

The Crowding out effect of the war in Iraq on U.S.A. Economy revisited 2003-2017

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Abstract

This paper examines the crowding out effect of the war in Iraq as it relates to the U.S. economy. The U.S. has been throughout the years involved in a number of conflicts, including but not limited to World War I (1912), World War II in the 40's, the Korean War in the 50's, and the Vietnam War in the 60's and 70's which have captivated the interest of economists regarding the economic impact of these wars on the U. S. economy. The war in Iraq is not an exception. Several macroeconomic models have been developed to explain the economic impact of the Iraq War on the U. S. economy. Perhaps the best known of such model was the one undertaken by the economic forecasting company Global Insight commissioned to run a simulation macroeconomic model. Their findings seem to have shed some light on the impact on the U S economy of increased spending in the war. Other models referred to it as International Crowding Out as shown in Mundell-Fleming Model. Still other model in the late 1990's was developed subscribing to the kind of crowding out of exports. Therefore, the main objective of this research endeavor is to demonstrate the CROWDING OUT EFFECT of the war in Iraq on United States economy.

This research concept is by no means a new idea because a number of studies have shown the financial costs of the war in Iraq. Just as other studies demonstrated not so convincingly the impact of the war spending on U.S. economy, namely the GDP. What constitute a novelty; however, are the investigations of the relationship between CROWDING OUT EFFECT OF THE WAR IN IRAQ and the UNITED STATES ECONOMY. In order to carry out this investigation, a merely descriptive exploratory study was conducted using factual records of the costs of the war together with crowding out effect documents. The result shows that the war has a negative effect on net exports, the housing market, job creation, even in the automobile industry, causing a tapering off of business (Recession) activities. Taking into consideration the factual financial record of the war, this study explores a descriptive analysis of the data of the cost of the war as these costs crowd out both the private and public sectors investments in the economy; such investments would have created jobs and job opportunities which could have reduced the need for the Bail Out Plan.

Keywords: Crowd effect, US Economy, Entrepreneurship, War Spending

I. Introduction

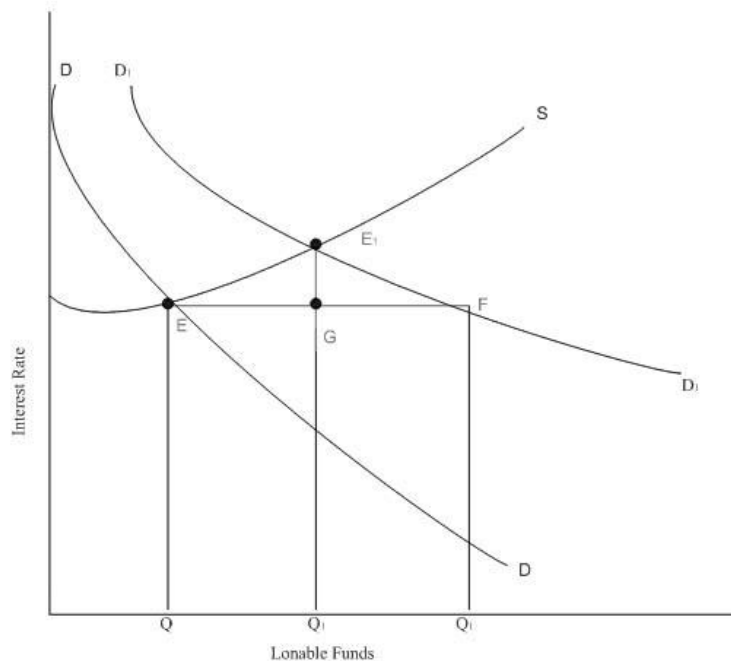
The Iraq War, also known as Operation Iraqi Freedom, is an ongoing conflict which began on March 20, 2003 with the United States-led invasion of Iraq. The belief that Iraq possessed and was actively developing weapons of mass destruction (WMD) was the main rationale for the Iraq War offered by U.S. President George W. Bush, former Prime Minister of the United Kingdom Tony Blair, former Prime Minister of Spain Jose Maria Aznar, and their domestic and foreign supporters. After the invasion, however, no evidence was found of the WMD or programs the administration claimed existed. The war began on March 20, 2003, when a largely British and American force supported by small groups from Australia, Denmark and Poland invaded Iraq. The invasion soon led to the defeat and departure of Saddam Hussein. The U. S. led coalition occupied Iraq and attempted to establish a new democratic government; however it failed to restore order in Iraq.

