMATE THE COSTS OF WAR?

The historical record is littered with failed forecasts about the economic, political, and military outcomes of wars. Why do forecasts often fall so far astray?

To begin with, the outbreak of war is itself evidence of some kind of faulty bargaining process, major miscalculation, or impaired collective decision-making on a grand scale. Wars destroy in a few days or months the physical and human capital that has been accumulated over decades or centuries. With hindsight, would the ministers of George III have risked the empire for the principle of levying a tax on tea? Would the southerners have seceded and provoked a civil war if they had known the devastation that would follow? Would the Germans have provoked World Wars I and II? Would Japan have bombed Pearl Harbor? Would the United States have sent half a million men to Vietnam? Economics teaches that trade is a positive-sum game that helps all who participate. By contrast, war is the ultimate negative-sum game in which the spoils of the victors are much less than the losses of the vanquished.

Additionally, wars are disproportionately undertaken by nations who overestimate their chances of victory or underestimate the size of the undertaking. They are often started or provoked by those – like Saddam Hussein – who miscalculate badly and often. Perhaps, as in imperial Austria, war is chosen by those who cannot count, refuse to count, count badly, or belittle costs. Sometimes, as with Lyndon Johnson, leaders pursue war because they are foolishly sucked into a psychology where honor and credibility are valued above the lives of combatants and the livelihoods of citizens – and both credibility and the economy end up as casualties.

Often, nations underestimate combat's costs because they are unable to listen or are provided systematically biased information. Some leaders either cannot hear bad news or kill the messenger who delivers it. Philip II of Spain was of the first variety, as Barbara Tuchman recounts in her masterful history of catastrophically bad decisions:

Wooden-headedness, the source of self-deception, is a factor that plays a remarkably large role in government. It consists in assessing a situation in terms of preconceived fixed notions while ignoring or

rejecting any contrary signs. It is acting according to wish while not allowing oneself to be deflected by the facts. It is epitomized in a historian's statement about Philip II of Spain, the surpassing wooden-head of all sovereigns: "No experience of the failure of his policy could shake his belief in its essential excellence."<sup>54</sup>

There are many examples of the dangers of sealing off a leader from information in such a way that produces poor decisions. Saddam Hussein has an unbroken record of catastrophic miscalculations since his rise to power in 1979. His reign has comprised eight years of disastrous war with Iran, one year of war with the United States, eleven years of draconian sanctions, and only three years free of costly disputes or hostilities. Time and again, Saddam ignored intelligence, his advisers, even CNN, and relied upon his own bizarre theories. An example from Kenneth Pollack is instructive:

What is most disconcerting about Saddam's decision to attack Kuwait [in 1990] is that he apparently had concluded that there was a high probability that the United States would oppose an invasion of Kuwait militarily *and he believed that he could defeat the expected American response*. . . . Although all indications are that the Iraqi elite feared that the U.S.-led coalition would obliterate the Iraqi armed forces, Saddam convinced himself otherwise. . . . According to General Samarra'i, Saddam was dismissive of American military capabilities: ". . . He would say that, 'We will fire mud and water to the screen of these radars that are leading these cruise missiles.'"<sup>55</sup>

Might historians look back and conclude that the United States also showed signs of wooden-headedness in its determination to overthrow Saddam in Iraq? In contrast to the clear danger from terrorist activities, there is no imminent threat from Iraq. A war in Iraq threatens to claim the scarce resources and attention of the United States for many years. A stagnant economy, fiscal deficits, a persistent crisis of corporate governance, growing health-care problems, and trouble spots in the rest of the world – all these would take a back seat if the United States gets bogged down in issues of war and peace in Iraq.

A further reason for underestimating the costs of war, particularly salient for democracies like the United States, is the advantage of understating costs for gaining political consensus. If wars are thought to be short, cheap, and bloodless, then it is easier to persuade the populace and the Congress to defer to the President. If the American people are led to believe that a war with Iraq will be like the first Persian Gulf war, or like the Afghanistan conflict, then they may believe that war will not disrupt life or comforts and the world will be rid of a terrible tyrant. Moreover, if optimistic forecasts prove wrong, it is much easier to raise the extra billions of dollars once troops are in the field and bullets are flying than before the battle is engaged. Politics does not end at the water's edge, but it is surely silenced when the first shot is fired.

