

Intelligence MEMOS



From: Dan Ciuriak
To: Canadians Concerned about Ukraine
Date: August 17, 2022
Re: COUNTING THE COST (IV) – THE CUMULATIVE GLOBAL ECONOMIC COST OF THE WAR

We conclude our series on the economic costs of Russia's invasion of Ukraine by summarizing the bill that should be sent to the Kremlin.

The direct economic costs include the value of destroyed [physical](#) assets and the [economic growth forgone](#). The material economic cost to the Ukrainian economy will likely be around \$200 billion. The forgone economic growth of the belligerents, particularly Russia, is a further \$2 trillion. And the [human cost](#), particularly for Ukrainian civilians, dwarfs those material economic costs.

For the rest of the world, the war has meant sharply higher energy and food costs, higher interest rates, and reduced business and consumer confidence, leading to a reduction in economic growth and a sharper correction in equity markets than was anticipated based on the expected withdrawal of pandemic-related stimulus.

The disruption of food supply from one of the world's bread baskets for several months caused a spike in food prices at a time of heightened precarity due to drought in Africa. More than 47 million people in the Sahel and Horn of Africa faced extreme hunger and 14 million were estimated to be at risk of outright starvation during this period. The war exacerbated these famine conditions.

Meanwhile in Europe, millions of people report high levels of anxiety about war on their doorstep and the impact on food and energy prices, which impacts particularly severely on the most vulnerable segment of the population – the old and the poor. This imposes its own price as stress shortens lifespans.

These largely hidden human costs outside the war zone total more than US\$3.5 trillion at the low end. The high end of costs of stress to the rest of the European population and famine costs in Africa would add another US\$1.8 trillion to the tab. A fuller discussion is contained in my new C.D. Howe Institute [Working Paper](#).

The final tally of what can be quantified shows that while Russia suffers significant economic costs from this war, by far the greater share of the costs are borne by Ukraine and those around the world.

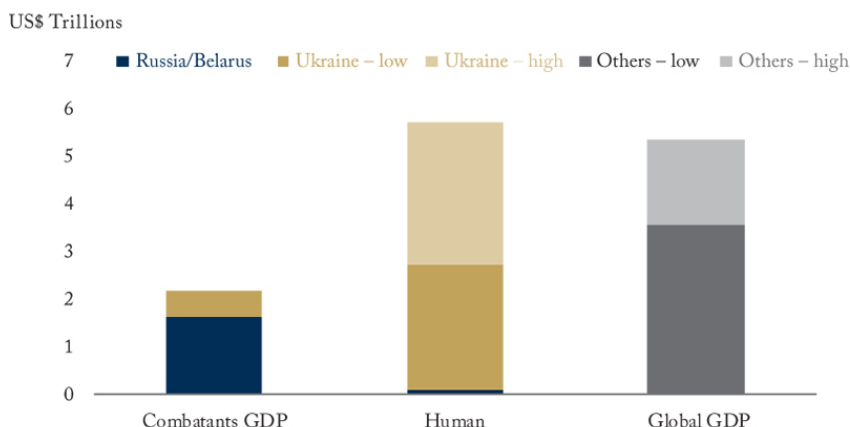
Putin's war is very expensive for the world – on the order of US\$9 trillion as a conservative estimate, and US\$14 trillion when adopting higher assumptions for the value of human life.

This does not include the incalculable costs of the disruption of global efforts to address climate change, the welfare costs of the loss of the "peace dividend" through the now unavoidable step increase in the share of global expenditure going to defense, and the negative impact on the efficiency of the global economy from the reduction in trade and investment due to heightened political risk.

Finally, a country maximizes its national security by maintaining a strong economy, preserving access to technology, maintaining a strong military for defense, and not making enemies. Vladimir Putin has weakened Russia's economy, cut off its access to Western technology, degraded its military in a grinding offensive war, and driven its neighbours into an opposing alliance.

The final tally of the cost of Russia's assault is enormous. The world's leaders should hand Vladimir Putin the bill for the costs he has imposed on their countries and the global community.

The Cumulative Economic Cost of the War



Source: Author's calculations.

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