In recent years, economists, financial analysts and policy makers have devoted increasing attention to the growing costs of the war in Iraq. This is partly due to government’s heavy borrowing to finance the war. It is also partly due to the concern of American people on job outsourcing to Iraq at the expense of the labor market in this country. But this is primary due to the nagging recession that the country has been experiencing in recent months. To that end, a number of economic models have been developed purporting to explain the effect of the costs of the war in Iraq on United State economy. Some of which are referred to as deficit spending. An early study of the Federal Reserve Bank of St. Louis; called it The Crowding Out effect of Private Expenditures. The primary objective of this paper is to explore the impact of crowding out effect of the cost of the Iraqi war on the U.S. economy.

II. Conceptual Framework

A number of models has been developed purporting to explain the concept of Crowding Out. Perhaps among the most celebrated ones the classical model stands out. Conceptually, that model (classical model) argues that increase in government spending (budget deficit) completely crowds out private sector expenditures. Proponents of this view, Baumol and Blinder on the one hand, and Hall & Lieberman subscribe to the idea that crowding out or more specifically “complete crowding out” occurs when government deficits increase for the purpose of creating jobs and job opportunities, improving infrastructure, especially financing war through borrowing, all of which will drive interest rate up and discourage expansion of plant capacity, increase productivity. Entrepreneurs, business firms no longer have the incentive to engage in those kinds of activities so crucial to the viability of the economy because of crowding out effect. The following figure expresses more vividly the adjustments process of this model and brings to light how higher interest rates crowds out private investments

Crowding out and Budget Deficit



In this figure, the interception (E) of the demand for loanable funds (D) and the supply of loanable funds (S) determine the initial equilibrium point. From that equilibrium point a rise in budget deficit as a result of more government spending shifts the demand for loanable fund forward to the right and generates a higher equilibrium point (E1) giving rise to an increase in

demand from D to D1. Such that at point F the demand for loanable funds is greater than the supply's which causes interest rate to go up from (G) to (E1). This in turn causes both consumption and investment to respectively contract. That happens at the new equilibrium point (E1) where interest rises from G to E1, consumption declines by EG and investments by GF. In the classical model as explained here complete crowding out occurs. That is an increase in one sector's aggregate spending will result in a decline in another sector's spending. This is because both sectors use the same often time loanable funds market. The thrust of the crowding out effect in the classical model is the rise in interest rate causing a contraction in planned business investment.

However, in the case of the war in Iraq the Federal Reserve System (FED) did not want interest to rise. Therefore, in the recent past FED has been engaged in expansionary monetary policies. On the one hand, Fed has been lowering the interest rate. On the other hand, Fed through the Open Market Operation, has been "monetizing" the government deficit. This kind of monetary policy did not entirely produce the desired outcome. This is partly due to the speed of spending in the war, but mostly due to the size of the Budget deficit. Despite the partial monetization of the Budget deficit for the war and the FED's expansionary monetary policy for the purpose of keeping inflation under control, interest rate did not play a major role in the crowding out effect of Iraq war spending in the U.S. economy. For this reason, the interest rate was assumed away in this paper's discussion of the crowding out effect. In so doing, by no means the importance of interest rate should be undermined. Quite the contrary, the emphasis should be made if crowding out effect is to be discussed more effectively. But in this particular case which is a very peculiar one, interest rate was left out purposely in order to bring out the full effect of the model. The data used in developing the study, suggests that interests have very little or no effect on this model. The nature and justification given for this increase spending in the war and the numerous appropriations made for the war lead one to believe that although high interest rates may choke off investment spending, this special type of crowding out made higher interests unimportant.

