

War and famine. Peace and milk.

– Somali proverb

The 5th Anniversary of the Iraq War Issue

War is hell... But just how expensive is it? In a recent interview, Nobel Prize-winning economist Joseph Stiglitz asserted that the costs of the Iraq war – budgetary, economic and societal – could reach US\$5 trillion.

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Prisoner to Primacy

Carl Conetta

Does the 2008 election portend a fundamental shift in US security policy? Don't bet on it. The American policy debate remains paralyzed by 9/11 and mesmerized by military primacy. As a result, we can't even get Iraq right.

As foreign policy disasters go, the American adventure in Iraq is a splendid one - "splendid" in the sense of being both grand and manifest. We might call it "exceptional" as well, except that the troubles which beset US policy do not end at Iraq's borders. The policy wreck is a more general one.

The US mission in Afghanistan has run aground, too. Rather than spreading democracy, recent US military activism has helped spread chaos in several regions. It has tattered both our reputation and our armed forces. It has helped push Muslim populations toward Islamist politics, unsettled America's alliances, and prompted "balancing behavior" on the part of potential big power competitors: China and Russia. As for its impact on terrorism: terrorist activity and violence has grown worse, not better since September 11, 2001. Average levels of terrorist violence that would have been considered extreme in the period prior to 9/11 have become the norm in the years since. And there is no sign that this trend is abating.

The present course is not only counter-productive, but also fabulously expensive. Indeed, it seems to be delivering less and less security at ever increasing cost. Annual defense expenditures have risen by 50 percent in real terms since 2001 (and 78 percent since 1998). By the end of FY 2008, defense authorization will exceed \$700 billion - significantly more than was authorized in any year since 1946. Expenditures of this magnitude are not easily reconciled with bring-

ing national debt under control, while also meeting pending demands on Social Security and Medicare. These circumstances may soon force an economic reckoning for which the nation is ill-prepared.

With American security policy listing on the shoals, we might reasonably expect congressional leaders and presidential candidates to be vowing incisive action - a fundamental re-think, a new direction, something! But no such awakening is evident. Perhaps Democrats are not eager to interrupt the self-immolation of the Bush administration. It is easy enough to ascribe the lapse in thought to the vaudeville of American electoral politics. But, again, the problem is a more general one.

Lehigh University professor Chaim Kaufmann had it right when he wrote in the Summer 2004 issue of *International Security* that America's slide into the Iraq war evinced a broad failure in our vaunted "marketplace of ideas" - and not simply the perfidy of the current administration. Today, the market failure continues. Again and again, we are tempted to rash action by falsehood. Our policy discourse - in the media, academe, the halls of government, and the think tank world - seems perpetually locked and loaded. And the "military option" is always on the table, darkening the agenda.

And the future? What presently passes for the "cutting edge" in new thinking is a search for an imagined "middle ground" - a political safe harbor - located somewhere between the errors of the present administration and those of the previous one. Emblematic of this is the view that sees America's troubles in Afghanistan and Iraq as largely a matter of execution and insufficient troop strength, that foresees our military occupation of those nations continuing for decades, and that

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pins its hopes for success on the enlargement of US ground forces and the renovation of counter-insurgency doctrine.

Most prescriptions for policy change still operate within the framework of a “war on terrorism” - a piece of strategic nonsense if ever there was one. Even worse is the slippery, indistinct notion of a “long war” against Islamic radicalism (or “jihadism” or “Islamofascism”), which seems tailor-made to tempt war with the Muslim world. Neither framework accurately models the current security environment, and neither illuminates a productive, sustainable path to greater security.

Finally, and worst, are the ruminations about setting America on the path of “liberal empire” with US ground troops serving as the constabulary of troubled regions. The fact that the imperial option - which has advocates left, right, and center - should gain a respectful hearing despite the experience of Iraq indicates that the American policy community has worked itself into a dead end, a cul de sac. We cannot think outside the military option, the “big stick.”

The problematic turn in US policy did not begin on September 11, 2001, or even on November 7, 2000. Recognizing this is the minimum requirement for exiting our current predicament. By the late 1990s, US security policy was already on a path that was counterproductive and unsustainable - not a wreck, but one waiting to happen. Defense budgets were already rising, but with little relation to actual threats. And America's world reputation was already eroding. Key precursors to current policy - unilateralism, offensive counter-proliferation, the “rogue state doctrine,” and regime change - were already evident in US policy toward Iraq and elsewhere.

The 9/11 attacks may have stupefied the US policy debate, rendering it narrow, reactive, and timid, but there is a more fundamental and longer-standing problem. Since the end of the Cold War, much of the US policy community has been mesmerized by the advent of US military primacy and the advantages it supposedly conveys. This circumstance seemed to provide the leverage with which the United States might further

enhance its security, extend its position of world leadership, and advance an American vision of world order - a “new rule set.” The *1997 Quadrennial Defense Review* and *US National Security Strategy* went a step further, construing military primacy as essential to US global leadership and security - not just a fortuitous thing, but a necessary one. Thus, primacy became a security end in its own right and the cornerstone of our global policy.

Trouble is: primacy is not sustainable. Indeed, the more it is exercised, the more it invites balancing behavior on the

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part of others. Moreover, experience suggests that we have dangerously overestimated both the extent and utility of our military primacy. Nonetheless, our policy discourse remains entranced by it.

Militarizing policy

Hoping to realize the promise of military primacy, three successive US administrations have retreated from the idea that force should be an instrument of last and infrequent resort. Thus:

- the threshold for using force has steadily come down;
- the ways we imagine using force and our armed forces have multiplied;
- our military objectives have grown steadily more ambitious - now including the aim of fighting multiple, overlapping wars to fast decisive conclusions, including regime change.

Beyond the traditional objectives of deterring and defending against aggression, there has been an increasing emphasis on trying to use force and forceful pressure to actually “prevent the emergence” of threats and, more generally, to “shape the strategic environment” (as the *1997 US Defense Review* put it).

In the past, threat prevention and “environment shaping” were largely in

the purview of the State Department. But a feature of our post-Cold War practice has been the increasing intrusion of the Pentagon on the provinces of State. Parallel to this, diplomatic functions have been increasingly militarized. Thus, today coercive diplomacy plays a bigger role relative to traditional “quid pro quo” diplomacy. Similarly, “offensive counter-proliferation” has grown in importance relative to non-proliferation efforts. And even our programs in support of democratization and development have gained a khaki tinge.

Prevention or provocation?

Using military power to prevent the emergence of threats often implies treating actors who are not preparing or conducting an act of aggression as though they were. Preventative military operations target not aggression but, instead, the capability to aggress - be it existing, emergent, or suspected. Prevention can also target actors who we believe are disposed, due to the nature of their governments or belief systems, to do us some type of harm at some point in the future - that is, adversary regimes or movements, rogues and radicals.

Of course, treating potential threats as though they are impending ones can exacerbate tensions and precipitate the outcome that “prevention” is meant to preclude. Thus, in addressing the nuclear programs of both North Korea and Iran, our coercive efforts spurred, rather than retarded, the behavior we had hoped to stop.

Similarly provocative are some types of militarized “environment shaping” - what the Bush administration prefers to call “dissuasion.” Armed dissuasion involves using military assets to “stake out” US interests in a specific situation or outcome. We might think of it as “preemptive deterrence” or “preemptive containment.” Our worldwide military deployments, bases, exercises, assistance programs, and partnerships all serve a dissuasive function (among others). They are supposed to communicate implicitly that an undesirable competition or confrontation may ensue if another nation or actor undertakes a proscribed course of action.

