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The Threat Of War Creates Economic Uncertainty

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The threat of violence creates economic uncertainty. Today, such threat permeates the American landscape. Moreover, advocates of violence promulgate it globally.

Thus, violence adversely affects the economy. Therefore, the current fixation on the violent overthrow of foreign governments, to the exclusion of more worthwhile internal and external challenges, is unfortunate.

For instance, within the U. S, there are growing internal problems. Employers are severely curtailing workers health care and retirement benefits. Additionally, some retirees have lost significant retirement income on the downward slide of the stock market, some upward of 40 percent of their retirement savings.

Monetary stimulus by the Feds has not had the intended effect on the economy. Lower interest rates did not spur investment in capital equipment. Furthermore, when interest rates begin to rise, which they will, the housing market will slump.

Likewise, fiscal stimulus, the recent reduction in taxes did not boost the economy. Nonetheless, it appears that the administration will provide another round of tax reduction in an effort to revive the slumping economy. Fiscal policy, however, is a blunt tool to guide the economy and it often collides with monetary policy.

According to theory, given a fixed supply of money, a lower tax schedule will increase available income. However, it will also raise interest rates. Furthermore, consumers historically respond to fiscal policy with a lag, which tend to create government revenue shortfall.

War expenditures, military build-up, will also compound the government revenue shortfall. Thus, the government will borrow from the public to cover the deficit, raising interest rates and crowding out private investment. Induced higher interest rates will adversely affect investment.

The prevailing belief of some government leaders is that they can solve the world's challenges by exercising military force. However, the threat of military violence is the primary driver of global uncertainty. Violence increases the cost of doing business. Higher costs cause many firms to exit the market, reducing available supplies, creating higher commodity prices, and inducing unemployment.

Israel with all its military violence has not achieved peace. Moreover, Israel's economy would be in shambles if it were not for the U.S. economic support of its military structure. Thus, the U. S. should not follow the failed Israeli model by attempting to impose peace with the barrel of the gun.

We can look at our own inner cities to see how violence, all be it low level, raises the cost of doing business and stunts economic growth. Social stability is necessary for economic growth.

Thus, it is unwise to sacrifice economic growth in order to even the score with Saddam.

Clearly, if the Iraq had weapons of mass destruction, the cost of attacking them would be too high. And, diplomacy would be the first option. For instance, a credible Soviet threat did not bring about a military build up at their doorsteps. And, should there be a credible Chinese threat, diplomacy would be the first recourse. Similarly, the cost of an actual confrontation with North Korea is higher than that of Iraq. Therefore, diplomacy with North Korea is the first option.

The implicit signal to foreign nations is that the best defense is to amass weapons of mass destruction. In essence, militarily strong nations are prone to wage war only on weaker nations.

The result of such policy, however, is vicious cycle targeted revenge attacks. In addition, every violent act will raise the cost of doing business and lower the standard of living globally.

The Pew Global Attitude survey (http://people-press.org/) conducted in 44 nations, interviewing more than 38,000 people, shows that the solutions to the world's challenges from the U. S. point of view are discordant with many nations. This, however, does not mean that the U. S. understanding is wrong, although it may be. The implication of the survey is that the U.S. needs to narrow the gap through genuine, not manipulative, communication.

Thus, the U.S. has a great opportunity to stabilize the world by narrowing the understanding gap. For instance, the priorities of many countries responding to the survey were mitigating the HIV plague, achieving a workable accommodation in the Middle East, and funding anti poverty programs. Their priorities do not appear to coincide with that of the U.S.

The current military strategy of U. S. will continue to cause global resistance and world fragmentation. Thus, U.S. policy makers should reassess their strategies of using violence, or the threat of violence, as the primary tool for solving global challenges.

Finally, in a democracy, citizens are not bystanders of their government foreign policies. Rather, they are active participants. As a result, foreigners perceive Americans citizens as willing participants in the threat of violence. Hence, it is important for all of us to carefully evaluate the trade offs between promoting violence, spending on war preparation and post war reconstruction, as contrasted with outlays on social programs that raises standards of living and reduces global uncertainty.

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