Data Analysis of Crowding Out Effect

Most of the data used in this study have been collected either from the Congressional Research Services (CRS) and some of the web sites often quoted or modified. The financial cost of the Iraq war has been staggering since its incursion. A Congressional research service study headed by the Nobel Prize winner and renowned economist Joseph Stiglitz found that the United States spend an estimate of \$12 billion a month in the war. Stiglitz went on to state that the total cost of the war on the U. S. economy will be 3 trillion dollars; and this is a very conservative figure, in a study published as recently as March 2008.

Those expenditures have crowded out the private sector effort to make productive investments that would create jobs and job opportunities. The crowding out effect becomes more evident when the numerous war appropriations are taken into consideration. Following is a table of war appropriations from 2003 to 2008.

Table I: Iraq War Budget Appropriations 2003-2008 in Billions of Dollar

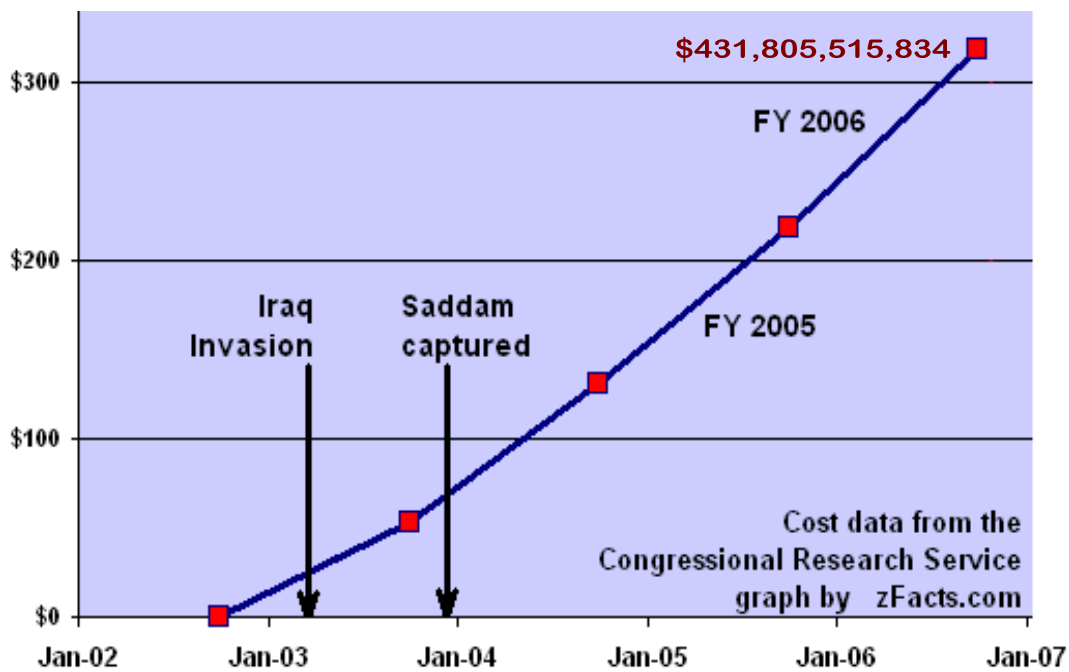
FY	Operation Iraqi	Appropriations
2003	(1) Reconstruction	70.6
2004	CBO Budget Amendment	21.5
2005	Emergency Supplemental Operation	58.00
2006	(1) Department of Defense appropriations (2) Emergency Supplemental	40.00 60.00
2007	Department of Defense fund for Iraq war related costs	70.00
2008	Bush administration proposal for the Iraq war and Afghanistan	190.00

Source: Congressional Research Services (2003-2008)

As the foregoing war costs continue to escalate, economists are trying to extrapolate them in order to determine the magnitude of the negative impact of these costs on the U. S. economy. These costs are not just financial, but every sector of the U. S. economy has been affected, from human cost to infrastructure cost and on to health care costs.