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Letter from the Director

What are we buying with our current, very expensive, security strategy?

As I listened to our presenters at the ASSA meetings in New Orleans, and discussed with EPS members the current state of the war and the economy, this question emerged as the frame within which it makes the most sense to view current policies. As we approach the fifth anniversary of the invasion of Iraq, have we bought more actual security with the three quarters of a billion that have been budgeted, and the additional 2.5 trillion ancillary costs that we will be obliged to pay?

Winslow Wheeler, James Galbraith and Barbara Bergmann all spoke to this in their presentations in New Orleans. Carl Conetta addresses it from another point of view in his article in this issue. Carl goes further than stating that these circumstances may soon force an economic reckoning for which the nation is ill-prepared. He references Chaim Kaufman's assertion that the Iraq War itself is in fact a market failure:

[T]he strong civic institutions and robust marketplaces of ideas in mature democracies are thought to substantially protect them from severe threat inflation...that could promote excessively risky foreign policy adventures and wars. The marketplace of ideas helps to weed out unfounded, mendacious, or self-serving foreign policy arguments because their proponents cannot avoid wide-ranging debate in which their reasoning and evidence are subject to public scrutiny. The marketplace of ideas, however, failed to fulfill this function in the 2002-2003 US foreign policy debate over going to war with Iraq.

Lucy Law Webster's article in this issue demonstrates that analysts have been scrambling to keep up with the ballooning costs of the war in Iraq since before it even began. Even Joseph Stiglitz and Linda Bilmes seem unable to keep up with inflation; as their book "The Three Trillion Dollar War" is released this month, in interviews they are already mentioning costs approaching five trillion.

Meanwhile, in a tacit acknowledgement that this current strategy is not really buying better security, some are suggesting an even higher defense budget. Baker Spring,

of the Heritage Foundation notes:

Current defense expenditures, or even spending equivalent to 4 percent of GDP, will not jeopardize either the health of the economy or the prosperity of the American people. A sustained commitment to defense is necessary to sustain liberty.

It may be true that our economy can absorb greater defense budgets without a major impact on a macro level. Defense spending as a percentage of GDP is near all-time lows. And I agree that a sustained commitment to defense is necessary to sustain liberty. However, I think that this is one problem that throwing more money at it is not going to solve. We have to be smarter, not more profligate.

In this issue, Polia Petkova presents a comparative analysis of the wars in Kosovo and Iraq, looking particularly at the effects on trade and foreign direct investment that political instability engenders. We wondered if there were any lessons to be learned from the post-war period in Kosovo that might be applicable in Iraq now. Ms. Petkova concludes in her paper that "both interventions of the United States without UN resolutions have ended with high costs and unfinished outcomes," and calls for enhancing regional ties as a way to create greater stability and prosperity. I tend to agree that, in this interconnected world, our lives, jobs and security are inextricably linked to trans-border issues, which we must all face together.

Both the American public and the US armed services are asking our government to use tools that complement the military to solve and prevent global problems. An AP-Ipsos poll released February 8 shows that 68 percent of Americans believe that ending the Iraq War now would be their number one choice for getting the US out of recession.

As our organization celebrates its twentieth anniversary, this is really good news. The people of the United States have begun to see that the costs are not worth the return, and that the war is affecting their lives here at home.

Maybe next time we can help them think about these things BEFORE we go to war.



Sources posted at www.epsusa.org

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Contributing authors in this issue:

Carl Conetta

William Hartung

Polia Petkova

Lucy Law Webster

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EPS at the Levy Institute
Box 5000
Annandale-on-Hudson, NY
12504
USA
Tel: +1 845.758.0917
Fax: +1 845.758.1149
Email: info@epsusa.org
www.epsusa.org

Thea Harvey
Executive Director

Catherine Cohen
Newsletter Editor

Tony Cuen
Associate Newsletter Editor

Lucy Law Webster
Myles Ren
UN Representatives

Contact the editor:
catcohen@epsusa.org

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Prisoner to Primacy (continued from page 2)

Beginning in 1997, US strategy has seen the success of dissuasion as depending in large part on maintaining America's considerable margin of global military superiority. In accord with this, a key objective of dissuasion has been to discourage other countries from initiating arms competitions with the United States. How? By continuously widening America's lead with the aim of making competition seem hopeless.

Is dissuasion provocative or not? This depends in part on what behaviors it targets and what rules it seeks to set. Generally speaking: if dissuasive acts impinge on the internal affairs, sovereignty, core interests, or normal prerogatives of a target country, they are more likely to prompt resistance than compliance. The United States might effectively dissuade Chinese naval activism in the Caribbean, for instance, but not in the South China Sea. Likewise, if the United States seems to be claiming extraordinary rights or privileges through dissuasive acts, the targeted nations will either resist complying or strive to alter the power balance between themselves and America. This is precisely what China and Russia are attempting to do as the US network of bases and partnerships gradually surrounds them.

Enabling primacy

A key enabler for the broader and more frequent use of force is the notion that the United States has developed ways to fight fast, low-risk, low-impact wars. This is the "new warfare" hypothesis and it did not originate with the Bush administration. In one form or another, it has helped shape US thinking about the utility of force since the 1990-1991 Gulf

War. However, what we have seen in Iraq and elsewhere is that military power is less discrete, manageable, and predictable in its effects than recent policy assumes. And its negative repercussions are more far-reaching and complex than imagined. Indeed, we have been treated to an exceptional lesson in how "precision warfare" can spawn chaos.

Putting "boots on the ground" in Iraq was supposed to rectify the shortcomings of wars fought at a distance with stand-off weapons - wars like the 1999 Kosovo conflict. But instead of giving us greater control, military occupation has prompted nationalistic responses and inflamed ethnic tensions. Clearly, we have not understood the power and

[T]here has been an increasing emphasis on trying to use force...to actually "prevent the emergence" of threats.

dynamics of "identity politics." This failure points to a more fundamental one: Seized by a sense of military primacy, we have failed to appreciate the difference between achieving military effects and achieving political-strategic ones.

Any true reassessment of the utility of force and its limits must lead to a re-evaluation of our present condition of "military primacy." What does it mean and what is it worth?

Our distinct military superiority exists only in the conventional realm. Facing an unconventional foe in a complex con-

tingency is another matter. And even in the conventional realm: potential adversaries do not have to match our levels of investment in order to boost the price of victory to unacceptable heights and, thus, effectively sap our superiority. It is worth remembering that the present global disparities in military power and investment do not reflect the global distribution of human and material resources. Many nations have considerable latent capacity to narrow the military gap between themselves and the United States - if they are so motivated.

At any rate, when evaluating primacy, the most important comparison is not between us and other international actors, but between means and ends - that is, between our power and what we propose to do with it. The options range from simple defense and deterrence at one end to schemes of coercive national transformation on the other. If our Iraq experience teaches anything, it is that humility is in order. But this lesson is not likely to register in our policy discourse - not so long as it remains a prisoner to primacy.

Since January 1991, Carl Conetta has been co-director of the Project on Defense Alternatives (PDA). As co-director of PDA, Mr. Conetta has authored and co-authored numerous reports on security issues in too many publications to be listed here. Mr. Conetta has also made presentations at numerous governmental and non-governmental institutions in the United States and abroad. He is a frequent expert commentator on radio and TV, and edits the Chinese Military Power and Revolution in Military Affairs Webpages.

