

An Economist's Case Against an Interventionist Foreign Policy

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I've been an economist over half my life. The more I've learned, the more I've seen what a powerful insight economist Ludwig von Mises had over 60 years ago when he pointed out that virtually every government intervention leads to unintended consequences that then lead to further interventions. So, for example, Nixon's 1973 price controls on gasoline caused us to waste hundreds of millions of dollars in time lining up for gas. That led the U.S. government to dictate the fuel economy of cars. The fuel economy laws caused auto companies to make lighter cars, causing a few extra thousand deaths a year. (For more on this, see Chapter 2 of my book *The Joy of Freedom: An Economist's Odyssey*.) The gasoline lines also caused people to be more sympathetic to intervening in the Middle East.

In foreign policy also, when government intervenes, it creates problems that it tries to solve by intervening further. Take Iraq... please, as the late Henny Youngman would have said. How did we get to the point where the Bush government invaded Iraq? Let's take a trip down memory lane.

In 1963, the CIA helped a young Iraqi ally who, along with other plotters, overthrew General Adbul Qassim. You may have heard of this young Iraqi ally; he's been in the news lately. His name is Saddam Hussein. Five years later, the CIA backed another coup that made Hussein deputy to the new military ruler. Then, in 1979, Hussein took his turn as dictator.

Hussein proceeded to wage a long and costly war on Iran. Although many people, correctly, point to this war as evidence of Hussein's evil, they rarely mention one highly relevant fact: the Reagan administration supported this invasion with billions of dollars in export credits and with satellite intelligence. Saddam Hussein was evil for initiating and fighting that war. How, then, should we evaluate the U.S. government officials who actively supported him?

But my main purpose here is not to question the morality of war. Rather, it is to point out how one intervention leads to another. The U.S. government supported

a man who eventually took over Iraq's government and who later became, in the eyes of the U.S. government, the enemy. The U.S. government's interventions of the 1960s led, indirectly but inexorably, to its current intervention.

Why did the U.S. government support Saddam Hussein in his war on Iran? Because Iran had become an enemy of the U.S. government after Khomeini took over and after the Iranians had taken Americans in the U.S. embassy hostage. One reason many Iranians hated the U.S. government was that the CIA, with Kermit Roosevelt and Norman Schwarzkopf Sr. leading the charge, had deposed the democratically elected premier, Mohammed Mossadegh, in 1953 and reinstalled the shah of Iran. The shah created a secret terrorist police force, SAVAK, that tortured its own citizens and imprisoned political opponents. The CIA helped train SAVAK. On domestic policy, the shah undertook a highly inflationary monetary policy that caused the value of the Iranian currency to plummet. Inflation, torture. Funny how that pisses people off.

Interestingly, when James Woolsey, former director of intelligence for the Clinton administration's CIA, spoke at the Naval Postgraduate School in August 2003, he addressed the 1953 uprising in response to a question from me. During his speech, Woolsey had stated that the war with militant Islam had begun in November 1979 when some Iranians took over the U.S. embassy. I asked him whether he didn't think it might have begun in 1953, when the CIA helped depose Mossadegh. Laughing, Woolsey replied that, as Winston Churchill had said, when it came to the Middle East, the Americans, after doing many wrong things, would always end up doing the right thing. In other words, Woolsey seemed to admit CIA complicity, but dismissed the idea that this mattered because the U.S., at some point, (he didn't specify when) had gotten it right. But Woolsey's answer evades the issue: did the U.S. government's 1953 actions have bad unintended consequences? Although Reagan did the right thing by ending the last vestiges of Nixon's price controls on oil, we are stuck with many of the regulations that the price controls on oil led to. Similarly, the bad consequences of the U.S. government's intervention in 1953 have been horrendous and cannot be laughingly dismissed.

Or take the unintended consequences of U.S. government intervention in Afghanistan. Although the U.S. government now fiercely opposes the radical

Muslims who, until 2001, ran the Afghan government, it helped put them in that position in the first place. Zbigniew Brzezinski was the national security adviser to President Jimmy Carter – you remember Jimmy Carter, that wonderful man who has done so much for world peace. Brzezinski bragged (in an interview in *Nouvelle Observateur*) about the fact that, in 1979, he persuaded Carter to destabilize Afghanistan's pro-Soviet government so that the Soviets would invade. In December 1979, Brzezinski got his Christmas wish: the Soviets invaded Afghanistan. Then, the CIA proceeded to recruit radical Muslims to fight the Soviets. One other person who helped fund these Muslims was named Osama bin Laden. Incidentally, since Sept. 11, 2001, the Bush administration has been trying like mad to find a link between Osama and Saddam. The link is hidden in plain sight: in the 1980s, both were allies of the U.S. government.

I have documented above just a few of the unintended consequences of U.S. government intervention in other countries' affairs. Much more could be said, and I will occasionally say it in little pieces in forthcoming columns. Unfortunately, the basic lesson about intervention has not been learned by the people who need to learn it most – the makers of U.S. foreign policy. A large number of them still seem to believe that they can design the world any way they like and that even if there are unintended consequences, these will be less negative than the positive they hope to achieve. In that sense, they have what the late free-market economist Friedrich Hayek called, "the fatal conceit." Hayek applied the term to people who believed that governments would plan economies with many good results and few bad ones. But the term applies just as much to the conceit of foreign policy makers.

I've got an idea: Let's have a 50-year time out for U.S. interventionists.