Before the war began, Mitch Daniels, then the White House budget director stated that the war would be an “affordable endeavor” and disagreed with the chief White House economic adviser that the war would cost between \$100 billion and \$200 billion. The graph below shows the budget authority for Iraq war in each fiscal year.

Budget Authority for Iraq War, \$ Billions

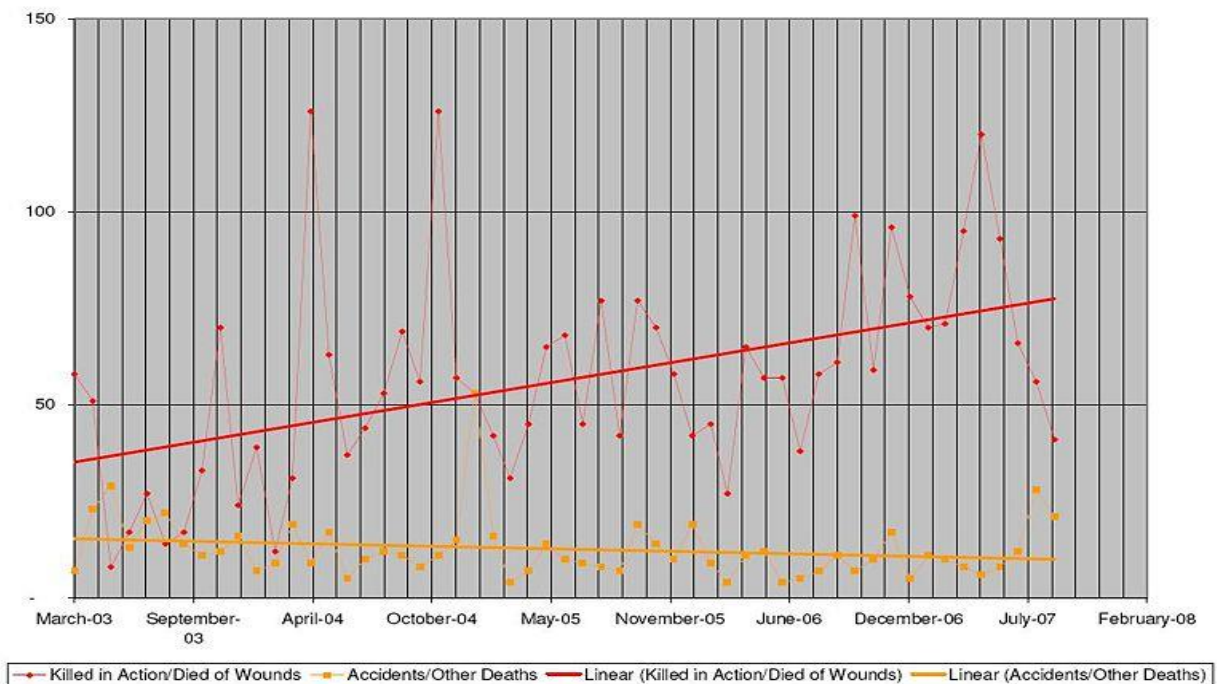


Source: Congressional Research Services (2002-2007)

The U.S. budget for Iraq in the fiscal year for 2006 comes to \$3,749 for every Iraqi. This is more than double their per capital GDP. In comparison, this is almost spending \$91,000 per person in the U.S. Currently the total costs are \$431,805,515,834 and are steadily rising.