All the dangers that lead to ignoring or underestimating the costs of war can be reduced by a thoughtful public discussion. Yet neither the Bush administration nor the

54. Barbara Tuchman, *The March of Folly: From Troy to Vietnam* (New York: Knopf, 1984), 7.

55. Pollack, *The Gathering Storm*, 261, 262 (emphasis in the original).

Congress – neither the proponents nor the critics of war – has presented a serious estimate of the costs of a war in Iraq. Neither citizens nor policymakers are able to make informed judgments about the realistic costs and benefits of a potential conflict when no estimate is given.

Particularly worrisome are the casual promises of postwar democratization, reconstruction, and nation-building in Iraq. The cost of war may turn out to be low, but the cost of a successful peace looks very steep. If American taxpayers decline to pay the bills for ensuring the long-term health of Iraq, America would leave behind mountains of rubble and mobs of angry people. As the world learned from the Carthaginian peace that settled World War I, the cost of a botched peace may be even higher than the price of a bloody war.

TECHNICAL APPENDIX:  
THE ECONOMIC CONSEQUENCES OF A WAR WITH IRAQ

The most durable economic impacts of a war in Iraq are likely to be the effects on oil markets. Economic models of the oil market are extremely complex because they combine hard geological realities with game-theoretic indeterminacies of oligopolistic behavior, and these difficulties are overlaid with domestic politics and geopolitical strategies in all major countries. The inherent complexities become even greater given uncertainties about postwar oil-market destruction and production scenarios, changes in decisionmakers in the Gulf region, and the potential instability of the OPEC cartel. Finally, from a pure economic point of view, there are technical difficulties in modeling the response of oil demand to price shocks.

The impact of oil prices on economic activity has been well established since the oil-price shocks of the 1970s. Economists do not always agree, however, on the exact mechanism by which oil prices affect the economy. The two major routes are the real-income effect and the business-cycle impact. The real-income effect measures the impact of changing oil prices at full employment on expenditures for imported oil and on productivity as businesses substitute other inputs for high-priced oil. The business-cycle effect occurs when higher oil prices trigger lower spending and higher unemployment, either directly through the impact on real incomes and consumption or indirectly through monetary tightening, higher interest rates, and lower investment. These two mechanisms are discussed in turn.

FULL EMPLOYMENT IMPACTS ON REAL INCOMES

To tackle the impact on real incomes in a full-employment economy, I have drawn upon recent general-equilibrium economic models of oil demand along with the scenarios laid out by oil-market specialists. This appendix lays out the results of the oil modeling exercise. The model assumes that output is a single homogeneous good. The major component of the model is a production function in which output is produced by other factors and oil inputs, where oil is supplied both by endogenous imports and exogenous domestic production. Aggregate output is produced by a putty-clay technology in oil and other exogenous inputs and is characterized by Cobb-Douglas substitutability *ex ante* and fixed proportions between output and oil inputs *ex post*. The model is a full-employment model that calculates the terms of trade effects along with the effects of substitution of other inputs for oil. The investment-output ratio is assumed to be invariant over time.

The parameters central to the model's performance are the following: the initial level and the growth rate of total factor productivity, the elasticity and the rate of growth of the elasticity of output with respect to oil inputs, and the depreciation rate. Note that the depreciation rate is key because it determines the speed with which oil demand responds to changes in oil prices. It is assumed that capital is never scrapped, which is realistic when oil inputs are a very small share (around 3 percent) of costs. More precisely, the equations of the model are the following:

$$(1) \quad \underline{Q}(t,t) = A(t) E(t, t)^{b(t)}$$
$$(2) \quad \underline{Q}(t) = \underline{Q}(t,t) + (1-d) \underline{Q}(t-1)$$

