

Debunking the Economic Myth that “War Is Good for Business”

By [Washington's Blog](#)

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Theme: [Global Economy](#), [US NATO War Agenda](#)

Repairing the “Broken Window” Fallacy

Extremely influential economists like [Paul Krugman](#) and [Martin Feldstein](#) promote the myth that war is good for the economy.

Talking heads like senior Washington Post political columnist [David Broder](#) parrot this idea.

Their ideas are based on the main economic myth encouraging war ... the “broken window” fallacy.

David R. Henderson – associate professor of economics at the Naval Postgraduate School in Monterey, California and previously a senior economist with President Reagan’s Council of Economic Advisers – [writes](#):

Is military conflict really good for the economy of the country that engages in it? Basic economics answers a resounding “no.”***

Money not spent on the military could be spent elsewhere.

This also applies to human resources. The more than 200,000 U.S. military personnel in Iraq and Afghanistan could be doing something valuable at home.

Why is this hard to understand? The first reason is a point 19th-century French economic journalist Frederic Bastiat made in his essay, “What Is Seen and What Is Not Seen.” Everyone can see that soldiers are employed. But we cannot see the jobs and the other creative pursuits they could be engaged in were they not in the military.

The second reason is that when economic times are tough and unemployment is high, it’s easy to assume that other jobs could not exist. But they can. This gets to an argument Bastiat made in discussing demobilization of French soldiers after Napoleon’s downfall. He pointed out that when government cuts the size of the military, it frees up not only manpower but also money. The money that would have gone to pay soldiers can instead be used to hire them as civilian workers. That can happen in three ways, either individually or in combination: (1) a tax cut; (2) a reduction in the deficit; or (3) an increase in other government spending.

Most people still believe that World War II ended the Great Depression But look deeper.

The government-spending component of GNP went for guns, trucks, airplanes, tanks, gasoline, ships, uniforms, parachutes, and labor. What do these things have in common? Almost all of them were destroyed. Not just these goods but also the military's billions of labor hours were used up without creating value to consumers. Much of the capital and labor used to make the hundreds of thousands of trucks and jeeps and the tens of thousands of tanks and airplanes would otherwise have been producing cars and trucks for the domestic economy. The assembly lines in Detroit, which had churned out 3.6 million cars in 1941, were retooled to produce the vehicles of war. From late 1942 to 1945, production of civilian cars was essentially shut down.

And that's just one example. Women went without nylon stockings so that factories could produce parachutes. Civilians faced tight rationing of gasoline so that U.S. bombers could fly over Germany. People went without meat so that U.S. soldiers could be fed. And so on.

These resources helped win the war—no small issue. But the war was not a stimulus program, either in its intentions or in its effects, and it was not necessary for pulling the U.S. out of the Great Depression. Had World War II never taken place, millions of cars would have been produced; people would have been able to travel much more widely; and there would have been no rationing. In short, by the standard measures, Americans would have been much more prosperous.

Today, the vast majority of us are richer than even the most affluent people back then. But despite this prosperity, one thing has not changed: war is bad for our economy. The \$150 billion that the government spends annually on wars in Iraq and Afghanistan (and, increasingly, Pakistan) could instead be used to cut taxes or cut the deficit. By ending its ongoing wars ... the U.S. government ... would be developing a more prosperous economy.

Whatever other reasons there may be for war, strengthening the economy is never one of them.

Indeed, we have [thoroughly documented](#) that war makes us poor.

Postscript: While war is bad for us, it is very good for a handful of [defense contractors](#) and [banksters](#) who make huge sums from fighting or financing unnecessary war.

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