

## BUSINESS

# Iraq war costs top \$750B; debate rages on funding

BY SUE KIRCHHOFF  
USA TODAY

**WASHINGTON** — The refusal of the top U.S. commander in Iraq to give Congress a timetable for additional troop withdrawals has escalated an already fierce debate about the rising cost of the conflict to taxpayers — and to the faltering domestic economy.

The testimony this week by Gen. David Petraeus comes as Congress prepares later this month to debate the latest in a chain of emergency spending bills to continue Iraq operations.

But with the U.S. economy veering toward recession, lawmakers from both parties are increasingly restive about voting for open-ended funding, especially as the White House resists their plans to increase aid for housing and other domestic needs.

Economists differ on the magnitude, but they generally agree the true cost of the war goes beyond the direct appropriations for fighting it. Effects include bigger deficits and higher oil prices. Now, economics are getting tangled up with politics.

Congressional Democrats tend to play up the drag the war places on the economy and highlight the White House's willingness to run larger deficits to fund the war while stinting on domestic needs.

Many Republicans in Congress

reject the notion that the war effort is a significant factor in the current economic slowdown and say that by making the nation safer, the funding has large benefits.

Rep. Rahm Emanuel, D-Ill., says his voters frequently bring up the issue of Iraq funding, and their message is clear: "Take care of our own first."

"This is one where the public is way ahead of Congress," says Emanuel. "They see libraries that are closing earlier, schools that aren't getting built, yet they're still getting the bill for projects halfway around the world."

Including current White House requests, the price tag for U.S. military action in Iraq and Afghanistan and associated costs of the "war on terror" since 2001 is on track to exceed \$750 billion, according to the non-partisan Congressional Budget Office.

## The cost of war

That figure reflects only a small fraction of the overall economic cost of the war, according to analysts such as Columbia University economist Joseph Stiglitz.

He says the ultimate price tag for Iraq — which administration officials initially pegged at \$50 billion to \$60 billion — is easily \$3 trillion or above when factors such as the cost of health care for disabled veterans, surging oil

prices and the economic impact on families who have lost breadwinners are considered.

Disability and health care payments for veterans alone could amount to \$600 billion.

"This (war) is an unfunded entitlement (program) we have created in the past five years," Stiglitz this week told a forum at the Carnegie Endowment for International Peace, a Washington, D.C.-based nonprofit.

Top Republicans bristle at Democratic suggestions that the war is a major cause of the current economic doldrums.

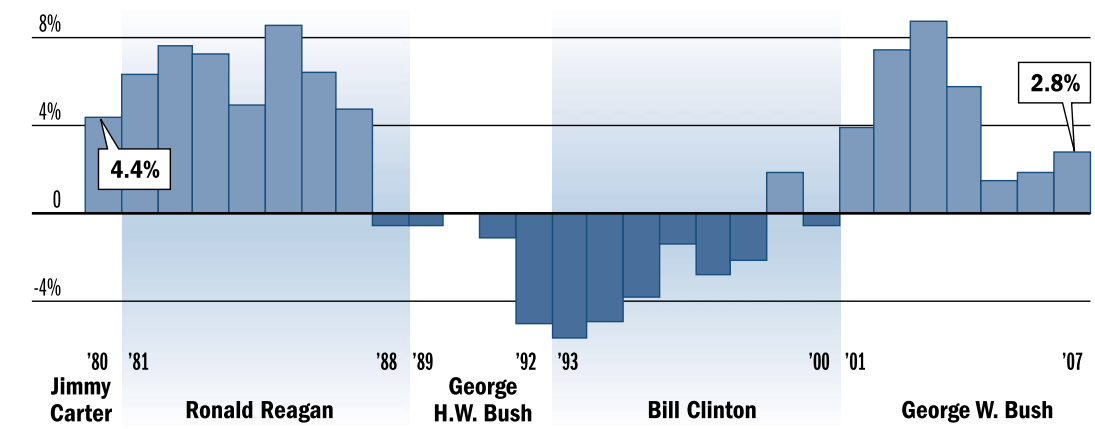
House Republican Leader John Boehner, R-Ohio, issued a statement Wednesday that called Democratic efforts to blame the downturn on the Iraq war "political opportunism at its worst."

Allen Sinai, president of Decision Economics, says that defense spending adds to gross domestic product, the broadest measure of the value of goods and services in the country. At the same time, he says, the net impact of the Iraq conflict has been to reduce GDP by as much as a full percentage point annually.

According to Sinai, the economic drawback of the war includes the inefficiency of defense spending as opposed to other, more productive investment, negative effects on financial markets and its

## Defense spending surges during Iraq war

Overall federal defense spending has been rising due to the Iraq war, after declining in the 1990s. Annual changes:



SOURCE: BUREAU OF ECONOMIC ANALYSIS

GANNETT NEWS SERVICE

drag on consumer sentiment.