A new study by Columbia University economist Joseph E. Stiglitz, and Harvard lecturer Linds Bilmes project that the total costs of the Iraq war could exceed \$2 trillion mark. This total, which is far above the U.S. administration’s prewar projections, takes into account the long term healthcare costs for the 16,000 U.S. soldiers injured in Iraq then. Government data from past wars, included such costs as the rise in the price of oil; personnel who have been killed in action or died of wounds since March 2003. The graph below shows that in March 2003, U. S. military personnel were killed as a result of accident or for “other” reasons at a rate averaging about 30 per month. This rate has decreased slightly too about 10 per month in September 2007. A total of 696 military personnel have been killed as a result of accident or for “other” reasons since March 2003. The following chart gives a good approximation of soldiers killed or wounded.

Soldiers Killed In Action, Died Of Wounds, Accidents from March 19, 2003 through September 1, 2007



Source: Stiglitz J. & Bilmes study

Now the number killed in war approximates 4900 and still growing. This is why surveys find that most favor a gradual withdrawal over time to an immediate pullout. According to the Quinnipiac University Poll, 55 percent of Americans believe that the Iraq war was a mistake, and 51 percent of registered voters favor troop withdrawal. In late April 2007, the U.S. Congress passed a supplementary spending bill for Iraq that sets a deadline for the withdrawal of a larger contingent of troops. The loss to the economy from injured veterans who cannot contribute as productively as they would have done if not injured and the increased costs of recruiting to replenish a military depleted by repeated tours of duty in Iraq have been a complete drain to the U.S. economy. This study is based on the projection that U.S. troops will remain in Iraq until 2010, with steadily decreasing numbers each year.

Marine Corps spokeswoman, Lt. Col. Roseanne Lynch, said that the war is costing the U. S. an estimated \$4.5 billion a month in military “operating costs,” which do not include procurement of new weapons and equipment. Colonel Lynch said the war in Iraq had cost

\$173 billion to date. The withdrawal of American military men and women from Iraq has been a debatable issue within the United States since the war began. As the war has evolved from its initial invasion to the over four-year occupation, U.S. public opinion has turned in favor of troop withdrawal. This is due to the number of U.S. military casualties. The total amount of soldiers killed in action or died of wounds is 3,099, accidents and other deaths equals 696, and soldiers wounded in action is 27,753 according to the 2007's estimates of the CRS.

When you compare the Vietnam War expenditure, which was \$165 Billion to Iraq War, the war in Iraq has surpassed that amount by far \$134.5 Billion + \$177 Million per day.

The following are the different categories of other costs put out by the Congressional Budget Office (COB)

I. Operations, Maintenance, and Financial Cost

- Infrastructure – Bases, landing strips, repair shops
- Tanks and Trucks
- Aircraft
- Weapons
- Hospital Costs
- Armored Humvee
- Radios
- Night-Vision Equipment
- Equipment to replace battered gear

II. Our Largest Cost

- We have lost many troops for this war on terrorism and this cost is one of the greatest costs for Americans as a whole. The troops fighting in Iraq are our loved ones and these are people that can not be replaced.

III. It's Estimated That Over 4,500 U.S. Soldiers Have Been Lost

- Those Wounded Range from about 23,000 to 100,000

IV. Hospital Costs Are Soaring

- 20% wounded suffer "severe brain injuries"
- 70% wounds with "potential for resulting in brain injury"
- About 64% of the more than 7,000 U.S. Soldiers injured in Iraq received wounds that prevented them from returning to duty.

V. Cost After the War

- 1 of 6 soldiers returning from the War in Iraq showed signs of post-traumatic stress disorder, major depression, or severe anxiety. The Veterans Administration healthcare system was not prepared for the swelling number of claims

Since 2003, the average monthly cost of operation rose from 4.4 billion dollars to 7.1 billion dollars. Now the congressional budget office cost for next decade would be 500 billion dollars.

The following estimation put out by (CRS) is another indication that the war in Iraq costs crowd out both the private and public sector. The estimation shows how war expenditures could have been used more productively in various sectors of the economy.