Fact Sheets

Periodically, EPS releases two-sided fact sheets designed to give an accessible, graphic look at one specific issue of concern to our members and constituency.

Global Arms Trade 2004 examines the world's supplies of conventional weapons and small arms. Check out the numbers at <http://www.epsusa.org/publications/factsheets/globalarmstrade.pdf>.

Military vs. Social Spending: Warfare or Human Welfare compares US and global military spending with the costs of achieving the UN Millennium Development Goals. Visit <http://www.epsusa.org/publications/factsheets/milexMDG.pdf>.



Veterans for Common Sense

1011 Pennsylvania Avenue, SE, Suite 203
 Washington, DC 20003
 (202) 491-6953
www.VeteransForCommonSense.org

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VCS Fact Sheet: Impact of Iraq and Afghanistan Wars on VA

- Cumulative U.S. service members deployed to the two war zones: 1,600,000
- Service members who deployed still remaining in the military: 849,000 (53%)
 Service members who were discharged and who are now veterans: 751,000 (47%)
- Veteran patients treated at Department of Veterans Affairs (VA) medical centers since their return home from a war zone: 263,909 (35% of eligible veterans)
 - Diagnosed by VA with a mental health conditions: 100,580 (38% of patients)
 - Diagnosed by VA with post-traumatic stress disorder: 52,375 (21% of patients)
 - Diagnosed by VA with drug abuse or dependency: 43,933 (17% of patients)
 - Percentage of veterans waiting longer than 30 days to see a VA doctor: 25%
- Veterans who filed a disability claim against VA: 224,000 (31% of eligible veterans)
 - Veterans still waiting for an answer from VA: 40,000 (20% of claims filed)
 - Veterans approved by VA for a PTSD claim: 19,015 (37% of those diagnosed)
 - Average wait time for VA to process a veteran's claim: more than 6 months
- Comparison of Active Duty claims with National Guard and Reserve claims:
 - Percent of Active Duty veterans who filed a VA claim: 37%
 - Percent of National Guard and Reserve veterans who filed a VA claim: 21%
 - Percent of Active Duty veterans' claims rejected by VA: 6%
 - Percent of National Guard and Reserve veterans' claims rejected by VA: 16%
- Veterans provided with readjustment counseling by VA Vet Centers: 185,000 (26%)
- Harvard University estimate of human and financial costs of two wars over 40 years:
 - Veteran patents and disability claims: 700,000
 - Cost to taxpayers: \$350 billion to \$700 billion

Sources: VA: "Analysis of VA Health Care Utilization Among US Southwest Asian War Veterans," October 2007; "VA Benefits Activity: Veterans Deployed to the Global War on Terrorism," June 2007. VCS used the Freedom of Information Act to obtain VA documents. Harvard University: "Soldiers Returning from Iraq and Afghanistan: The Long-term Costs of Providing Veterans Medical Care and Disability Benefits," January 2007; VA Congressional testimony on March 9, 2007, and July 25, 2007. See VCS web site for additional sources.

Veterans for Common Sense is non-partisan organization providing information and advocacy on policies related to national security, civil liberties, veterans' healthcare and veterans' disability benefits. VCS is registered with the IRS as a non-profit 501(c)(3) organization, and donations are tax deductible.

A Review of Iraq War Cost Estimates as presented to AlJazeera English TV

Lucy Law Webster

On November 13, 2007, the Joint Economic Committee of the US Congress released a new report, based in part on testimony by Linda Bilmes, entitled, "War at Any Price? The Total Economic Costs of the War Beyond (sic) the Federal Budget." This report predicted that the total cost of the war could be as much as 3.5 trillion dollars over the next ten years. The following day, ranking Republican members of the committee called for the retraction of the report, citing both factual and logical errors.

In an effort to sort the facts from the

propaganda, AlJazeera English TV contacted me to comment on the cost of the Iraq war as understood by US economists. I was able to answer their questions based on a paper I had written earlier in the year which reviewed various estimates of the costs of the war, from the early low numbers to the latest reports by Linda Bilmes, Joseph Stiglitz and others. The following article outlines what I told Cicly Scott, the AlJazeera English TV reporter, during the interview.

The main point at issue was the idea

of full economic costs. The November 13 JEC Report makes this clear, as its press release refers to "high hidden costs to US economy of borrowing funds to pay for war, foregone investments, veterans' post-war care, and oil market disruptions."

In my literature review, completed in July 2007, I had looked briefly at early studies of the costs of the war and actively at three major studies, which had covered some or all of the full economic costs. A tabulation of studies published prior to March 2003 showed:

DATE/SOURCE OF ESTIMATE (in chronological order)	COST ESTIMATES (in billions \$US)	DURATION
Sept. 16, 2002 - Lawrence Lindsey Cited by Nordhaus in his Oct. 29 paper	100 to 200	No duration specified
Sept. 23, 2002 - Democratic Caucus of the House Budget Committee	100 to 200	2003 to 2012
Sept. 30, 2002 - Congressional Budget Office	9 to 13 to deploy + 6 to 8 per month to prosecute	Duration important, but not known
Oct. 29, 2002 - William D. Nordhaus	120 to 1,600 as per duration and difficulty	2003 to 2012
Dec. 31, 2002 - White House OMB Mitchell E. Daniels, Jr., OMB Director in a NYT article of December 31, 2002	50 to 60	No duration specified

A later set of studies that came out during the campaigns preceding the

2004 US election also focused on relatively low costs, which were primarily

direct appropriation costs as opposed to full economic costs:

PUBLICATION DATE/SOURCE (in chronological order)	COST ESTIMATE (in billions \$US)	OTHER INFORMATION
May 13, 2004 USA Today by Susan Page	152 through 2005	Cites analysts
June 24, 2004 Institute for Policy Studies	151 through 2004	Cites non-budget costs
Sept. 13, 2004 FactCheck.org	States 200 is wrong	Debates Kerry campaign

The article in USA Today by Susan Page drew attention to other reports published at the time. One by Andrew Krepinevich, a former Pentagon aide who was then executive director of the Center for Strategic and Budgetary

Assessments, said the unrest in Iraq "is going to extend the time horizon over which we'll need to be involved in stabilizing Iraq." The article also cited a comment by Anthony Cordesman, a former Defense Department official at the

Center for Strategic and International Studies who said officials were "decoupled from reality" when they made their early predictions about the war in Iraq.

The study of June, 2004 by the Institute for Policy Studies presented an

A Review of Iraq War Cost Estimates

array of non-budgetary costs from the war in Iraq. Costs to the United States were classified as Human Costs, Security Costs, Economic Costs and Social Costs. The economic costs included the budget appropriations of \$151.1 billion, and the predicted long-term impact on the US economy (with Doug Henwood cited as saying that the bill would average at least \$3,415.00 for every US household, and James Galbraith predicting that, while the war spending might boost the economy initially, over the long term it would be likely to bring a decade of economic troubles).

The report also predicted high gas prices and rising crude oil prices, which the study said would lead to a decline in the US GDP of \$50 billion if gas stayed at around \$40 per barrel for a year. The security costs predicted for the United States included increased recruitment of terrorists, which they reported had already led to more suicide attacks around the world in 2003 than in any previous year, plus 390 deaths and 1,892 injuries as documented by a former CIA analyst and State Department official as being due to terrorist attacks in 2003.

Did Lack of Focus on Full Economic Costs Affect the 2004 Election?