Many effects won't be fully felt for years, Sinai adds. Deficit financing of the war makes the United States more dependent on foreign investors to finance its debt and, ultimately, lowers standards of living. It leaves the nation in worse shape to face coming economic challenges as the baby boomers retire and health care costs rise, straining Medicare and Social Security.

The costs must be balanced against other intangibles, however, such as the benefits of military action on overall U.S. security, some argue.

The Defense Department also points out that defense spending as a percentage of the economy has been running about 4 percent, versus 9 percent during the Vietnam War and 11.7 percent during the Korean conflict.

Deputy Defense Secretary Gor-

don England told the Veterans of Foreign Wars in early March that the large U.S. economy could support the rising military spending, which he said should be considered a sort of nationwide insurance policy.

England also said Congress should quickly approve additional military spending, thinking "about not just the military side, but the economic benefits that we could also accrue from this."

## Behind oil prices

Analysts caution against overstating some of the costs of the conflict.

For example, fighting in Iraq — a major oil producer — arguably has contributed to skyrocketing oil prices, but it is far from the sole cause. Crude oil prices were about \$25 a barrel five years ago compared with more than \$100 now. James Williams of WTRG Eco-

nomics notes that the beginning of the Iraq conflict coincided with a deep cut in production in Venezuela, a big oil exporter. Global demand has also surged.

After years of disruptions, Iraq on average now is producing about 2.2 million barrels a day, close to its production prior to the conflict. Still, he says, risks remain, with a speculative premium built into the oil market of \$20 to \$30 a barrel.

"How much of that is Iraq, I don't know," Williams says.

Stiglitz, in his analysis, attributes at least \$5 to \$10 a barrel of higher oil prices to Iraq.

The next major Iraq funding skirmish is likely to come on the floors of the House and Senate. Democratic leaders say they will use the war appropriations as a vehicle for plans such as extending unemployment benefits at home.

# HAREBOTTLE: Quality, service, speed of delivery key to success

Continued from D1

**What unique role does your business fill in the Coachella Valley?**

Doing the entire outdoor environment and offering the highest quality product, service and speed of delivery. We do the pools, the spas, barbecues and outdoor kitchens, patio structures. People really want to make their outdoors another room of the house, and so we design and construct for them.

We are the largest company of our kind in the valley with a 35 percent market share.

**What have been your biggest mistakes?**

Not realizing that this downturn was going to be as big as it is. We estimated the downturn would be about 20 percent or so, and it ended up being far greater than that of our business.

We've had to reduce expenses, including staff. We now realize it is a deeper and longer problem than we anticipated in 2006. We don't anticipate it ending for a year and a half.

**How did you pick your location?**

Jim Remick, the founder of this company, came out to retire and play golf and then decided he didn't want to retire so he started an office. He had done this same business before in the San Fernando Valley.

The business started in Palm Desert, and when we started growing, this is where property was cheaper and it is close to places like La Quinta, one of the fastest-growing cities with lots of country clubs.

**How big is your market?**

The market really has been reduced. It's holding its own right now, but until people start feeling comfortable again and wanting to open their pocketbooks and start buying homes and get financing to make improvements, and until national confidence is back, it's going to be tight.

However, the Coachella Valley, by attracting people from so many different places in the nation and the world, has one of the best possibilities for growing again. People with high-end incomes are looking for bargains out there, and they have the cash to buy the homes. Canadians have accounted for a good part of our business this year.

**Who are your competitors?**

For doing what we've done over the last several years, we've created a niche for homeowners and homebuilders that seems like we've done the best at. It's what we have built our reputation on.

**What have you done to set your business apart?**

Quality, service and speed of de-

livery. For instance, at the Harris project, we finished it in three months. The neighbor next door won't be finished for eight months.

**How will your business be different a year from now?**

That's a question the market is going to answer. What we hope is that the market turns around and that the Coachella Valley, with its weather and attractions, will entice people to come out, and there is no better time to buy than now.

We expect people to come back, buy and our business will increase. We've also expanded our commercial business in response to the economy by diversifying into commercial work where we do landscaping, water features and the like.

We also do public works, common areas and streetscapes. An old-timer told me that during downturns, diversification can be the key.

**How do you put good customer service into practice?**

Living it and teaching it. We train each of the people who work for us. We have monthly training sessions.

**How do you market your business?**

We market our business through one key source, our customer. How we built and grew our business is through a customer telling another customer. That referral helped us grow

from a one room facility into a multi-million dollar outdoor environment company.

**How do you cope with the seasonality of the market?**


We've never had a real issue or problem because when it is the off season here people want their yards renovated and built. The country clubs won't let work be done in the season, so you have to do the work after the people have left. We've always had a pretty

stable year-around business.

**How do you juggle your personal life with your business life?**

You just make the time for it. You can always find an excuse to come to work. As an owner and as the president and CEO, you can always find the next thing to do.

You have to take some time and rejuvenate. When I go home at night, I'm off, I turn it off. We've got good employees here who can take care of everything.



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