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War Isn't Good For Economy

After reading "Wars, IBD And The Economy" (Letters, Friday), I felt the need to write, partially in IBD's defense, but mainly to clear up an economic myth that shockingly is still prevalent today. While the letter writer initially makes a good point that a group of individuals (not an entire race or religion) is responsible for the tragic events of Sept.11, he clearly does not have a firm grasp on economics.

I might suggest he read the first two chapters of "Economics In One Lesson" by Henry Hazlitt. Hazlitt eloquently presents Frederic Bastiat's "broken window fallacy," which should be required reading in high school economics. In short, the statement that "wars help the economy" is false. If a hoodlum throws a brick through a store window, is that good for the economy? The letter writer might believe it is, as this would provide business for a glazier who would otherwise be without work.

Perhaps if we put it in personal terms it might make more sense. If your house were destroyed in a war, would this be good for the U.S. economy?

Obviously not. Although the tens of thousands of dollars coming out of your pocket to rebuild the house would create work for contractors, architects and the such, it would destroy far more. That money could have gone to a new car, television or maybe even the purchase of some common stock. Instead of having a house and all these good things, you will only have a house. That doesn't sound like economic progress, which is ultimately what makes the stock market go up.

IBD knows the best way to get the market to swell is through tax cuts, free trade and reducing wasteful government spending. Unfortunately, many still have a lot to learn.

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