

The iraqi war impact on the economy economics essay



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The war in Iraq! The economic impact of the conflict is undeniably significant. A 2.4 trillion dollar war would impact many countries' economies. The American economy has been suffering from the war, and there is tremendous concern arising from the huge sums of money spent every month financing the war. Conflict in Iraq has also sparked debate on how wartime spending really affects national economic prospects – "does it help the economy, in the way that World War II arguably ended the Great Depression? Or does it hurt the economy through wasteful spending, as has been said of the first Gulf War? Conflict in Iraq has negatively impacted the U. S. economy, which can be seen by examining its effects on individual parts of the economy.

One reason the war in Iraq has negatively affected the economy is because of the significant impact on the U. S. government's budget. When the war began, the Bush Administration severely underestimated the enormous amount that would be spent towards the war effort. White House economic advisor Lawrence B. Lindsey predicted that "Invading Iraq could amount to between \$100 billion and \$200 billion." (Teslik) It is now known that Lindsey underestimated the cost, but in 2002 other government authorities, such as Mitch Daniels (who then headed the White House budget office), scoffed that Lindsey's estimate was "too high." (Teslik) The original Bush Administration outlook on the Iraq conflict was that it would prove to be a short, relatively inexpensive conflict. The Bush Administration believed the end results would be a model of democracy in the Middle East and controlled oil prices. "The administration acted as if the sums involved were minimal." (Stiglitz and Bilmes) Defense and Homeland Security funding composed 23% (\$696

billion) of the 2009 fiscal year budget (Guell 168). However, the “ emergency appropriations” used to finance the war is not accounted for in this total.

The cost of funding the war is irresponsible: the Iraq budget for 2007 (\$138 billion) would have provided 45 million Americans with Medicaid, hired 30, 000 school teachers and built 400 schools, or provided weatherization for 1. 6 million homes. (Pollin and Garret-Peltier). Money that could be used to solve economic problems in the U. S. is being spent on the wars instead, and this is hurting the American economy.

The war in Iraq is taking a toll on prices of market commodities, mainly crude oil, which has a negative impact on the economy. Crude oil prices have spiked since the beginning of the conflicts. The Bush administration mistakenly assumed that war in Iraq would bring stable, lowered oil prices. Iraqi oil production currently accounts for 3 percent of global oil production, and thus turmoil in Iraq can have a substantial effect on oil prices. This type of conflict hurts the U. S. economy. This means that the conflict in Iraq has actually caused prices to rise and become more unstable. “ Since governments then have to spend more on importing oil and on interest payments on outstanding debts, it becomes harder to balance budgets. Higher interest rates also lead to lower investment and consumer spending, declines in share prices, and a slowing of the economy.” (Salameh 42) The spiking oil prices cause inflation, which is not a problem now but could become a major issue later, if oil prices continue to rise. “ Before the 2003 invasion, oil cost less than \$25 a barrel...the war changed that equation, and oil prices recently topped \$100 a barrel” (Stiglitz and Bilmes). Evidently, the war is forcing oil prices upward, decreasing the ability and willingness of

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consumers to spend money on other items, and negatively affecting the American economy as a whole.

Another negative impact of the war on the economy is evident in the increased national debt. Conflicts in Iraq have taken a sizeable toll on the national debt. Both wars are financed almost entirely through borrowing, which has increased the national debt since the inception of the wars. The Congressional Budget Office has estimated the direct cost of the war through 2017 to be more than \$1 trillion. Combined with an extra \$705 billion in interest payments on this spending, the total cost of the Iraq war could reach \$2.4 trillion (Teslik). Since the war is being financed primarily through borrowing, the added \$2.4 trillion would worsen an already staggering \$13 trillion national debt. This massive national debt also increases the interest rates for U. S. government to borrow money.

The American economy continues to suffer from financing the “ war on terror.” Many aspects of the economy have been negatively affected, including the government budget, household spending, oil prices, and the national debt. Left unchecked, the enormous spending on the war effort will create a monstrous national debt that will have to be paid off by future generations. The Iraq conflict is quickly becoming an economic disaster that needs to be addressed immediately, before serious damage is done.