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False economies

By Glenn C. Altschuler

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HIGHLIGHT: The writer is the Thomas and Dorothy Litwin Professor of American Studies at Cornell University. See related article on p. 26.

The Three Trillion Dollar War By Joseph E. Stiglitz and Linda J. Bilmes W.W. Norton & Company 311 pages; \$ 22.95

In 2003 US secretary of defense Donald Rumsfeld dismissed as "baloney" a suggestion that the war in Iraq might cost American taxpayers \$ 200 billion. Rumsfeld's estimate endorsed by Mitch Daniels director of President George W. Bush's Office of Management and Budget was \$ 50 billion-\$ 60b. some of which they indicated would be picked up by other countries. Rumsfeld's deputy Paul Wolfowitz added that Iraqi oil revenues would pay for the postwar reconstruction of the country.

They were wrong. Operating costs for the war now exceed \$ 12.5b. a month (up from \$ 4.4b. in 2003). Including the war supplemental for fiscal 2008 Congress has appropriated \$ 634b. for military operations reconstruction embassy costs security at US bases and foreign aid programs in Iraq.

The meter of course is still ticking. And as Joseph Stiglitz and Linda Bilmes point out these figures do not include massive costs that have been hidden from the public by the Bush administration. In The Three Trillion Dollar War Stiglitz professor of economics at Columbia University chairman of president Bill Clinton's Council of Economic Advisers and winner of the Nobel Prize in Economics in 2001 and Bilmes lecturer at Harvard's Kennedy School of Government and former assistant secretary of commerce use documents obtained under the Freedom of Information Act to tally the "true costs" of the war - and the massive expenditures still to come.

They make no effort to hide their political agenda. They believe that the invasion of Iraq by the US was an act of aggression in violation of international law - and that the likelihood of a stable and democratic society in the foreseeable future is dim. Convinced that the US has become toxic in Iraq they maintain that the only remaining questions for policy makers are tactical: How rapidly can American forces be withdrawn - and with what implications for the balance of power among Sunnis Shi'ites and Kurds.

Stiglitz and Bilmes do not include benefits of the war in their calculations. And their estimates inevitably include lots of guesswork. Nonetheless *The Three Trillion Dollar War* is an important and timely book. In the run-up to what was after all an "elective" war and during the five-year occupation of Iraq they demonstrate the American people and their representatives lacked adequate and accurate information about the human and financial costs. Democracies should - and can - do better.

To conceal from voters the economic burden of the war Stiglitz and Bilmes point out the Bush administration refused to raise taxes and consistently "low balled" expenditures. Unwilling to increase the size of the armed forces the Pentagon "privatized" services from cooking and cleaning to servicing weapons bypassing competition among corporations in favor of "sole source bidding" and "cost- plus contracts." Expenses have skyrocketed. Private security guards for example make up to \$ 445 0 a year while army sergeants get less than \$ 70 0 in pay and benefits. Not surprisingly instead of a second tour of duty soldiers take jobs with military security firms. The cost of recruitment and retention goes up: Reenlistment bonuses now approach \$ 150 0 Rebuilding the armed services the authors estimate will take at least \$ 250b. to \$ 375b.

The impact of the war on the American economy they suggest has been "staggering." Without the conflict annual GDP growth would have been 0.2 percent higher generating 900 0 more jobs each year and oil prices reduced by \$ 10 a barrel. Countering the assertion that raising taxes is a "deadweight loss they assert that saddling future generations with debt will increase the costs by 50% or more.

Paying for war on a credit card, they emphasize, makes it too easy for American citizens and their elected representatives to authorize an attack. In a penetrating and provocative final chapter, Stiglitz and Bilmes suggest reforms that will bring about greater transparency in projecting appropriations; shared sacrifice by the current generation; and a return to checks and balances in American foreign policy. When a conflict lasts more than a year, they recommend, Congress should not be allowed to use emergency "supplementals" to fund it; the Pentagon should not be able to use the National Guard or Reserves; and funding should come from a "war surtax." Appropriations should be contingent on strategy reviews tight limits on private contractors and "clean auditable" financial statements from the Department of Defense which include estimates of the micro and macro economic impact of war and health care costs arising from military service.

Some of these reforms no doubt are not politically feasible. Nor would they if enacted guarantee against errors of judgment. But as Stiglitz and Bilmes conclude they might make it more likely that the decision to go to war would be taken with "greater solemnity greater care and greater reserve" - amid better information about the costs in blood and treasure "that will live on long after the last shot has been fired."