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The Bright Side of War

by Sheldon Richman

In case you didn't realize it, there's a bright side to the death, destruction, and prisoner abuse going on in Iraq and Afghanistan: they're good for the American economy. War creates jobs. At least that's what lots of people think.

The *Washington Post* recently helped to spread that impression with a report on the war's beneficent effects on textile, automotive, and other firms throughout the United States. It is certainly nice to know that even though people are being killed, maimed, and made to act out scenes from porn videos, American workers in small towns are prospering making vehicles, equipment, and clothing for the troops. As one company chief put it, "It's been a godsend to them [the workers]." Added the *Post*, "There's no sign that it will end soon."

That last comment is certainly true. But the idea that war creates prosperity is emphatically not true.

More than 150 years ago, a French economist blasted the fallacy on which that newspaper article is based. Frédéric Bastiat wrote that to understand economic events, one has to observe both the seen and the unseen, including what would have happened but didn't.

What he was refuting has come to be called the broken-window fallacy. Bastiat told the story of a youth who broke a shop window. Just as everyone on the street was bemoaning the shopkeeper's misfortune, someone who thought he was an economist found good fortune instead: The shopkeeper will have to buy a new window, which means the glass maker will have more money to spend, and so on. Instead of economic stagnation, the broken window will set money in motion and bring new prosperity.

The fallacy, of course, is that, had the window not been broken, the shopkeeper would have spent his money in a way that would have made him better off than he was when he awoke that morning. But now he must spend the money just to regain the position he was in before the glass shattered. Destruction did not make the community richer. Is anyone surprised?

The broken-window fallacy also underlies the belief that war makes us richer. But surely formerly unemployed workers who make army uniforms and Humvees are better off because of

the war. They now have money to spend on all kinds of things, which makes other people more prosperous too. Where's the fallacy?

It lies, just as in the case of the window, in not looking for the unseen. If the window had not been broken, the shopkeeper would have had money for other things. Likewise, if we taxpayers weren't taxed for war, we'd have money for other things. That spending would create economic activity. Moreover, we'd also save some money. Savings become investment, which brings forth new ways to make our lives better, and new opportunities for lucrative employment. The real cost of the war is the wealth we are compelled to forgo.

It is important not to confuse exertion with productive work. The free market consists of incentives for people to become richer by making others better off. Market activity creates value, which can be seen by the fact that people willingly pay for products; the products no one will pay for pass from the scene. Government spending on war (or anything else) is different. It is financed by force — taxation — and no one willingly buys the output. How many people would voluntarily help finance the war in Iraq? Since the jobs created by government activity are not aimed at serving willing consumers, such employment cannot be considered productive in an economic sense because it would not exist in the absence of compulsion. Instead, those phony jobs displace real productive jobs.

Even truly defensive wars entail destruction, not production. Wars of aggression, such as the U.S. war in Iraq, add insult to injury.

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