The debate about the costs of the war sparked by the Kerry campaign led to a public airing of the idea that the costs were some \$152 billion and not the \$200 billion cited in the Kerry campaign commercials. The lower number was the one being used by most analysts who added up the congressional appropriations, and the Kerry campaign responded to the criticism from FactCheck.org and others by pointing to the various appropriations that could be added in different ways to reach the higher totals they had cited.

The important point is that there was no effective effort to undertake and communicate a more comprehensive accounting for the total economic costs to the nation or to assess the longer term costs likely to arise from the war. If the difference between budgeted appropriations and full economic costs had been much more fully and widely understood at the time, it might have changed the outcome of the election.

The main body of my review paper considered three academic studies that focused on full economic costs. The 2002 study by William Nordhaus concluded that the cost of a short, successful war would be about \$120 billion while a longer, less successful war with urban warfare would range from \$140 billion to \$600 billion for the United States, including peacekeeping and occupation, and that macroeconomic impacts would be up to \$500 billion and above. The length of any oil shocks of more than a year or two would determine the size of these

If the difference between budgeted appropriations and full economic costs had been much more fully and widely understood at the time, it might have changed the outcome of the election.

effects and bring the total to at least 1.3 trillion. Nordhaus explained that the cost of a short war “is likely to be surprisingly small because most of the costs are already paid for in the defense budget.” In contrast, a difficult war would have many economic and macroeconomic effects especially if the war, occupation, and nation-building were costly and destroyed significant Iraqi oil infrastructure. Also a widespread adverse emotional reaction to the conflict could bring costs to about \$1.6 trillion, most from sources outside the direct military costs, and, including costs to countries other than the United States and possible outcomes following the use of chemical or biological weapons by Iraq or from extreme reactions “against perceived American disregard for the lives and property of others,” would lead to even higher costs.

A working paper from September, 2005 by Scott Wallsten and Katrina Kosec for the American Enterprise Institute and the Brookings Institution was the only study of the three examined

closely here that provided data and cost estimates for Iraq and for the non-US coalition partners. It concluded that direct costs through August 2005 were \$225 billion for the United States, \$134 billion for Iraq and \$40 billion for coalition partners, and that the total net value costs including the expected costs of deaths and injuries through 2015 would be one trillion dollars. This study did not include oil price changes or other macroeconomic effects.

A series of studies by Linda Bilmes of the Harvard Kennedy School and Joseph Stiglitz of Columbia University, including a paper of November 2006, found that direct costs would be between \$750 billion and \$1.2 trillion and that the macroeconomic effects of regional instability in the prime-oil regions affected by the war would lead to an additional cost of \$450 billion to Americans. Another \$450 billion in macroeconomic costs could be attributed to the fact that money spent in Iraq could not be spent in the United States where it would stimulate production, create jobs and bring value to the US economy. Thus these writings of Bilmes and Stiglitz predicted a \$1.2 trillion cost coming from direct costs, plus oil-price effects plus other macroeconomic effects, which would add another \$900 billion—just for the United States.

In my November 14, 2007 interview with AlJazeera English TV, I tried to communicate the essence of these various conclusions to my interviewer in Qatar and to her audience. I believe I was able to demonstrate that the full economic costs of the Iraq war have been seen by serious US economists as being at least as high as the numbers reported by the Joint Economic Committee of the United States Congress.

Sources posted at www.epsusa.org

Lucy Law Webster is a retired United Nations Political Affairs Officer and Executive Director of the Center for War/Peace Studies. She is also a UN Rep. of Economists for Peace and Security and a member of its Board of Directors. With MA degrees in International Relations and in Global Political Economy and Finance, she is a life-long student of the dynamics of human security and justice and an officer of the World Federalist Movement.

War is Hell – and Hellishly Expensive

William D. Hartung

War is hell - deadly, dangerous and expensive. But just how expensive is it?

In a recent interview, Nobel Prize-winning economist Joseph Stiglitz asserted that the costs of the Iraq war - budgetary, economic and societal - could reach US\$5 trillion.

That's a hard number to comprehend. Figuring out how many times \$5 trillion would circle the globe (if we took it all in \$1 bills) doesn't really help matters much, nor does estimating how many times we could paper over every square inch of Rhode Island with it. The fact that total war costs could buy six trillion donuts for volunteers to the presidential campaigns - assuming a bulk discount - is impressive in its own way, but not all that meaningful either. In fact, the George W. Bush administration's war costs have already moved beyond the human scale of comprehension.

But what if we were to try another tack? How about breaking those soaring trillions down into smaller pieces, into mere millions and billions? How much, for instance, does one week of Bush's wars cost?

Glad you asked. If we consider the wars in Iraq and Afghanistan together - which we might as well do, since we and our children and grandchildren will be paying for them together into the distant future - a conservative single-week estimate comes to \$3.5 billion. Remember, that's per week!

By contrast, the whole international community spends less than \$400 million per year on the International Atomic Energy Agency, the primary institution for monitoring and preventing the spread of nuclear weapons; that's less than one day's worth of war costs. The US government spends just \$1 billion per year securing and destroying loose nuclear weapons and bomb-making materials, or less than two days' worth of war costs; and Washington spends a total of just \$7 billion per year on combating global warming, or a whopping two weeks' worth of war costs.

So, perhaps you're wondering, what does that \$3.5 billion per week actually pay for? And how would we even know? The Bush administration submits a supplemental request - over and above the

more than \$500 billion per year the Pentagon is now receiving in its official budget - to pay for the purported costs of the wars in Iraq, Afghanistan, and for the global "war on terror." If you can stay awake long enough to read the whole 159-page document for 2008, it has some fascinating revelations.

For example, to hear the howling of the white-collar warriors in Washington every time anyone suggests knocking a nickel off administration war-spending requests, you would think that the weekly \$3.5 billion outlay is all "for the troops." In fact, only 10% of it, or under \$350 million per week, goes to pay and benefits for uniformed military personnel. That's less than a quarter of the weekly \$1.4 billion that goes to war contractors to pay for everything from bullets to bombers.

[W]here does the other nearly \$3 billion go? ...Most of this money ends up in the hands of private companies like Boeing, Lockheed Martin and the former Halliburton subsidiary, Kellogg, Brown and Root.

As a slogan, insisting that we need to keep the current flood of military outlays flowing "for Boeing and Lockheed Martin" just doesn't quite have the same ring to it.

You could argue, of course, that all these contracting dollars represent the most efficient way to get our troops the equipment they need to operate safely and effectively in a war zone - but you would be wrong. Much of that money is being wasted every week on the wrong kinds of equipment at exorbitant prices. And even when it is the right kind of equipment, there are often startling delays in getting it to the battlefield, as was the case with advanced armored vehicles for the US Marine Corps.

But before we get to equipment costs,

let's take a look at a week's worth of another kind of support. The Pentagon and the State Department don't make a big point - or really any kind of point - out of telling us how much we're spending on gun-toting private-contract employees from companies like Blackwater and Triple Canopy, our "shadow army" in Iraq, but we can make an educated guess.

For example, at the high end of the scale, individual employees of private military firms make up to 10 times what many US enlisted personnel make, or as much as \$7,500 per week. If even one-tenth of the 5,000 to 6,000 armed contract employees in Iraq make that much, we're talking about at least \$40 million per week. If the rest make \$1,000 a week - an extremely conservative estimate - then we have nearly \$100 million per week going just to the armed cohort of private-contract employees operating there.

Now, let's add into that figure the whole private crew of non-government employees operating in Iraq, including all the cooks, weapons technicians, translators, interrogators and other private-contract support personnel. That combined cost probably comes closer to \$300 million per week, or almost as much as is spent on uniformed personnel by the air force, army, navy and marines.

