

[← Working Papers](#)

What Do Financial Markets Think of War in Iraq?

Andrew Leigh, Justin Wolfers & Eric Zitzewitz

SHARE



WORKING PAPER 9587

DOI 10.3386/w9587

ISSUE DATE March 2003

We analyze financial market data in order to produce an ex-ante assessment of the economic consequences of war with Iraq. The novel feature of our analysis derives from the existence of a market for Saddam Securities,¹ a new future traded on an online betting exchange that pays only if Saddam Hussein is ousted. A variety of tests suggest that this future's price provides a plausible estimate of the probability of war. The spot oil price has moved closely with the Saddam Security, suggesting that war raises oil prices by around \$10 per barrel. Futures prices imply that markets expect these large immediate disruptions to dissipate quickly, with prices returning to pre-war levels within about a year and a half. Evidence on the long-run effects is fragile, and while prices are probably expected to fall a little as a result of war, any oil dividend² will be minimal. We find large effects in equity markets: and war lowers the value of U.S. equities by around 15 percent. This effect is concentrated in the consumer discretionary sector, airlines and IT; the prospect of war bolsters the gold and energy sectors. Analyzing option prices, we find that the large estimated average effects of war reflect the market pricing in a range of different scenarios - a 70 percent probability that it will lead to market declines of 0 to 15 percent, a 20 percent chance of 15 to 30 percent declines, and a 10 percent risk of a fall in excess of 30 percent. Across countries, the most extreme effects are on the stock markets of Turkey, Israel, and several European nations. Countries that are highly enmeshed in the world economy, or net oil importers, are most likely to experience adverse effects from war.

[Download a PDF](#)

[Information on access](#)

Acknowledgements and Disclosures



Citation and Citation Data



Related

TOPICS

[Macroeconomics](#)
[Fiscal Policy](#)
[Financial Economics](#)
[Financial Markets](#)

PROGRAMS

[Economic Fluctuations and Growth](#)
[Asset Pricing](#)

More from the NBER

In addition to [working papers](#), the NBER disseminates affiliates' latest findings through a range of free periodicals — the [NBER Reporter](#), the [NBER Digest](#), the [Bulletin on Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online [conference reports](#), [video lectures](#), and [interviews](#).



Martin Feldstein Lecture, Summer Institute 2025
The Fiscal Future

N. Gregory Mankiw, Harvard University and NBER
July 10, 2025

2025, 17th Annual Feldstein Lecture, N. Gregory Mankiw, "The Fiscal Future"

FELDSTEIN LECTURE

PRESENTER: N. GREGORY MANKIW

N. Gregory Mankiw, Robert M. Beren Professor of Economics at Harvard University, presented the 2025 Martin Feldstein...



Methods Lecture, Summer Institute 2025
**Uncovering Causal Mechanisms:
Mediation Analysis and
Surrogate Indices**

Raj Chetty, Harvard University and NBER
Kosuke Imai, Harvard University
July 24, 2025



**2025, Methods Lecture, Raj Chetty and Kosuke Imai, "Uncovering Causal Mechanisms:
Mediation Analysis and Surrogate Indices"**

PRESENTERS: [RAJ CHETTY](#) & [KOSUKE IMAI](#)

SlidesBackground materials on mediation Imai, Kosuke, Dustin Tingley, and Teppei Yamamoto. (2013). "Experimental Designs..."



International Trade and Macroeconomics, Summer Institute 2025

Panel on The Future of the Global Economy

Oleg Itskhoki, Harvard University and NBER

Paul Krugman, City University of New York and NBER

Linda Tesar, University of Michigan and NBER

July 8, 2025

2025, International Trade and Macroeconomics, "Panel on The Future of the Global Economy"

PANEL DISCUSSION

PRESENTERS: [OLEG ITSKHOKI](#), [PAUL R. KRUGMAN](#) & [LINDA TESAR](#)

Supported by the Alfred P. Sloan Foundation grant #G-2023-19633, the Lynde and Harry Bradley Foundation grant #20251294...

National Bureau of Economic Research

Contact Us

1050 Massachusetts Avenue

Cambridge, MA 02138

617-868-3900

info@nber.org

webaccessibility@nber.org

Accessibility Policy

Diversity Policy

Privacy Policy

FOLLOW



© 2026 NATIONAL BUREAU OF ECONOMIC RESEARCH. ALL RIGHTS RESERVED.