

The Three-Trillion Dollar War: The True Cost of the Iraq Conflict

Joseph Stiglitz and Linda Bilmes

Reviewed by Neil James

Joseph Stiglitz has held the chair in finance and economics at Columbia University Business School since 2001. A previous chief economist at the World Bank he also served on the US Council of Economic Advisors in the Clinton administration. In 2001 he was a co-winner of the Swedish central bank prize for economics affiliated to the Nobel Prizes. Linda Bilmes lectures in public policy at Harvard's Kennedy School of Government. She also served in the Clinton administration as a senior official in the Department of Commerce

The authors of *The Three-Trillion Dollar War* frankly admit that 'we are both ardently opposed to the war and were against it from the start'. This motivation unfortunately distracts the book from an objective public finance and economic focus, or from analysis based on first principles, uncontroversial assumptions and letting facts speak for themselves. More generally, there are also too many forays into strategic policy and international relations matters well outside the authors' social science expertise and experience.

Stiglitz and Bilmes ably argue that the economic costs of the Iraq War are very high, that they include a range of visible, invisible, direct and opportunity (forgone) costs, that these costs will continue for several decades, and that Bush administration cost estimates have been wrong from the start. They also effectively discuss the macroeconomic effects of the war on both the US and international economies but are much less successful when trying to discuss the strategic costs.

The three-trillion dollar figure is their mid-range estimate and is probably much closer to the mark than the figures of \$US5-800bn quoted by Bush administration officials. Their best estimate is two trillion and their most pessimistic, five. The main cause for the wide differences is that Stiglitz and Bilmes rightly use (long-term) accrual accounting whereas official US Government figures are mainly the result of current cash accounting methods — such as military operations in Iraq totalling \$US55bn during 2007. Purely for comparison, US participation in World War II cost five trillion in today's dollars and the overall cost of Australia's participation in the Iraq and Afghanistan wars to date is around \$A2.5bn.

Despite the book's title, one minor complication throughout is insufficient separation of Iraq War costs from those in Afghanistan (often because US Government accounting systems do not facilitate this), and from costs stemming from wider efforts to counter Islamist terrorism globally.

It is with their discussion of the antecedents and history of the Iraq War, and the execution of grand strategy and military operations more generally, that the authors fall

victim to error, questionable assumptions and general lack of academic rigour.

They fail to separate the costs of the war per se from those resulting from its bungled execution. This in itself is not necessarily a problem but it does skew some of their recommended financial reforms to prevent reoccurrence, and in further weakening their general argument for *immediate* withdrawal from Iraq.

There is also next to no balanced discussion of the economic, financial and strategic costs of the alternatives to the war. These principally involved the continued expensive, complex and failing containment of the Saddam Hussein regime, and the risks to strategic equilibrium in the region and to an international economy so dependent on Middle Eastern oil supplies. These costs also included the serious undermining of the UN's overall authority as its disarmament sanctions and general responsibilities for preserving international peace and the rule of law were continually flouted by Iraq and others. Nor indeed does the book seriously discuss the cost implications of not having to deter or fight future wars now arguably forestalled by the Iraq intervention. The book does mention the likelihood of further wars possibly caused by the intervention and of the opportunity costs of the US being so tied down in Iraq that strategic threats, from Iran and North Korea, have arguably worsened.

The Three-trillion Dollar War makes nine detailed recommendations for how the US should organise the financing of its wars and a further nine about the long-term care of the resulting veterans. The book's wider contributions to US policymaking and the formulation of grand strategy are negligible — with three exceptions where conclusions are also applicable to Australia.

First, the costs of a war 'live on long after the last shot has been fired' and are disproportionately borne by war veterans and their families. Second, 'war has become too easy for America'. As a check and balance, the costs of any war should be borne by current taxpayers (not through debt) so all a nation's citizens are forced to consider all the implications and sacrifices involved appropriately. Finally, in an era where a democracy's wars are largely fought by a professionalised defence force made up of volunteers (rather than a wider and deeper call on the nation's financial, human and moral resources), every citizen must be made to confront the sacrifices in dead and wounded being made on their behalf, and in perpetuity, by a very small part of the national family. ♦

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