By one reliable estimate, there are more contract employees in Iraq alone - about 180,000 - than there are US troops. There are thousands more in Afghanistan. But since many of these non-military employees are poorly paid subcontract workers involved in cooking meals, doing laundry and cleaning latrines, the total costs for the services of all private-contractor employees in Iraq probably runs somewhat less than the costs of the uniformed military. Hence our estimate.

So, if \$650 million or so a week is spent on people, where does the other nearly \$3 billion go? It goes for goods and services, from tanks and fighter planes to fuel and food. Most of this money ends up in the hands of private companies like Boeing, Lockheed Martin and the former Halliburton subsidiary, Kellogg, Brown and Root.

War is Hell – and Hellishly Expensive

The list of weapons and accessories paid for from our \$3.5 billion is long and daunting:

- \$1.5 million for M-4 carbines (about 900 guns per week).
- \$2.3 million for machine guns (about 170 per week).
- \$4.3 million for Hellfire missiles (about 50 missiles per week).
- \$6.9 million for night vision devices (about 2,100 per week).
- \$10.8 million for fuel per week.
- \$5 million to store and transport that fuel per week.
- \$14.8 million for F-18E/F fighter planes per week (one every four weeks).
- \$23.4 million for ammunition per week.
- \$30.7 million for Bradley fighting vehicles (10 per week).

And that's only a very partial list. What about the more mundane items?

- "Laundries, showers and latrines" cost more than \$110,000 per week.
- "Parachutes and aerial delivery systems" cost \$950,000 per week.
- "Runway snow removal and cleaning" costs \$132,000 per week.
- Flares cost \$50,000 per week.

Some of these figures, of course, may cover worldwide military operations for the US armed forces. After all, by sticking the acronym GWOT (global war on terror) in the title of any supplemental war-spending request, you can cram almost anything into it.

Then there are the sobering figures like: \$2.4 million per week for "death gratuities" (payments to families of troops

killed in action) and \$10.6 million per week in "extra hazard pay."

And don't forget that all the death and destruction lurking behind these weekly numbers makes it that much harder to get people to join the military. But not to worry, \$1 million per week is factored into that supplemental funding request for "advertising and recruitment" - not enough perhaps to fill the ranks, but at least they're trying.

Keep in mind that this only gives us a sense of what we do know from the public Pentagon request; there's plenty more that we don't know. As a start, the Pentagon's breakdown of the money in its "emergency" supplemental budget leaves huge gaps.

Even your own congressman doesn't know for sure what is really in the US war budget. What we do know is that the Pentagon and the military services have been stuffing more and more projects that have nothing to do with the fighting in Iraq and Afghanistan, or even the "war on terror," into those war supplementals.

Layered in are requests for new equipment that will take years, or even decades, to build and may never be used in combat - unless the Iraq war really does go on for another century, as Republican presidential nominee John McCain recently suggested. These "non-war" items include high-tech armored vehicles and communications devices for the army as well as new combat aircraft for the air force.

Even though these systems may never be used on the US's current battlefields, they are war costs nonetheless. If

they weren't inserted into the supplemental requests for Iraq and Afghanistan, they might never have been funded. After all, who wants to vote against a bill that is allegedly all "for the troops," even if it includes weapons those troops will never get?

These add-ons are not small change. They probably cost in the area of \$500 million per week.

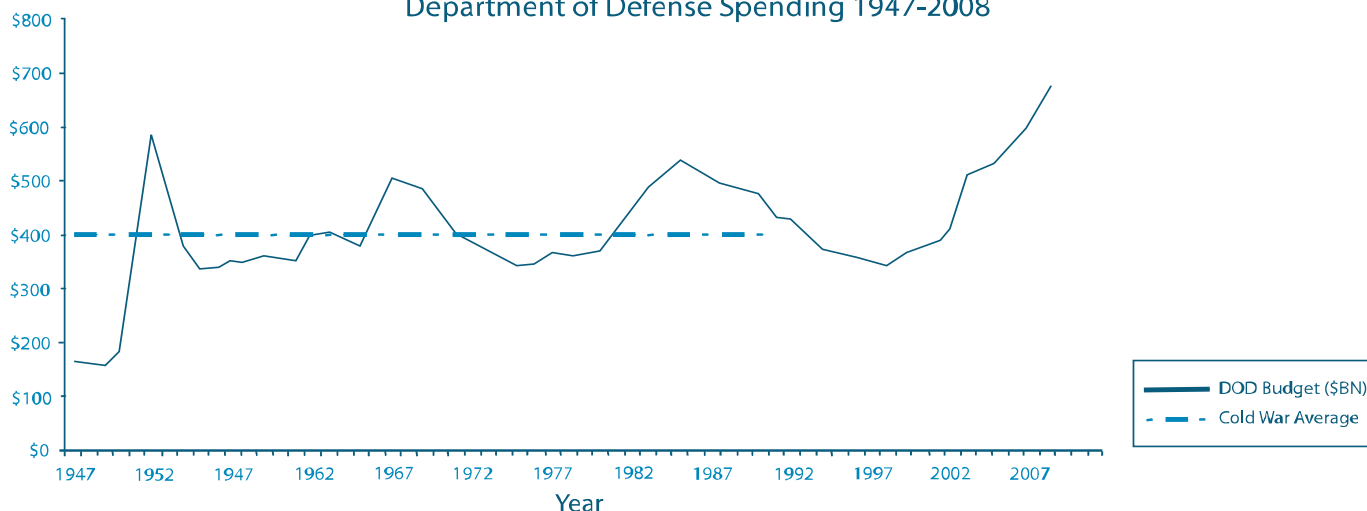
Given all of this, it may sound like we have a fair amount of detail about the costs of a week of war. No such luck. Until the "supplemental" costs of war are subjected to the same scrutiny as the regular Pentagon budget, there will continue to be hundreds of millions of dollars unaccounted for each and every week that the wars go on. And there will be all sorts of money for pet projects that have nothing to do with fighting current conflicts. So don't just think of that \$3.5 billion per week figure as a given. Think of it as \$3.5 billion ... and counting.

Doesn't that make you feel safer?

(Used by permission TomDispatch.com)

William D. Hartung is the director of the Arms and Security Initiative at the New America Foundation. He is the author of And Weapons for All (Harper Collins, 1994) and How Much Are You Making on the War, Daddy? A Quick and Dirty Guide to War Profiteering in the Bush Administration (Nation Books, 2004). His commentaries on military and economic issues have appeared in The Washington Post, The New York Times, the Los Angeles Times, Newsday, and The Nation magazine.

Department of Defense Spending 1947-2008



Comparative Analysis of the Wars in Kosovo and Iraq

Polia Petkova

In the last eight years the United States of America led two wars without UN resolutions and claimed successful victories. However, a realistic evaluation of these victories reveals their high costs and unfinished outcomes. Kosovo and Iraq are still in transition to stable economic and political development. This comparative analysis of the Wars in Kosovo and Iraq focuses on the cost of intervention and the impact of the wars on international trade, foreign direct investments and the economic performance of Kosovo, Iraq and their neighboring countries. The regional economies were affected by trade disruption that led mainly to higher costs of exports. To produce under the new costs of the exports, firms had to reduce their expenditures and fire some of their workers. Thus, the higher costs, caused by trade disruption, led indirectly to an increase in unemployment rate and a decrease in GDP growth rate. The analysis points out also similarities between the situations in Kosovo and Iraq.

