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Hugh Rockoff, *America's Economic Way of War: War and the US Economy from the Spanish-American War to the Persian Gulf War*. New York: Cambridge Univ. Press, 2012. Pp. xii, 357. ISBN 978-0-521-67673-1.

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In *The Three Trillion Dollar War*,<sup>1</sup> Joseph Stiglitz and Linda Bilmes calculated the true price of the Bush Administration's war to depose Saddam Hussein. Using an "accrual" accounting method, they revealed the enormous future costs of caring for hundreds of thousands of disabled veterans who will require medical disability payments, many for the rest of their lives. This painfully illuminated anew the flaws in the Defense Department's "cash" accounting method, which logs only the Pentagon's day-to-day expenses. Following in Stiglitz and Bilmes's footsteps, economist Hugh Rockoff (Rutgers) sheds new light on the dark economic realities of twentieth-century American war making.

Rockoff is best known for his work on banking history and a classic college textbook.<sup>2</sup> I first came across his name while researching America's entry into World War I.<sup>3</sup> With *America's Economic Way of War*, he aims to bring his painstaking research to the attention of a much larger audience (1) and to demonstrate the relevance of economic ideas in wartime, in the process showing how they help us better understand national economies more generally. After all, war was hardly an exceptional state of affairs in the twentieth century. His readers will learn about the basic economic tools of taxation, borrowing, printing money, and—through meticulous eight case studies—about conscription, price controls, and veterans' benefits during and after times of war. Regarding veterans' benefits,

it is ... important to recognize that veterans have come to anticipate post-service benefits. Benefits, from this point of view, are a form of deferred pay, a bonus for dedicated service. If that bonus had not been offered, the veteran might not have served, or if forced to serve by a draft, might not have served with the same commitment. Without the implicit or explicit promise of veterans' benefits, additional resources would have been needed during the war to fight with the same effectiveness, or the war might not have gone as well as it did, and the postwar product of the economy might have been lower. For that reason, I have followed the practice of including all veterans' benefits as true opportunity costs of war. (42)

Rockoff successfully uncovers just how expensive interventions in the Spanish-American War, the Philippine-American War, the World Wars, the Korean War, the Cold War, the Vietnam War, and the Persian Gulf War actually were, despite administration efforts to conceal the true costs (6).

World War I is a useful case in point, Rockoff demonstrates: it featured deficit finance, printing money, veterans' benefits, imposition of a draft, and the introduction of wage, price, and production controls. President Woodrow Wilson implemented such measures because he feared that an increase in taxes would erode popular support for war. Thus, only 29.8 percent of the direct costs of the war were raised by taxation. To avoid alienating his administration's Democratic base, Wilson opted to raise the remaining 70.2 percent by borrowing from the public (39.9 percent) and printing money (30.2 percent). He tried to manage the resulting inflation through wage and price controls. Although soldiers' pay was kept relatively low, veterans' benefits almost doubled the initial cost of US involvement in World War I (125).

The period 1898–1914 has attracted increasing attention from scholars concerned with the growth of American power. Rockoff cautions, however, that "the [1898] war did not suddenly make the United States

1. Subtitle: *The True Cost of the Iraq Conflict* (NY: Norton, 2008).

2. (With Gary Walton), *History of the American Economy*, 11th ed. (Mason, OH: Cengage, 2009). He is also the author of *Drastic Measures: A History of Wage and Price Controls in the United States* (NY: Cambridge U Pr, 1984).

3. "Until It's Over, Over There: The U.S. Economy in World War I," *NBER Working Paper* 10580 (Jun 2004); "US Economy in World War I," *EH.Net Encyclopedia* (10 Feb 2008) – [www.miwsr.com/rd/1317.htm](http://www.miwsr.com/rd/1317.htm) and [www.miwsr.com/rd/1318.htm](http://www.miwsr.com/rd/1318.htm).

into an imperial power.... [T]he many wars against Native Americans, the Mexican War, and the forcible ‘opening’ of Japan are clear examples ... of American imperialism in the years before the Spanish-American War” (49–50). President William McKinley’s decision to annex the Philippines was not—as its proponents at the time believed—“a turning point in world history.”<sup>4</sup> The great “shift,” as Rockoff calls it, came with World War I, when the United States, with its seemingly inexhaustible economic wealth, supplanted an “exhausted Britain” and the American dollar became the primary reserve currency (150).

Less convincing is Rockoff’s discussion of World War II and the postwar occupation of Japan. The Roosevelt administration’s wartime policy of “unconditional surrender” is well known, as is the Truman administration’s postwar plans for “reconstructing” Japan. But Rockoff does not explain why the original “goal of preventing a resurgence of Japanese militarism” changed to one of making Tokyo “a bulwark against Communism.” It is true that “few economists would disagree with the conclusion that the policy of ‘reconstructing’ ... Japan was a good investment for the [United States] as a whole” (222), but Rockoff fails to explain that plans to “downsize” the Japanese economy were shelved chiefly to save occupation costs. In other words, it was cheaper, even in the short term, for Truman to adopt a policy of regeneration rather than retribution toward America’s new Cold War ally.