Table II: The War in Iraq cost \$315 billion...still counting

Public Education	Pre-school	Kids Health	Public Housing	College Scholarships	Cost per U.S. Citizen
We could have hired – 5,470,026 national additional public school teachers a year. Louisiana is 41,644Teachers	Instead, we could have paid for 41,806,308 national children to attend a year of Head Start. Louisiana is 318,281	Instead, we could have insured 189,005,159 national children for one year. Louisiana is 21,637	Instead, we could have built 2,842,035 national additional housing units. Louisiana is 21,637	Instead we could have provided 15,301,513 national Students on four year scholarship at public universities. Louisiana is 116,493	For every \$100 Billion spending, the cost is \$375 per U.S. citizen. For family of 4 people the cost is \$1,500 per year.

Source: Congressional Research Service (CRS) Library of Congress

That same study argued that these estimates underestimate the true cost of the war.

In fact, it was also stated that these estimations took on a very conservative approach to the true cost of the war because it is a complicated process to do so quantitatively.

Following are some of the suggestions that have been made by the Congressional Research Service:

- (1) There is a difference between social cost and cost paid by the government.
- (2) There is a micro effect that is associated to the price of oil and government spending on the war.
- (3) The majority of Reservists have suffered significant loss in wages.
- (4) Depreciation of the machines is faster than estimated because of the heavy use in the war.
- (5)

Attempts have been made by the military to estimate the costs of those injured by their medical treatment costs and disability pay. But current accounting only reflects current payments in disability not the present discounted value of future payments said the CRS.

Critical Appraisal and Observations

In order to have a clear picture of the costs and the relative for or against them, a chi square test was conducted using a 3x3 contingency table.

TEST STATISTICS FOR INDEPENDENCE

$$\chi^2 = \sum_i \sum_j \frac{(f_{ij} - e_{ij})^2}{e_{ij}}$$

f_{ij} = observed frequency for contingency table category in row i and column j

e_{ij} = expected frequency for contingency table category in row i and column j

Degree of freedom (n-1) (m-1)

n is the number of rows

m is the number of columns

The following 3x3 contingency table has a sample of 70 people who were surveyed. Test for independence using the χ^2 test with $\rho = .05$

Null Hypothesis: People’s opinion of wanting troops out of Iraq by August 2008 is independent of their political parties.

Alternative Hypothesis: People’s opinion of wanting troops out of Iraq by August 2008 is not independent of their political parties.

Table III: Pull out of Iraq (fij)

Political Party	For	Against	Don't Know	Total
Republican	10.2	17.7	2.1	30
Independent	6.1	3.2	.7	10
Democrat	23.1	4.8	2.1	30
Total	39.4	25.7	4.9	70

Table IV: Not Pull out of Iraq (fig)

Political Party	For	Against	Don't Know	Total
Republican	16.9	11.0	2.1	30
Independent	5.6	3.7	.7	10
Democrat	16.9	11.0	2.1	30
Total	39.4	25.7	4.9	70

Views of those Calling for or against an Iraq Troop Pullout by August 2008

Table V: Want your representative to vote

	<u>Vote for</u> %	<u>Vote against</u> %	<u>DK</u> %
Total	59	33	8=100
Republicans	34	59	7=100
Conservative	26	67	7=100
Moderate/Lib	44	49	7=100
Independent	61	32	7=100
Democrats	77	16	7=100
Conserv/Mod	76	18	6=100
Liberal	82	12	6=100

The information to this contingency problem was taken from the poll above. The total number of votes from the Republican, Independent, and Democrat parties equal 30, 10, and 30, respectively. And the number of total overall votes equal 70 (basically, for convenience, a 10 percent of 700 to decrease the total to 70) was taken. Then let us solve for each party’s for, against, and don’t know votes. For example, the number of republicans that voted for troop pull out is 34 percent. 34 percent of 30 (total number of republican votes) is 10.2. The total number of republican votes that do not know is 7.7 percent of 30 which is 2.1 the same process was continued to solve for other political parties.