Kosovo War (March 24 – June 10, 1999)

Until 1989, Kosovo (approximately 90% Albanians and 10% Serbians) had the status of an autonomous province within the Yugoslav Republic. In 1989, Serbian President Slobodan Milosevic removed the autonomy of the region and placed its political control in the hands of the Serb minority. The Democratic League of Kosovo (LDK) led by Ibrahim Rugova started a peaceful opposition, building parallel governing structures. In the late 1990s, the long-standing tensions between the Kosovar Albanians and Serbs escalated into open hostilities which led to a civil war. To restore stability in the region, NATO intervened in Kosovo. The Kosovo War, consisting as it did only of air attacks, was a virtual war. During the 79-day air campaign NATO dropped twenty thousand tons of bombs which demolished houses, industrial plants and roads. While NATO and Human Rights Watch estimated that approximately 500 people were killed, the Yugoslavian government approximated the civilian casualties in the range

from 1,200 to 5,700. The immediate consequences of NATO's victory in Kosovo were mixed. Despite the presence of peacekeeping corps, the situation in the postwar Kosovo resembled anarchy and Kosovar Serbs were fleeing because of Albanian revenge killings.

Cost of the War to the United States

Steve Kosiak of the Center for Strategic and Budgetary Assessments estimated the Budgetary cost of the Kosovo War to the US in the range from \$2 to \$3 billion. He also estimated the costs for the non-US NATO allies at about \$1 billion. The Pentagon announced that it had spent \$2 billion on the conflict and projected approximately an additional \$2 billion on the KFOR mission per year. However, Digby Waller, a defense economist, estimated the cost of the air campaign at \$12 billion and the cost of a projected Kosovo occupation at \$10 billion.

...[A] realistic evaluation of these victories reveals their high costs and unfinished outcomes.

According to BBC, the final cost of the Kosovo War (?31.67billion) consisted of the military cost that NATO incurred (?2.111 billion) and the amounts dedicated for aid, peacekeeping and reconstruction (?29.04). The final estimation of the total cost of the Kosovo War should include not only the direct costs to Serbia, Kosovo, USA and its NATO allies but also the indirect costs that Yugoslavia's neighbors incurred because of the instability in the Balkan region.

Cost of the Kosovo War for Balkan Countries

The cost of the Kosovo War for the Balkans countries should be estimated in terms of its impact on transportation, international trade and foreign direct investments. The Economist Intelligence Unit estimated that the Kosovo conflict cut US \$7.8 billion from the GDPs of Yugoslavia and its seven neighbors.

NATO's bombing of Serbia's roads and bridges damaged the transportation infrastructure. Prior to the Kosovo War, the existing Balkan transport infrastructure provided cost-effective transport of goods and stimulated trade within the region and with the European Union. The Balkan Wars in the early 1990s in Croatia, Bosnia and Herzegovina and Kosovo excluded Yugoslavia from being a strategic player in the Balkan market. When NATO's bombing of Serbian bridges on the Danube, a Pan-European transport corridor, made it impassable, there was direct impact on the transitional economies of Bulgaria and Romania, as well as a spillover effect on the Austrian and Hungarian economies (two of the biggest users of Danube). The usage of alternative routes for shipments in and out of Southeastern Europe led to a significant increase in transportation costs. Romania estimated that it lost as much as \$50 million per month while the Danube remained closed. According to Bulgaria's trade minister, the economy lost \$70.7 million in trade, \$30.8 million in transport, \$22.7 million in industry, \$9.1 million in agriculture, and \$8.1 million in other sectors (Novinar). The Bulgarian Finance Ministry evaluated the total amount of the losses in 1999 at US \$800million. The effect of Kosovo War on trade was a decrease in GDP growth rates and an increase in unemployment rates in Bulgaria and Romania. The Kosovo War had also a significant effect on the Croatian economy: a reduction in tourism receipts, exports and foreign direct investments. The Croatian Reconstruction and Development Bank Officials estimated the damages of NATO's air war to be more than \$522 million in 1999 (BC Worldwide Monitoring). The Macedonian economy suffered from trade disruption, influx of refugees and prospects for political and economic instability. After the declaration of independence, Yugoslavia continued to be a major trading partner. In the early days of Macedonian independence, Yugoslavia was a major partner in direct and transit trade; trade links with Yugoslavia accounted for 70 percent of Macedonian exports.

Comparative Analysis of the Wars in Kosovo and Iraq

The Kosovo War affected not only regional trade but also foreign direct investments (FDI). The perception of political instability decreased FDI inflows and caused a slow down in the economic performance of the Balkan countries. For the period 1999-2000, the FDI inflows decreased in Bosnia-Herzegovina (from \$158m to \$150m), in Croatia (from \$1700m to \$1100m) and in Serbia and Montenegro (from \$225m to \$50m). FDI inflows remained constant in Romania (\$1000m). Although the FDI inflows increased in Albania (from \$46m to \$150m) and Macedonia (from \$30m to \$170), the increase could be explained by the additional amounts of foreign aid received for the refugee wave.

FDI inflows are directly related to investors' expectations regarding future returns. Domestic instability or conflict with neighboring countries reduces the profitability in countries in transition because domestic sales and exports are reduced, production is disrupted, and infrastructure is damaged. Examining

the significance of political risk for investment decisions, economic studies conclude that political instability affects the value of the host country's currency and, therefore, reduces the value of the assets invested in the host country and the prospects for future profits.

Since the Kosovo War disrupted the normal economic links among the countries of Southeastern Europe, it could easily have triggered macroeconomic instability and a reversal in the ongoing structural reforms. All countries in the region, except Greece, suffered from fragile market institutions. Although Southeastern Europe (SEE) grew more slowly than Central Europe, most of the countries in SEE managed to maintain macroeconomic stability and continued the structural reforms thanks to the generous contributions of the international community (almost 20 billion euros).

The Economies of Kosovo and Serbia

The UN mission in postwar Kosovo had unique aspects. Since Kosovo is a Serbian province, not an independent

state, the UN was involved for the first time in building financial institutions from the ground up to start Kosovo's transition to a market economy. The postwar Kosovo economy was characterized by high unemployment rates, pending reconstruction of roads, houses and industrial plants and low level of FDI. The majority of Kosovo exports prior to 1999 were mainly to other parts of Yugoslavia. The war and the establishment of a UN protectorate in Kosovo severed the economic links between Serbia and Kosovo. After the loss of the Serbian market, Kosovo's export potential was limited. Moreover, as a landlocked region, Kosovo depends on its neighbors for maintaining its trade links. Instability in Albania and Macedonia or border clashes with Serbia make Kosovo's economic independence fragile. In March 2001 internal conflict in Macedonia temporarily blocked Kosovo's main trading artery. Prices increased for several key goods because the supply of imported goods
(continued on page 12)

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Comparative Analysis of the Wars in Kosovo and Iraq (continued from page 11)

was limited. Kosovo's economy is highly dependent on imports because the production for the internal needs is also inadequate. The development of the manufacturing sector is restricted by obsolete production methods, insufficient investments and limited demand for its products.

Six years after the war, a large percentage of Kosovo's population lives in poverty as unemployment and corruption continue to plague the country. With an unresolved political status, economic development remains one of the greatest challenges faced by the new Kosovar government. Over half of the population of Kosovo lives below the national poverty line – \$1.65 per day. International aid received after the war has not led to significant job creation opportunities. According to the United Nations Development Program (UNDP), official unemployment figures fluctuate between 49-57 percent. More than 70 percent of the youth aged 16-24 years are unemployed. For a country with an average age of 25, these figures are particularly troubling.

