

## **Economists: Iraq war could cost \$3 trillion**

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As the occupation of Iraq enters its sixth year, some experts project the overall cost of U.S. operations there to exceed \$3 trillion.

Speaking at a press conference yesterday, economists Joseph Stiglitz and Linda Bilmes said the figure includes factors most military finance estimates leave out, including veteran's benefits, re-equipping the military to prewar levels, and interest on borrowed combat funding.

"Taken together, whether you look at it with an economic perspective or a budgetary perspective, the costs of the war are much, much larger than the cash costs that are being quoted in the newspaper," said Bilmes, a professor of public finance at Harvard's Kennedy School of Government. "The minimum that the war could cost is three trillion dollars."

The projection surpasses the Congressional Budget Office estimate of a \$1.9 trillion cost to taxpayers by 2017. The United States has spent \$526 billion in war-related appropriations since the lead-up to the 2003 invasion, according to a Congressional Research Service report released last month.



REUTERS photo by Mahmoud Raouf Mahmoud.

*A standard U.S. battle tank, like this one on patrol in Salman Pak, Iraq, costs approximately \$4.3 million to replace. Some critics of the war now estimate the conflict's cost to taxpayers at \$3 trillion.*

The Congressional Budget Office and the two economists agree that interest payments on war debt is one of the largest factors pushing the total upwards.

“This is the first war in American history that we’ve financed entirely by deficit spending,” said Joseph Stiglitz, a Nobel laureate in economics and opponent of the war. “But at the time we went to war we already had a deficit—then we cut taxes.”

The Iraq war has been funded by 25 emergency supplemental appropriations – a process that Bilmes says has circumvented normal budget caps and contributed an additional \$800 billion in national debt.

“The decision on how to pay for the war has been a bipartisan fiasco,” Bilmes said. “This decision to fund the war differently than previous wars, to fund it without sacrifice by the American people, to put it on the national credit card, is a decision which ought to be scrutinized equally to the decision to be there in the first place.”

Today marks the fifth anniversary of the Iraq war, which has become the second longest war in U.S. history after the Vietnam War. It is also the second most expensive war the United States has fought, after World War II, said Stiglitz, adjusting for today’s dollars.

“In Vietnam and Korea there were 2.5 injuries in combat for every fatality. In Iraq and Afghanistan there are seven direct woundings in combat—if you include non-hostile injuries and disease, it’s 15 to one,” Bilmes said. “So while this is a tribute to battlefield medicine, it certainly increases the cost and the veteran’s department is...seriously overwhelmed.”

Bilmes argued that the war presents additional costs to be paid chiefly by individuals.

“There is the cost of someone who quits their job to care for a wounded returning soldier,” Bilmes said. “And macroeconomic costs, including, for example, some portion of the increase in oil prices, and the weakening of economy due to the amount of borrowing we’ve done.”

Although war often stimulates economies by pushing production, Stiglitz said that the money spent in Iraq is not as helpful as investments in the United States’s own infrastructure.

“The fact is that money spent on the war is does not stimulate the economy as much as money spent domestically,” said Stiglitz. “It doesn’t have the second [and] third round effects in the economy as if you had spent it on a road or a school.”

Other economists say the opposite: war spending provides a vital infusion of market demand to the struggling domestic economy.

“It’s true that not 100 percent of defense spending on Iraq is going to U.S. demand,” said Desmond Lachman, an economist and resident fellow at the American Enterprise Institute, a conservative-leaning think tank. “But to reduce government expenditure right now would be very deflationary to the U.S. economy at a time when it needs support.”

As they made the case for war, Bush administration officials floated cost estimates ranging from \$50 to \$200 billion.

“We’re dealing with a country that can really finance its own reconstruction, and relatively soon,” Paul Wolfowitz, one of the administration’s chief architects for the war, said to a congressional panel five years ago this month.

Prompted about the \$3 trillion figure at a press briefing last week, White House Press Secretary Dana Perino defended the spending.

“We have to ask ourselves what the cost would be of doing nothing...in terms of making sure that Iraq does not become a safe haven for al Qaeda,” Perino said.

Bush administration proposed a budget last month that seeks an additional \$70 billion to fund the wars and reconstruction in Iraq and Afghanistan.