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HEADLINE: ECONOMISTS SAY COST OF WAR COULD TOP \$2 TRILLION

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WASHINGTON: The cost of the Iraq war could top \$2 trillion after factoring in long-term healthcare for wounded US veterans, rebuilding a worn-down military, and accounting for other unforeseen bills and economic losses, according to a new analysis to be presented today in Boston.

The estimate by Columbia University economist Joseph E. Stiglitz and Harvard lecturer Linda Bilmes far exceeds projections made by the Bush administration.

The figure is more than four times what the war was expected to cost through 2006 around \$500 billion, according to congressional budget data.

The new study is billed as a detailed analysis not only of the potential costs of sustaining the operation in Iraq for at least several more years, but also the expenses likely to be incurred by taxpayers long after US troops withdraw.

The government will have costly obligations to a new class of veterans, be forced to make new investments in stressed military ranks thinned by multiple tours of duty, and withstand the enduring impact of the war on the nation's overall financial outlook.

For example, the study attributes a portion of the increase in oil prices \$5 per barrel to instability in the Middle East caused by the 2003 invasion that toppled Saddam Hussein and sparked a bloody insurgency.

It estimates that the shock to the oil industry has already added at least \$25 billion to the price tag of the conflict.

The analysis also attempts to account for the war's impact on the ballooning federal deficit, its ripple effects on overall economic growth and investment, and losses in productivity.

"There are quite a few things that are not being captured in the budgetary numbers" presented by the government, said Stiglitz, who received the Nobel Prize in Economics in 2001. "When you add up all of those numbers, it increases substantially. I think \$2

trillion is conservative."

The findings will be presented at the Sheraton Boston Hotel today at a conference of economists and social scientists sponsored by the Allied Social Sciences Association, the American Economic Association, and the Economists for Peace and Security.

The authors said their predictions were largely based on previous data including from past conflicts that were compiled by government agencies, including the Pentagon, The Department of Veterans Affairs, and the Congressional Budget Office.

For the purposes of their study, Stiglitz and Bilmes assumed the US mission in Iraq would last until 2010, but with a steadily declining number of US troops each year.

The Bush administration has not made the kind of long-term estimates cited in the new study and has sought periodic installments from Congress to keep the mission going.

The White House, which predicted in 2002 that the war would cost between \$100 billion and \$200 billion, declined to comment on the new study. The Office of Management and Budget "does not comment on this type of speculation," said spokesman Rich Walker.

Predicting overall costs when no one knows how long the war will last, or how many US troops will remain deployed and for how long, is an imprecise exercise.

But the range of some future expenses can be assessed, such as the likely medical bills and disability payments for the soldiers who have been wounded in the conflict.

Twenty percent of them, for example, have serious brain or spinal injuries that will require life-long care.

The cost of death benefits to military families and bonuses being paid to soldiers to reenlist and to sign up new recruits can also be tallied.

So can secondary costs such as the interest on the rising budget deficit as a result of war spending.

More indirect costs are open to wide interpretation such as assessing how much the US economy might grow if funding for the war were instead invested at home, determining the lost economic output of combat casualties, or gauging the perils of spreading the military elsewhere around the globe.

Nevertheless, the study underscored what some already suspected.

"Many of the costs of the war in Iraq are ones we haven't even begun to pay yet," said US Representative Martin T. Meehan, Democrat of Lowell and a member of the House Armed Services Committee.

"If the war in Iraq were to end today, we would still face hundreds of billions of dollars in costs far into the future," he said.

Stiglitz, a former adviser to Bill Clinton and top economist at the World Bank, is widely considered to be a liberal.

In his writings, he has criticized globalization and has called for stronger government intervention to moderate market forces.

He also has criticized the Bush administration's Iraq policy.

In an opinion article in the Los Angeles Times in February 2003, he warned Americans to "expect skittish markets, higher deficits, and slower growth" as a result of an invasion of Iraq.

Still, he is not considered to be out of the mainstream.

"Stiglitz rants against globalization, and generally barks louder than he bites," said Timothy Kane, an economist at the conservative Heritage Foundation in Washington. "That is, he is a champion to the lefties, but never really says that free trade is bad."

Bilmes, who teaches management at Harvard's Kennedy School, is a former assistant secretary of commerce in the Clinton administration.

Together, they have mapped out what they believe to be an end-to-end estimate of the cost of the largest US military engagement since the Vietnam War, which is about to enter its third year with well over 100,000 US troops deployed.

They assert that the military deployment will lead to secondary costs once the mission winds down both in terms of equipment and personnel.

"The wear and tear on military equipment is one expense that has yet to be factored in and could reach into the tens of billions of dollars," Stiglitz said.

Meanwhile, the researchers used data from the 1991 Persian Gulf War to try to predict long-term healthcare costs for the veterans who have long-term injuries and who need other benefits.

"There are 16,000 people with serious injuries," Stiglitz said. "That number is predicted to double [by 2010], and every injured person has health costs, plus disability. That is an obvious but important example that represents costs in Iraq not reflected" in the official numbers,

Those costs bring the price tag of the war up to about \$650 billion, Stiglitz said, but that doesn't include broader economic factors such as the war's drag on the federal deficit.

"We have to borrow money, and we have to pay interest, and we have to pay interest on the interest," he said.

And then there are macro-economic costs, such as the war's overall effect on the economy even as increases in defense spending fuel growth in some industries.

"It has a multiplier effect," Stiglitz said.

For example, he said, "because we are spending more on oil, we are spending less at home. Just like a tax cut is a stimulus, an oil hike is a destimulus."

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