The Kosovo Albanians consider the unresolved political status a major barrier for FDI inflows. They hope investments will pour in, when Kosovo becomes free and independent. Recently, microfinance initiatives are considered to be a very good start for creating employment opportunities and building social capital. Although twenty institutions work in the field of microfinance in Kosovo, there is a strong need for programs that would concentrate more on facilitating integration among the ethnic groups. There is no available data about minority involvement in the postwar microfinance initiatives in Kosovo. However, it should be noted that a stable macroeconomic environment is a prerequisite for entrepreneurs to take risks and invest.

The postwar Serbian economy had characteristics similar to that of Kosovo: high unemployment rates, low FDI and pending reconstruction of its infrastructure. To restore growth and reintegrate Serbia into the world economy, the Serbian government removed price and trade controls and initiated privatization.

The Relationship between Balkan Politics and Economics

The economic potential of the Balkan region depends on the political situation. The unresolved status of Kosovo affects regional stability. In 2001, Macedonia experienced the consequences of the Kosovo War for its ethnic stability. The internal Macedonian-Albanian Crisis in 2001 affected Macedonian economic performance and might have had indirect effects on Bulgaria and Greece. The

The effect of the Kosovo War on trade was a decrease in GDP growth rates and an increase in unemployment rates in Bulgaria and Romania.

international community would be well advised to restrain the rise of nationalistic spirits among Kosovo Albanians because attempts to revitalize the myth of Great Albania might destabilize the future of Macedonia as independent state (Macedonians 70%, Albanians 30%). It might also awaken Hungarian pretensions to parts of Serbia and Romania where the population is predominantly Hungarian (about 20%). Potential future destabilization of the region would be too costly for the economic development of the Balkans. Therefore, it is important to foster regional cooperation. In July 1999 the Balkan Countries adopted the Stability Pact for South Eastern Europe. It was designed to prevent another armed conflict in the region after Kosovo and to bring the region closer to integration into the European structures. The combination of regional initiatives with involvement of the European Union will play an important role for economic and political stability in the Balkans.

Iraq 2003 - 2006

Officially, the Iraq War, known also as Operation Iraqi Freedom, lasted only twenty-five days, from March 20 to April 15, 2003. US President George W. Bush

stated that the reasons for the invasion were Iraq's disarmament of weapons of mass destruction, the end of Saddam Hussein's support for terrorists and the liberation of the Iraqi people from Hussein's dictatorship. Instead of weakening the terrorists, the war ended up strengthening them (Fawn 244). Despite the ongoing insurgent violence in Iraq in 2005, elections were conducted for a transitional government, a permanent constitution and a permanent government. Religious and ethnic separation, exploited by the terrorists, has reemerged as a major obstacle for Iraq's stability.

Cost of the War to the US

In comparison with the Kosovo War, the Iraqi War turned out to be more expansive because of the war strategies used in Iraq and the difficulties that the peacekeeping operation encountered. While Kosovo War was a "virtual" war, the Iraqi War tactics have included a combination of air attacks and ground operations. Unlike Kosovo, in Iraq the United States covered most of the expenses for the non-US force deployments. Utilizing the troop projection reported by the Congressional Budget Office, Linda Bilmes and Joseph Stiglitz estimated the total cost of the war to the United States to be \$2,267 billion. Bilmes and Stiglitz included government's spending for the war (\$725 billion), health care and disability benefits for veterans (\$127 billion) and hidden increases in defense spending (\$160 billion). The calculations of the final cost of the Iraqi War should include the estimation of Bilmes and Stiglitz, the additional costs incurred by the 2007 surge (deployment of extra 30,000 US troops) and the aid that the United States will continue to give to Iraq for its development.

Cost of the War to Iraq

Estimating the cost for Iraq, we should include the number of civilian casualties that could have contributed to Iraq's development as a labor force, the cost for reconstruction, the difference between real and expected GDP values, the increase of unemployment rates and the lower amount of FDI.

Comparative Analysis of the Wars in Kosovo and Iraq

Three years after the end of the major combat operations, civilian casualties increased by at least 15,000 killed and 100,000 injured. As of April 26, 2006, the Brookings Institution estimated that a civilian death rate ranges from 14,030 to 24,557.

Insecurity, corruption, lack of sufficient foreign direct investments (under 1 percent of the GDP), dilapidated infrastructure, and uncertainty obstruct Iraq's economic development. Inflation is above 50 percent. Unemployment rates are in the range from 20 to 60 percent, despite the NGO attempts to foster local employment through various projects. By increasing the number of attacks on Iraq's economic infrastructure and particularly the oil industry, the insurgents worsen the economic situation. The ongoing attacks have made repair and maintenance of existing installations very difficult. Development of new ones is not under consideration, though this would be greatly beneficial for increasing oil export revenues. Iraq could have exported approximately three times the current level, around 3 million barrels per day (bpd). Instead of increasing its exports, Iraq, with the fourth largest oil reserves in the world, has been forced to import significant portions of liquefied petroleum gas, gasoline, kerosene and diesel. In 2006 the Iraqi Oil Ministry estimated that the current average import cost of fuels was roughly \$500 million each month. Although short-term economic prospects for Iraq seem bleak, the long-term prospects are optimistic. Accelerating reconstruction by creating jobs and improving public services would drain support for the insurgents and increase confidence in the government. If the violence is reduced and the government performance is improved, Iraq's ample oil reserves, water resources and fertile lands can provide the means for significant growth.

Cost of the War to Iraq's Neighboring Countries

Iraq's neighbors face a number of challenges because of Iraq's insecurity. Jordan's leaders worry that Iraq is becoming a haven for terrorist groups, a fear confirmed by the November 2005 suicide bombings in Amman executed by

Al-Qaeda members in Iraq. The economic impact of the Iraqi crisis on Jordan has been mixed. Since the 1980s Iraq has provided Jordan with its total annual needs of crude oil and oil derivatives at a low price. The difference between the world market price and the price Jordan paid was a sum that far surpassed any other source of aid Jordan received. The Iraq War caused Jordan to lose not only its main source of foreign aid, but also the Iraqi market that accounted for one-quarter of all Jordan exports. When the situation in Iraq improves, Jordan will reap trade benefits. Syria would also benefit from a stable and united Iraq, because a breakup of Iraq would have a spillover effect on Syria's multiethnic and religious society. Saudi Arabia has an

Domestic instability or conflict with neighboring countries reduces the profitability in countries in transition.

interest in Iraq's return as a supplier to the oil market; otherwise, Saudi Arabia will have to make huge investments to increase its own output in order to satisfy increased demand for oil and gas. The prospect of a weak Iraqi government that struggles with ongoing civil strife or the country's breaking apart into autonomous regions would be threatening to Iran's and Turkey's security and economic interests.

Data from *World Integrated Trade Solution* show that the war's effect on trade differs among Iraq's neighbors. For the period 2003 through 2006, Jordan and Turkey have constantly increased their trade deficits, while Saudi Arabia has increased its trade surplus. There is no available data for Iran, Kuwait and Syria. While FDI in Iran decreases, it increases in Iraq and all other neighboring countries. Since the stabilization of the region is a priority for the developed countries, FDI has increased despite the insecurity.