$$(3) E(t) = DP(t) + OI(t)$$

$$(4) E(t) = E(t, t) + (1 - d) E(t-1)$$

where  $Q(t, t)$  is the output produced in year  $t$  from vintage  $t$ ;  $A(t)$  is total factor productivity in year  $t$ ;  $E(t, t)$  is oil inputs used in year  $t$  in vintage  $t$ ;  $b(t)$  is the time-varying *ex ante* elasticity of output with respect to oil inputs in year  $t$ ;  $Q(t)$  is total output;  $E(t)$  is total oil inputs;  $d$  is the depreciation rate of capital;  $DP(t)$  is domestic production of oil; and  $OI(t)$  is imports of oil. It is assumed that  $A(t)$  and  $b(t)$  have constant proportional rates of change over time. The major other variable is  $P(t)$ , which is the real price of oil, assumed to be set in world markets. The model assumes that, for a given vintage, output, energy inputs, and other inputs decline exponentially at rate  $d$  after the initial year.

By manipulating these four equations, we obtain the following two equations for estimation:

$$(5) E(t) = (1 - d) E(t-1) + [P(t)/(b(t) A(t))]^{(1/(b(t)-1))}$$

$$(6) Q(t) = (1 - d) Q(t-1) + A(t) [P(t)/(b(t) A(t))]^{(b(t)/(b(t)-1))}$$

The model's five parameters are determined by weighted least squares for the sample period 1970–2002 using annual data; data for 2002 are preliminary through the first nine months of the year. The important depreciation rate variable has an estimated value of 12.2 percent per year with a standard error of 5.3 percent per year. These results are consistent with recent studies of the oil market.<sup>56</sup> Figure A-1 shows the value of oil imports (in 2002 prices) for the estimated model along with the actual numbers over the 1970–2002 period. Figure A-2 shows the actual and calculated volume of oil imports. The model captures the broad trends but cannot resolve the short-run turning points precisely. The results presented below are, however, quite robust to changes in structure or timing.

Using the model, we estimate the impact of both Perry's "worse" case as well as the "happy" case of an increase in oil production. To estimate the impacts of alternative outcomes, the trend case assumes that real oil prices grow at 2 percent per year after 2002. The "worse" or price-shock case starts with an initial price of \$75 per barrel in 2003. Based on the behavior of oil prices in the 1970–2000 period, oil prices in the worse case are assumed to regress back to the trend path at a rate of 20 percent per year of the difference between the trend and worse prices in the prior year.

The "happy" outcome is somewhat more complex to model. It assumes that the net increase in OPEC production (due to an increase in productive capacity in Iraq less any reduction in production in Saudi Arabia and other supplier countries) totals 0.67 million barrels per day, which is attained five years after the beginning of a war. It further assumes that world oil demand is four times as large as U.S. demand and has equal elasticities. The model then solves for the price trajectory that balances supply and demand over the 2003–2012 period.

56. See James D. Hamilton, "What is an Oil Shock?" NBER Working Papers 7755, National Bureau of Economic Research, 2000. The results are similar to the putty-clay model developed in Andrew Atkeson and Patrick J. Kehoe, "Models of Energy Use: Putty-Clay Versus Clay-Clay," *American Economic Review* (September 1999): 1028–1043.

The key results of the model are shown in Table A-I. The first column shows the terms of trade impacts – that is, the impacts of the shocks on the real cost of oil imports. The second column shows the impact on real net domestic product (which is the appropriate welfare measure of output). The final column shows real national income, which is real output corrected for the terms of trade effect. The final column equals the sum of the first two.

Table A-I: Cost Estimates of Adverse and Happy Outcomes in Oil Markets

Case	Value of Oil Imports	Real Potential Output	Real National Income
	Costs, billions, 2002 prices		
Oil Price Shock			
First year impact	148	-27	-175
Impact of years 2–9	-34	-637	-603
Total impact	114	-665	-778
Production Increase			
First year impact	-3	1	5
Impact of years 2–9	3	38	35
Total impact	0	40	40

Note: These estimates are for the full-employment model described in the text.

