

THE EVOLVING ECONOMICS OF WAR AND PEACE

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Keywords: Inequality, Globalization, War.

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Summary

Many hoped that the end of the Cold War and economic globalization would presage a period of worldwide peace, security, and development. Instead, the defining economic characteristics of conflict changed, as they have done periodically, and zones of endemic violence have developed in some of the formerly communist regions and throughout the Third World. The attacks of September 11 2001 on the United States mobilized the world's hegemonic power for permanent involvement in global conflict. These developments gravely undermine confidence in the capacity of world institutions to preserve peace or to promote economic justice and development, and call attention to the need for new intellectual frameworks and institutional approaches in this area.

1. Introduction

Economics and conflict have a very long relationship, particularly insofar as wars are fought for material gain. It is the form of gain that changes with economic conceptions. In the mercantilist period, the goal of warfare was the acquisition of treasure. In the industrial and imperial age, the goal became the control of land and raw materials and the delineation of exclusive trading zones. In the twentieth century wars were fought, often by proxy, between competing economic systems; they were in part contests between adversarial networks of financial control.

Financial capitalism triumphed in the Cold War, and set about establishing its unchallenged legitimacy. As it did, wars of national liberation virtually disappeared.¹ Contrary, however, to many hopes, the peace that followed has not proved to be a period of stable economic development. On the contrary, conflicts have spread: through the former Yugoslavia, Chechnya, and elsewhere in the Caucasus, the Persian Gulf,

South Asia, including Afghanistan, the Philippines, sub-Saharan Africa, and Colombia, not to mention the festering violence of Israel and Palestine.

The nature of these conflicts is still open to interpretation. Many see therein the emergence—or re-emergence—after centuries of non-economic causes, especially ethnicity in the former Yugoslavia and religion in the Middle East. Others doubt this interpretation: particularly insofar as Yugoslavs share a single ethnicity and many parties to conflict in the Middle East share a single religion. Skeptics see struggles for land and power masked in ethnic and religious terms, as well as post-Cold War mopping-up operations and the age-old imperial struggle for resources, notably oil. A third possibility is functionless conflict, driven by arms contractors rather than by strategic objectives.²

The attacks on the United States on September 11 2001 mobilized the world's remaining great power to participate more or less openly in anti-terrorist operations around the world. The present outlook is for war on a quasi-permanent basis. Indeed the construction of a “war on terror” has the effect of debasing the concept of peace, of making state violence essentially endemic. The US administration, itself closely allied with oil interests and military contractors, appears to have committed itself to the pursuit of a sequence of armed conflicts, with no end in view and no clear criterion for military success. This is in spite of having achieved a clear-cut victory in an initial campaign against the Afghanistan base of the September 11 attackers. It therefore seems plain now that the world has entered a dangerous phase of increasingly ill-defined and perhaps chaotic violence. As this becomes coupled with the spread of weapons of mass destruction, the prospects for a breakdown in the world order are growing. In this context, the redevelopment of an effective framework for peacekeeping becomes a central and compelling task.

2. Perspectives on the Economic Origins of Conflict

Under mercantilism the purpose of warfare was identical to that of trade: to aid the sovereign in the acquisition of treasure. The greatest fortune defined the greatest empire. Thus, the high purpose of the Spanish conquest was to plunder the Aztec and Inca realms of their gold, silver, and precious stones. Territories so added to the empire were, in general, weakly defended. Similarly, the purpose of Sir Francis Drake in the service of Queen Elizabeth I was to plunder the Spanish galleons on their way home. (As John Maynard Keynes estimated, the booty returned in the *Golden Hind*, invested thereafter at prevailing rates of interest, could account, by 1914, to the entire external capital holdings of the British Empire at that time.) The constraint on the conduct of war was the cost of waging it. Meeting the costs of war—and in particular assuring supplies of naval timber and other essential materiel—became an important consideration in the early expansion of the British Empire, both to North America and to the Antipodes.