Similarities between Iraq and Kosovo

National reconciliation is essential to reduce further violence and maintain stability in both Kosovo and Iraq, as post-

conflict regions with unresolved ethnic tensions. Iraq and Kosovo have undertaken a transition from centralized command economies to liberal market economies. As in Kosovo, the remittances of overseas citizens (representing almost 20% of Iraq's population) could be of great benefit. To use their people's entrepreneurial energy, Iraqi and Kosovo banking systems should be able to grant small loans. Since this requirement is unlikely to be fulfilled by the current banking systems, microfinance initiatives could contribute to the development of small enterprises. In November 2006, the outreach of the microfinance initiatives in Iraq included 16,673 loans valued at US \$18,276,661. Economic development based on solid macro and micro factors can lead to stability in the Middle East and in the Balkans, including prevention of terrorism and organized crime. Moreover, the potential for democratic governance in a Muslim context could make Kosovo with its predominant Muslim population an important template for Iraq's democratic development.

Despite the war costs that Iraq, Kosovo and their neighbors have to pay, the transitions in Iraq and Kosovo could be fostered more effectively by regional and international cooperation. Southeastern Europe (SEE) has benefited from the restoration of peace and temporary stability. Through trade liberalization Southeastern European countries have made efforts for economic integration within the region. Furthermore, in May 1999, the European Union (EU) provided SEE exporters with duty free access to EU markets. For 2000-2006 the EU allocated more than 220 million euro for the implementation of regional programs that fostered cross border cooperation, developed infrastructure across the region and stimulated economic growth. To promote interregional stability and prosperity, the Balkan countries participated in several initiatives: South East European Cooperation Process (SEEC), Stability Pact SEE (SPSEE) and South East Europe Cooperation Initiatives (SECI). While the EU is a strong advocate of regional cooperation, the Arab League has not

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Comparative Analysis of the Wars in Kosovo and Iraq (continued from page 13)

achieved any significant degree of regional integration. The Economic and Social Council of the Arab League was created to promote economic integration of the Arab States in the Middle East and North Africa, but the accomplishments thus far have been minor because the member states have not coordinated their development strategies.

Recent economic studies argue that strong economic ties are crucial for averting bloodshed. It is believed that closer regional links can help erase the scars of Kosovo and the other Balkan Wars of the 1990s. Enhancing trade with Iraq and the other Arab nations can contribute to the improvement of the living standards in the Middle East and the success of the war against terrorism. Therefore, supporting economic development through regional and international initiatives opens ways for permanent stability and prosperity.

The wars in Kosovo and in Iraq have significant effects on the economic performance of Kosovo, Iraq and their

neighboring countries. War-related trade disruption, political instability and destruction of infrastructure have led to a decrease in the GDP growth rate, fluctuations in the exports/imports and decrease in FDI inflows. Both interventions of the United States without UN resolutions have ended with high costs and unfinished outcomes. The estimation of the total costs of these wars should include not only the direct costs to Kosovo, Serbia, Iraq, the United States and its allies, but also the indirect costs that Kosovo and Iraq's neighbors have incurred resulting from instability in the region. To accelerate their transitional processes to stable economic and political development, Kosovo and Iraq have implemented microfinance initiatives. Although Kosovo seems more secure (absence of violent clashes recently) than Iraq, its unresolved political status impedes the termination of its transitional process to economic, political and ethnic stability. Kosovo and Iraq would benefit if the initiatives for regional cooperation were further stimulated

since regional integration in South-eastern Europe has indicated its positive effect on the macro and micro factors.

Sources posted at www.epsusa.org

Polia Petkova is an undergraduate Economics major at Reed College in Portland, Oregon. In summer 2007, thanks to the Opportunity Grant, she was an intern for Economists for Peace and Security, during which time this paper was written. Ms. Petkova served an internship with People to People International in Plovdiv, Bulgaria during the summers of 2005 and 2006. Originally from Bulgaria, she is active in many civic and cultural organizations. She is a board member of Reed Art Events, a member of the Reed Model United Nations, co-founder and vice-president of the German Club at the American University in Bulgaria, and has volunteered at the Better Community Club and the National Forum for Alternative Practice Initiatives at the American University in Bulgaria.

Upcoming Events

April 3 - 4, 2008 The Frederic Ewen Academic Freedom Center of NYU presents **Academic Freedom in the Age of Permanent Warfare**. More information at www.nyu.edu/library/bobst/research/tam/ewen.html.

April 10, 2008 The Security Policy Working Group presents a symposium and discussion. **Forceful Engagement – The role of force & the armed forces in post-Cold War US foreign policy: What have we learned? Cautionary lessons for the next administration**. Please see flyer on facing page.

June 11 - 13, 2008 The **Twelfth Annual Conference on Economics and Security** will take place in Ankara, Turkey, sponsored by Economists for Peace and Security, Middle East Technical University, Turkish Scientific and Research Council (TÜBİTAK), and the University of the West of England. Further details about the conference are at <http://www.stps.metu.edu.tr/conference08/>.

July 25 - 26, 2008 The **Second Australasian Conference on Security, Peace Economics and Peace Science** will be held at Sydney, Australia. The meeting will be organized in cooperation with EPS-Australia, Peace Science Security (International), the University of Western Sydney, Macquarie University of Sydney and Binghamton University.

If interested in attending the conference, please contact Professor Manas Chatterji at (607) 777-2475 or mchatter@binghamton.edu.



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Andrew Bacevich, Professor of International Relations and History, Boston University.

Author of *The New American Militarism: How Americans Are Seduced by War* (2005)

Panelists

Carl Conetta, co-director, Project on Defense Alternatives, Commonwealth Institute

David Gold, associate professor, Graduate Program in International Affairs, New School

William Hartung, director, Arms and Security Initiative, New America Foundation

100 minutes have been set aside for questions and discussion. Light refreshments will be available.

Meeting website: <http://www.comw.org/pda/080410meet.html>

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* Security Policy Working Group: Arms & Security Initiative, New America Foundation; Economists for Peace and Security; Center for Strategic and Budgetary Assessments; Center for War, Peace, and the News Media, Boston University; David Gold, Graduate Program in International Affairs, New School; National Priorities Project; Project on Defense Alternatives, Commonwealth Institute; Straus Military Reform Project, Center for Defense Information; Cindy Williams, Security Studies Program, MIT



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Joseph E. Stiglitz and Linda J. Bilmes

The Three Trillion Dollar War

The True Cost of the Iraq Conflict

The true cost of the Iraq War is \$3 trillion—and counting—rather than the \$50 billion projected by the White House.

Apart from its tragic human toll, the Iraq War will be staggeringly expensive in financial terms. This sobering study by Nobel Prize winner Joseph E. Stiglitz and Harvard professor Linda J. Bilmes casts a spotlight on expense items that have been hidden from the US taxpayer, including not only big-ticket items like replacing military equipment (being used up at six times the peacetime rate) but also the cost of caring for thousands of wounded veterans — for the rest of their lives. Shifting to a global focus, the authors investigate the cost in lives and economic damage within Iraq and the region. Finally, with the chilling precision of an actuary, the authors measure what the US taxpayer's money would have produced if instead it had been invested in the further growth of the US economy. Written in language as simple as the details are disturbing, this book will forever change the way we think about the war.



Winner of the 2001 Nobel Prize in Economics, Joseph E. Stiglitz of Columbia University is the author of *Making Globalization Work* and *Globalization and Its Discontents*. Linda J. Bilmes, a professor of public finance at Harvard's Kennedy School of Government, is a former assistant secretary for management and budget in the US Department of Commerce.

For more information on this book, which originated as an EPS session paper for the AEA conference of January of 2006, please visit <http://www.wwnorton.com/catalog/spring08/006701.htm>

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