The cost in the adverse case totals slightly under \$800 billion for the decade. About one-seventh of this is higher expenditures on imported oil, while the balance comes from a decline in real output. The increase in oil expenditures comes in the early years, before the economy has a chance to adapt to the higher prices. Most of the production decline, by contrast, comes in later periods as the economy substitutes other inputs for higher cost oil. Note that these results exclude any business cycle impacts, which are considered next, and additionally they assume perfect competition, no economic frictions, and no political sand in the gears of market reactions.

#### BUSINESS CYCLE IMPACTS

Sharp oil price increases have been associated with most of the recessions of the last three decades. There have been numerous studies of the impact of oil prices on output in the short run. We can use a simple one-equation model to capture the fundamental dynamics. An instrumental-variables estimate over the period 1962 to 2002 relating real GDP to real oil prices, lagged real GDP, and a trend produces the following:

$$(7) \log[Q(t)] = \text{constant} - 0.011 \log[P(t)] - 0.023 \log[P(t-1)] + 0.22 \log[Q(t-1)] \\ (0.013) \quad (0.014) \quad (0.214) \\ + \text{trend} + \text{autoregressive error correction}$$

$$\text{SEE} = 0.0172 \quad R^2 = 0.998$$



The variable definitions are the same as in the previous section. In this equation, I have used twice-lagged real oil prices as the instrument for lagged real GDP. The numbers in parentheses underneath the coefficients are the standard errors of the coefficients, SEE is the standard error of estimate of the equation, and  $R^2$  is the fraction of the variance of the dependent variable explained by the equation.

We can use this equation to project the impact of the oil-price shock on output. The equation predicts for the worse price case a decline in real GDP reaching a maximum of 3.5 percent of GDP, which is much larger than the maximum decline of 0.5 percent predicted by the full-employment model in the last section. The reason why output reacts so much to oil price increases – almost 10 times more than would be predicted by standard neoclassical growth models – has been observed in earlier research and remains controversial. One possible reason for the large discrepancy is that oil price increases tend to fuel inflationary pressures and thereby trigger anti-inflationary monetary policies. Inflationary impulses also tend to redistribute income from labor to property incomes and thereby lower consumption expenditures.

We can use equation (7) to estimate the impact of the “worse” oil-price shock on the business cycle. For this purpose, I assume that the business-cycle impacts last only two years, and that monetary and fiscal policies close the gap between the trend and worse output paths after that time. I also subtract the full-employment impact on output estimated in the first section to prevent double counting.

Under these assumptions, the net cyclical impact of the worse price increase is \$391 billion. This net number represents \$492 billion of gross loss in output less \$101 billion of loss in potential output, which was counted in the numbers in Table A-1. The gross loss estimate is consistent with Perry’s estimate, being approximately 1.5 years of Perry’s estimate of the GDP impact of the worse oil price scenario. Additionally, this estimate is close to the loss in output from the recession triggered by the first Persian Gulf war, which reduced output over the 1990:3 to 1992:2 period by \$490 billion relative to the pre-war trend.

The impact of the happy oil price scenario is likely to be very small. Most of the macroeconomic impacts will come well into the future and are likely to be anticipated. Using the same methodology as is employed for the oil-shock case, the impact is estimated to be \$17 billion in net cyclical gain in the first two years.

