

War costs and costs and costs

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Theme: [Global Economy](#), [US NATO War Agenda](#)

With March 20 marking the fifth anniversary of the United States-led invasion of Iraq, it's time to take stock of what has happened. In our [new book](#) *The Three Trillion Dollar War*, Harvard's Linda Bilmes and I conservatively estimate the economic cost of the war to the US to be \$3 trillion, and the costs to the rest of the world to be another \$3tn – far higher than the Bush administration's [estimates](#) before the war. The Bush team not only misled the world about the war's possible costs, but has also sought to obscure the costs as the war has gone on.

This is not surprising. After all, the Bush administration lied about everything else, from Saddam Hussein's weapons of mass destruction to his supposed [link with al-Qaida](#). Indeed, only after the US-led invasion did Iraq become a breeding ground for terrorists.

The Bush administration [said](#) the war would cost \$50bn. The US now [spends](#) that amount in Iraq every three months. To put that number in context: for one-sixth of the cost of the war, the US could put its social security system on a sound footing for more than a half-century, without cutting benefits or raising contributions.

Moreover, the Bush administration cut taxes for the rich as it went to war, despite running a budget deficit. As a result, it has had to use deficit spending – much of it financed from abroad – to pay for the war. This is the first war in American history that has not demanded some sacrifice from citizens through higher taxes; instead, the entire cost is being passed onto future generations. Unless things change, the US national debt – which was [\\$5.7tn](#) when Bush became president – will be \$2tn higher because of the war (in addition to the \$800bn increase under Bush before the war).

Was this incompetence or dishonesty? Almost surely both. Cash accounting meant that the Bush administration focused on today's costs, not future costs, including disability and health care for returning veterans. Only years after the war began did the administration order the specially armoured vehicles that would have saved the lives of many killed by roadside bombs. Not wanting to reintroduce a draft, and finding it difficult to recruit for an unpopular war, troops have been forced into two, three, or four stress-filled deployments.

The administration has tried to keep the war's costs from the American public. Veterans groups have used the freedom of information act to discover the total number of injured – 15 times the number of fatalities. Already, 52,000 returning veterans have been diagnosed with post-traumatic stress syndrome. America will need to provide disability compensation to an estimated 40% of the 1.65 million troops that have already been deployed. And, of course, the bleeding will continue as long as the war continues, with the healthcare and

disability bill amounting to more than \$600bn (in present-value terms).

Ideology and profiteering have also played a role in driving up the war's costs. America has relied on private contractors, which have not come cheap. A [Blackwater](#) security guard can cost more than \$1,000 per day, not including disability and life insurance, which is paid for by the government. When unemployment rates in Iraq soared to 60%, hiring Iraqis would have made sense; but the contractors preferred to import cheap labour from Nepal, Philippines, and other countries.

The war has had only two winners: oil companies and defence contractors. The stock price of Halliburton, vice-president Dick Cheney's old company, has soared. But even as the government turned increasingly to contractors, it reduced its oversight.

The largest cost of this mismanaged war has been borne by Iraq. Half of Iraq's doctors have been killed or have left the country, unemployment stands at 25%, and, five years after the war's start, Baghdad still has less than eight hours of electricity a day. Out of Iraq's total population of around 28 million, 4 million are displaced and 2 million have [fled](#) the country.

The thousands of violent deaths have inured most westerners to what is going on: a bomb blast that kills 25 hardly seems newsworthy anymore. But statistical studies of death rates before and after the invasion tell some of the grim reality. They suggest additional deaths from a low of around 450,000 in the first 40 months of the war (150,000 of them violent deaths) to 600,000.

With so many people in Iraq suffering so much in so many ways, it may seem callous to discuss the economic costs. And it may seem particularly self-absorbed to focus on the economic costs to America, which embarked on this war in violation of international law. But the economic costs are enormous, and they go well beyond budgetary outlays. Americans like to say that there is no such thing as a free lunch. Nor is there such a thing as a free war. The US – and the world – will be paying the price for decades to come.

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