The commercial and then the industrial revolutions transformed the goals of warfare; now markets and material resources came to the center of things. The British sought sugar and rum in the Caribbean, tobacco in Virginia, and (later) markets for textiles in India; the French sought furs in Canada; the Dutch campaigned for control of the spice trade, the Belgians raped the Congo for ivory and rubber; all sides raided Africa for

slaves. In the twentieth century European wars centered on the regions of coal and steel, while in the period 1937–45 the Japanese sought land in China. German ambitions to their east were for land and for oil; the attacks on France and the Low Countries were intended mainly to prevent a Western Front from hindering progress to the east.

The Second World War was eventually decided by the balance of industrial power. Supplies of uranium and heavy water took on strategic significance as the war progressed. Eventually, the uncontested material supremacy, and capacity for industrial mobilization, of North America proved decisive, aided as it was by the immigration of scientific talent from Europe. After the end of the Second World War, oil emerged as the principal strategic good. However, the principal conflict was not over resources, but rather between two systems. Communism and capitalism represented not merely alternative forms of social and political organization, but also competing spheres of financial control. The two systems were each substantially large and wealthy enough to be self-sufficient. The Cold War was therefore not particularly over resources though it was sometimes viewed in those terms by observers. Nor was it principally a contest of ideologies; elements on both sides came to accept the principle of coexistence with the other. Rather the central issue from the beginning (e.g. in the Marshall Plan) was spheres of financial influence and of operation for the banks and multinational corporations of the West. These were largely kept out of the socialist countries until, in the end, those systems were dissolved, at which point they made a rapid, invasive, and destabilizing appearance.

Militarily, the Cold War was a long thermonuclear stalemate, albeit punctuated by full-scale wars in Korea and Vietnam, and by lesser conflicts in many other regions. On the nuclear side, the Cold War was characterized in its early days by strategic instability that owed largely to the unilateral advantage gained early on by the United States, first in bombs, then in strategic bombers, and finally in intercontinental ballistic missiles. As late as 1967 the USSR possessed essentially no weapons that could reach US soil reliably. After that time the Soviets did deploy a missile force and an enduring strategic balance developed, relatively impervious to improvements in technology or increases in stockpiles.³ This permitted the evolution of a comprehensive framework of strategic arms limitation and reduction. This particular period of stability also came to an end with the breakup of the Soviet Union and the rise to power, in the United States, of constituencies committed to the concept of nuclear security through missile defense.⁴

Since the end of the Cold War new system conflicts have emerged, in particular as between Islamic and Western worlds, with control of oil as a background theme. However, unlike the East–West confrontation, the economic institutions of the Islamic world are, with only a few exceptions (notably, Iran and Iraq), deeply intertwined with those of the industrial West. Thus, the conflicts have an internecine character: they involve non-state actors and unconventional methods and weapons. There are correspondingly few regions in the world today where nation-states face off along hostile frontiers. Of these, Korea remains as a non-volatile throwback to the Cold War period, while the most dangerous is surely South Asia, where India and Pakistan face each other while pursuing a smoldering battle over Kashmir. The complexities of that struggle defy categorization, for they subsume irredentism, religious conflict, great power struggle, and a volatile nuclear confrontation in a single case.

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Biographical Sketch

James K. Galbraith is Professor at the Lyndon B. Johnson School of Public Affairs and at the Department of Government, the University of Texas at Austin. He is presently national chairman of Economists Allied for Arms Reduction (ECAAR), an international association of professional economists concerned with peace and security issues. He is also a Senior Scholar with the Jerome Levy Economics Institute and Director of the University of Texas Inequality Project. Professor Galbraith holds degrees from Harvard and Yale (Ph.D. in Economics, 1981). He studied economics as a Marshall Scholar at King's College, Cambridge in 1974–5, and then served on the staff of the US Congress, including as Executive Director of the Joint Economic Committee in 1981–2. He was a guest scholar at the Brookings Institution in 1985. His book, *Created Unequal: The Crisis in American Pay*, was reissued in paperback in 2000 by the University of Chicago Press. *Inequality and Industrial Change: A Global View*, co-edited with Maureen Berner, was published in 2001 by Cambridge University Press.

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