Figure A-1: Estimated and Actual Value of U.S. Oil Imports, 1970–2002 (billions of dollars per year in 2002 prices)

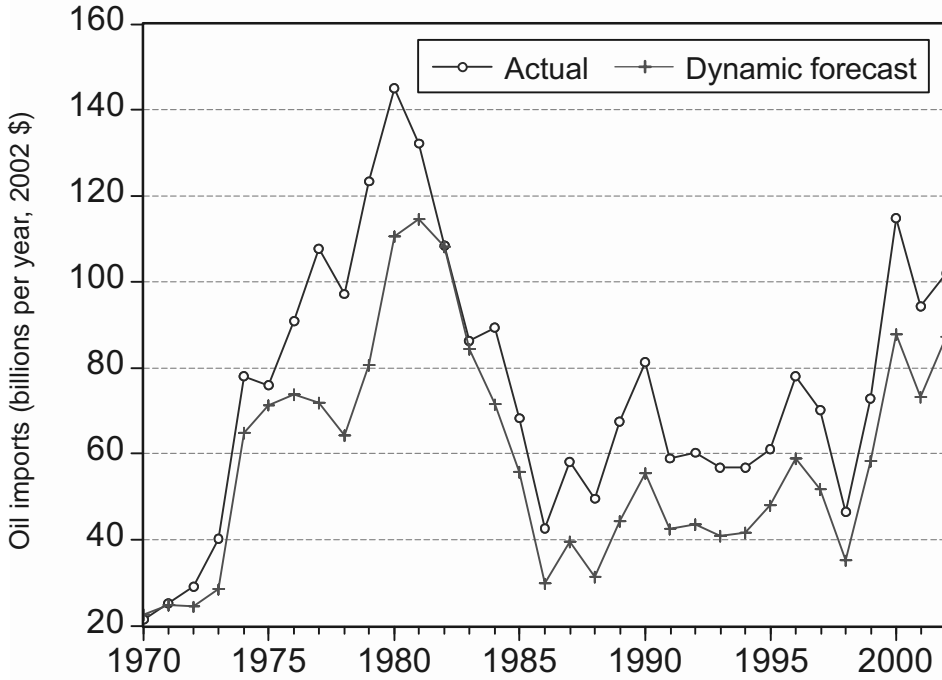
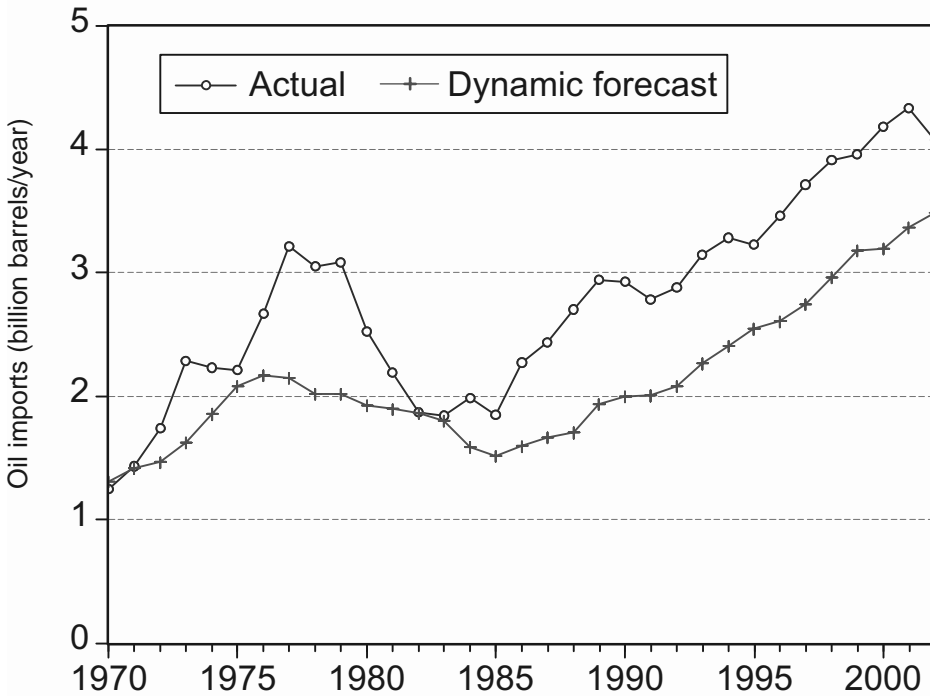


Figure A-2: Actual and Projected Volume of U.S. Oil Imports, 1970–2002 (billions of barrels per year)



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