

Escalating War in Afghanistan Apt to Hurt Fragile U.S. Economy

By [Sherwood Ross](#)

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If Iraq war spending helped plunge the U.S. economy into its worst slump since the Depression, what does President Obama think his escalation of the Afghan war will do it?

Besides forcing taxpayers to cough up fresh billions to enable the Pentagon to chase down a few hundred Taliban fighters, the Afghan war is liable to continue to inflate oil prices—and this means more than the ongoing swindle of motorists at the pump.

Higher oil prices also slow the global economy, causing our trading partners to buy fewer Made-in-USA goods, thus reducing demand for our products and leading to layoffs.

Spending money on war also siphons billions of dollars from truly productive uses.

"Today, no serious economist holds the view that war is good for the economy," write Nobel Prize-winning economist Joseph Stiglitz and Harvard government finance expert Linda Bilmes in their book "The Three Trillion Dollar War: the True Cost of The Iraq Conflict."

Referring to Iraq, they write, "The question is not whether the economy has been weakened by the war. The question is only by how much." They note, "Oil prices started to soar just as the war began, and the longer it has dragged on, the higher prices have gone."

Even so, by their estimate (a word they stress), the increased price of oil attributed to the war comes "to somewhat in excess of \$1.6 trillion." Not only consumers but State and local governments "have had to cut back other spending to pay the higher prices of oil imports."

The co-authors reason, "Government money spent in Iraq does not stimulate the economy in the way that the same amounts spent at home would." A thousand dollars spent to hire a Nepalese worker to perform services in Iraq does not directly increase the income of Americans, Stiglitz and Bilmes point out. Ditto for Afghanistan—and Pakistan, friends.

By contrast, the same thousand dollars spent on university research in the U.S. directly boosts the U.S. economy, then ripples out as the university researchers spend their money on goods and services, many of them made in America.

"The money spent on Iraq could have been spent on schools, roads, or research. These investments yield high returns. It could also have been spent more productively within the Department of Veterans Affairs, in its teaching and research programs, or in expanding medical facilities such as mental health clinics... Expenditures on the Iraq war have no

benefits of this kind.” And by fiscal year 2010, the Center For Defense Information reports, the cost of the Afghan fighting will total \$739 billion on the cost of Iraq fighting \$2.337 trillion. Imagine the good those dollars would have done spent at home!

Bilmes and Stiglitz say by the end of last year, the wars in Afghanistan and Iraq hiked U.S. indebtedness by \$900 billion and just the debt from military spending (excluding veterans’ benefits) will exceed \$2 trillion.

Today, the Pentagon sponge not only causes the U.S. to borrow billions from China and others but it is also putting American entrepreneurs out of business. “As the private sector competes for funds with the government, private investment gets crowded out... As a result, output is lower.”

The co-authors add that the crowding out causes a loss in investment in our economy by \$1.2 trillion and “the forgone output” (unbuilt homes, etc.) could be as high as \$5trillion.

Another expense the Pentagon doesn’t talk about is the waste involved when it doles out no-bid contracts to favored insiders such as KBR. Nearly all of the top 10 war machine contractors are said to land the majority of contracts without competing bidders. What a kick in the teeth to capitalist free enterprise!

Have your stocks suffered? U.S. economist Robert Wescott, Stiglitz and Bilmes write, estimated in the years immediately following the beginning of the Iraq war that “the value of the stock market was some \$4 trillion less than would have been predicted on the basis of past performance.”

Why? Because, “Uncertainties caused by the war, the resulting turmoil in the Middle East, and soaring oil prices dampened prices from what they ‘normally’ would have been. This decrease in corporate wealth implies that consumption was lower than it otherwise would have been, again weakening the economy.”

Back in 2007, Democrats on Congress’ Joint Economic Committee issued a report on the two wars estimating their cost from 2002 to 2008 at \$1.6 trillion. They put the cost to an American family of four at \$20,900. That’s a whopping sum—but given all the indirect ways the wars have crippled the U.S. economy, probably a gross undercount.

President Obama’s expansion of the Afghan war into Pakistan has engulfed much of the Middle East in bloodshed that is, sad to say, of America’s making. And pouring more U.S. treasure into Pakistan will only further weaken the U.S. economy. This writer believes the American people—who want only what President Eisenhower’s slogan, “Peace and Prosperity,” once promised them—are going to pay dearly for a widening war the majority of them reject. And it may also bring economic catastrophe our way, courtesy of the “military-industrial complex” of which Eisenhower warned.

Sherwood Ross is a Miami-based public relations counselor who formerly worked for major dailies and wire services. Reach him at sherwoodross10@gmail.com

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