The question of the costs of unintended occupations leads on nicely to a discussion of Korea. To write, however, that “The Korean War ended” (258), is simply erroneous, since, as Rockoff himself indicates elsewhere, it was rather a case of “an armistice [being] signed and hostilities halted” (245). And, too, his estimate of the price tag for the Korean War excludes what he calls “smaller costs,” like the sixty-year posting of US troops on the Korean peninsula, because they would not “change the overall picture sufficiently to justify the time needed” (255) to factor them in. But, given that North and South Korea remain technically at war, such costs must be factored in, especially now, at a time of heightened tensions in the region. To elide them altogether vitiates the cost-benefit analysis of American presence in the Republic of Korea (ROK).

Like veterans’ benefits, the expenses incurred by signing the Mutual Defense Treaty (MDT) on 1 October 1953 have continued to mount long after the guns fell silent. Since the armistice, as many as sixty thousand American soldiers have been stationed in South Korea; the concomitant costs were borne by the United States alone for the first four decades of the US-ROK alliance.<sup>5</sup> Not until the 1980s, when President Ronald Reagan applied sufficient pressure on his Korean counterpart, Chun Doo-hwan, did talks on the contentious issue of the ROK offsetting costs even get underway. In 1989—thirty-six years after the MDT was signed—South Korea finally agreed to start contributing. The picture in 2011, while bright, could have been brighter. Although a 50 percent cost-sharing agreement was reached in 2009, Seoul contributed merely \$743 million (ca. 42 percent) toward Washington’s \$1.769 billion tab.<sup>6</sup>

The period 1990–2003 should be treated as one historical subject: “The Saddam War.” Notwithstanding the February 1991 termination of Operation Desert Storm and the ceasefire agreement based on UN Security Council Resolution 687, for more than a decade US and British forces patrolled the No-Fly Zone, sometimes engaging Iraqi air defense units. By refusing to take the “Road to Baghdad,” George H.W. Bush had left “unfinished business,” according to one historian<sup>7</sup> and an “unsatisfactory conclusion,” according to two others.<sup>8</sup> The ceasefire did not, despite Rockoff’s simplistic statement, bring “a short and decisive war to a close” (311–12).

George W. Bush’s armed intervention, begun in 2003, finished the job and satisfied, at least in the short term, the military brass. Niall Ferguson has written that “policing Iraq from the air while periodically firing

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4. See John B. Judis, *The Folly of Empire: What George W. Bush Could Learn from Theodore Roosevelt and Woodrow Wilson* (NY: Oxford U Pr, 2004) 40.

5. See Tommy R. Mize, “U.S. Troops Stationed in South Korea, Anachronistic?” *Strategy Research Project* [US Army War College] (12 Mar 2012) 3 – [www.miwsr.com/rd/1319.htm](http://www.miwsr.com/rd/1319.htm).

6. M. Manyin et al., “U.S.-South Korea Relations,” *Congressional Research Service*, Rpt. R41481 (5 Feb 2013) 17 – [www.miwsr.com/rd/1320.htm](http://www.miwsr.com/rd/1320.htm).

7. Andrew Roberts, *A History of the English-Speaking Peoples since 1900* (NY: Harper, 2007) 613.

8. Timothy J. Lynch and Robert S. Singh, *After Bush: The Case for Continuity in American Foreign Policy* (NY: Cambridge U Pr, 2008) 151.

missiles at suspect installations was *costing money* without solving the problem posed by Saddam. *Keeping U.S. troops in Saudi Arabia indefinitely was not an option* (my emphases).<sup>9</sup> Rockoff should not have overlooked the costs incurred during the containment phase of the Iraq conflict as “A Forgotten War.”<sup>10</sup> The two No-Fly Zones (Operations Northern and Southern Watch) covered over 100,000 square miles and cost the Clinton Administration an average \$1 billion per year between 1996 and 2001.<sup>11</sup> The American presence in southern Turkey, parts of the Middle East, and the wider Gulf region required to support Iraqi containment efforts beginning in the George H.W. Bush administration comprised thirty naval vessels, two hundred military aircraft, and 28,000 troops, at a yearly cost of ca. \$14.5 billion.<sup>12</sup>

Semantics and counterfactuals aside, containing Saddam was a bargain compared with the price in money and blood of toppling the tyrant. We may hope that Rockoff’s impressive and user-friendly<sup>13</sup> study will lead US politicians to think twice before they send soldiers to intervene abroad. It will certainly force the American people to weigh carefully the costs of caring for injured veterans of such adventures.<sup>14</sup>

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9. *Colossus: The Rise and Fall of the American Empire* (NY: Press, 2005) xiii.

10. See Thomas E. Ricks, “Containing Iraq: A Forgotten War,” *Washington Post* (25 Oct 2000), rpt. at *Global Policy Forum* – [www.miwsr.com/rd/1321.htm](http://www.miwsr.com/rd/1321.htm).

11. Todd Harrison and Zack Cooper, “Selected Options and Costs for a No-Fly Zone over Libya,” *The Center for Strategic and Budgetary Assessments Backgrounder* (Mar 2011) 2 – [www.miwsr.com/rd/1322.htm](http://www.miwsr.com/rd/1322.htm).

12. Steven J. Davis, Kevin M. Murphy, and Robert H. Topel, “War in Iraq versus Containment,” *NBER Working Paper* 12092 (16 Feb 2006) 10, 16 – [www.miwsr.com/rd/1323.htm](http://www.miwsr.com/rd/1323.htm).

13. It is equipped with four appendices, eight chronologies, and twenty-plus pages of references.

14. I am grateful to my dear and selfless friend Sue Coathup for allowing me the time to write, even at the wrong times.