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What will be the model for peace in postwar Iraq -- Germany after World War I or after World War II?

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"EVEN if it did not sow the decay of the whole civilized life of Europe," an ominously prescient John Maynard Keynes wrote in 1919, it was "abhorrent and detestable" to impose financial reparations on Germany after World War I.

Although untold battles lie ahead and the extent of destruction is yet to be determined, there will eventually be a postwar Iraq. Historians will judge the success of the war by the success of the peace. Will the consequences resemble the tragedy of Germany after World War I or the success of Germany after World War II? The Bush administration has much riding on an outcome approximating the latter, but it has done little publicly to describe its postwar plans other than to give lucrative contracts to former business associates in closed bidding and to request $3.5 billion -- a down payment -- for postwar relief and reconstruction in its recent $75 billion supplemental spending bill.

Even without punitive war reparations, the financial burden on Iraq already poses a big obstacle to reconstruction. The fog of finance is almost as thick as the fog of war in Iraq, but analysts have pieced together a balance sheet that looks, well, wildly out of balance. Saddam Hussein borrowed heavily to finance his war with Iran, the invasion of Kuwait, and the first Persian Gulf war. On top of this, the United Nations Compensation Commission received $320 billion of claims for damages against Iraq related to its invasion of Kuwait.

Iraq's total potential obligation -- from war-related compensation claims, foreign debt and pending contracts -- is $383 billion, according to Frederick D. Barton and Bathsheba N. Crocker of the Center for Strategic and International Studies in Washington. Their report, "A Wiser Peace: An Action Strategy for a Post-Conflict Iraq" (available at www.csis.org/isp/pcr/index.htm), should be required reading for anyone looking for a blueprint of how to rebuild Iraq successfully after the war.

"In any reconstruction there is a make-or-break issue," said Mr. Barton, a veteran of United States and United Nations efforts to rebuild war-torn regions like Bosnia, Haiti and Rwanda. "Debt is the make-or-break issue for Iraq."

To gain some perspective on the crushing financial burden facing the Iraqi people, note that with a population of 24 million, pending obligations work out to $16,000 for every man, woman and child. The Central Intelligence Agency estimates, probably optimistically, that Iraq's per capita gross domestic product is $2,500. So, for the average person, financial obligations exceed income by a ratio of more than six to one.

If 50 percent of Iraq's future export income is diverted to paying down the debt -- more than three times the percentage extracted for German World War I reparations -- it would take more than 35 years to pay off current obligations fully, even after allowing for reasonable growth in oil exports.

The ratio of debt to G.D.P. in Iraq is more than 10 times what it is in Argentina or Brazil.

Even if the Barton-Crocker estimates are way off, the debt load facing future generations of Iraqis is overwhelming.

What would happen if an occupied Iraq simply defaulted on the debt?

Patrick Bolton, an expert on sovereign bankruptcy at Princeton University, said creditors could seize Iraq's assets in their countries or sue to block future creditors from collecting money owed to them, creating an obvious disincentive for anyone considering investing in Iraq. Creditors might even be able to block the United States from using Iraqi oil reserves for the Iraqi people, as the Bush administration has promised.

Indeed, the United Nations has been siphoning off 28 percent of Iraq's oil export revenue to compensate claimants from the invasion in Kuwait -- and so farhas processed only half of all claims from that war. There could be additional claims after this war, and much of the country's infrastructure will need to be rebuilt or repaired. The United Nations has awarded 30 cents on the dollar for individual and family claimants; claims by companies, governments and international organizations remain to be settled.

To give Iraq's economy a chance to recover, Mr. Barton and Ms. Crocker recommend a five-year moratorium on external debt, along the lines that the Paris Club creditors agreed to for Yugoslavia in 2001. They also call for an immediate halt to the United Nations deduction of oil revenues to compensate claimants.

Michael Kremer and Seema Jayachandran, two Harvard economists, go even further. They propose that debts incurred by all illegitimate, repressive regimes should be made nontransferable to successor governments. Because Iraq has the potential to generate foreign exchange, unlike Rwanda or Haiti, a debt moratorium or write-down could generate short-term investments to help the economy get back on its feet.

Relieving Iraq's debt crisis is a particularly delicate diplomatic challenge, however, because Russia -- with its own economic problems and veto on the Security Council -- is owed $64 billion by Iraq. Ms. Crocker cautions that the United States should not unilaterally cancel contracts executed between other sovereign nations; this should be left to a multinational body.

"Nations are not authorized, by religion or by natural morals, to visit on the children of their enemies the misdoings of parents or of rulers," Keynes proclaimed. As matters stand now, future generations of Iraqis will be saddled with Mr. Hussein's debts.

Ironically, the Bush administration -- on whose watch the projected 10-year budget of the American government morphed from a surplus of $5.6 trillion into a deficit of $4 trillion -- must address Iraq's debt for reconstruction to succeed.

It is easy to underestimate the hardship that severe financial burdens impose on a people trying to recover from war. In his 1920 critique, "The Economic Consequences of the Peace," the celebrated University of Chicago economist Thorstein Veblen wrote, "the measures hitherto taken in the execution of this peace treaty's provisional terms throw something of an air of fantasy over Mr. Keynes's apprehensions." The next two decades proved Mr. Keynes's apprehensions correct.

Let's hope Mr. Barton and Ms. Crocker's apprehensions are taken seriously.