Table VI: Pull out of Iraq (eij) - Work

Party	For	Against	Don't Know
Republican	$\frac{39.4* 30}{70}$	$\frac{25.7* 30}{70}$	$\frac{4.9* 30}{70}$
Independent	$\frac{39.4* 10}{70}$	$\frac{25.7* 10}{70}$	$\frac{4.9* 10}{70}$
Democrat	$\frac{39.4* 30}{70}$	$\frac{25.7* 30}{70}$	$\frac{4.9* 30}{70}$

Party	fij	eij	fij-eij	(fij-eij) ² Σ	$\frac{(fij-eij)^2}{eij}$
Rep. For	10.2	169	-6.7	44.89	2.66
Rep. Agst	17.7	11.0	6.7	44.89	4.08
Rep. DK	2.1	2.1	0	0	0
Ind. For	6.1	5.6	.5	.25	.04
Ind. Agst	3.2	3.7	-.5	.25	.07
Ind. DK	.7	.7	0	0	0
Dem For	23.1	16.9	6.2	38.44	2.27
Dem Agst	4.8	11.0	-6.2	38.44	3.49
Dem. DK	2.1	2.1	0	0	0

$\chi^2 = 12.61$

Degree of Freedom (3-1) (3-1) =4
 (.05, 4)=9.488

Accept alternative hypothesis because χ^2 calculated= 12.61 > χ^2 table = 9.488

The result of the test shows people’s opinion of wanting troops out of Iraq by August 2008 is not independent of their political parties. The parties’ opinion has an effect on the withdrawal of the troops. This must be the reason why President George W. Bush was successful in continuing the war in Iraq. In terms of human cost, the war in Iraq is very notorious. These costs can be divided into two different categories: (1) The civilian deaths and (2) American Casualties.

The following tables are representative of these two categories ranging from 2003 to 2007.

Table VII: War in Iraq, American Casualties 2003-2007
Monthly

Month	2003	2004	2005	2006	2007
January	0	73	107	62	83
February	0	87	58	55	81
March	65	52	35	31	81
April	74	135	52	76	104
May	37	80	80	69	124
June	30	42	78	61	101
July	48	62	54	43	78
August	35	56	85	65	58
September	31	80	49	72	65
October	44	64	96	106	28
November	82	137	84	70	0
December	40	88	68	112	0
Total	486	956	846	822	803

Source: CRS (2000-2007)

Table VIII: When expressed in percentages, this table gives a more vivid representation of war casualties

Yearly

Year	Death	%
2003	486	12.42
2004	956	24.43
2005	846	21.62
2006	822	21.01
2007	803	20.52
Total	3913	100.00

U. S. Casualties: Deaths March 20-May 1, 2006 (official end of hostilities): Combat, 115 Noncombat, 23; Total, 138. Deaths March 20, 2003-Nov. 9, 2006: Combat, 2, 275 Noncombat, 562; total, 2837. In June 2006, 134 civilian contractors were killed. The civilian costs represents even greater losses from 2003 to 2007 the civilian deaths in the Iraq War as reported by the table below show an upward trends which is very costly to the U. S.

Table IX: Civilian Deaths in the Iraq War Human Cost

Civilian Deaths in the Iraq War		
Date	Minimum	Maximum
9-Apr-03	996	1,174
10-Aug-03	2,087	7,798
25-Apr-04	8,918	10,769
12-Sep-04	11,797	13,806
12-Mar-05	16,231	18,509
6-Dec-05	27,354	30,863
28-Jun-06	38,725	43,140
2-Oct-06	43,546	48,343
1-Mar-07	57,482	63,421
5-Aug-07	68,347	74,753
Total	279,483	312,576

Source: CRS (2003-2008)

If the above table was to be calculated in terms of financial costs, in the words of Congressional Budget study these costs would have reached over 3 trillion dollars. These figures are very rough estimates.

Table X: Operation Iraqi Freedom (OIF): Casualty Summary by Casualty Category (as of April 24, 2017)

Casualty Type	Total	Army	Navy	Marine Corps	Air Force
Killed in Action	2,675	1,920	62	664	29
Died of Wounds	799	610	1	188	0
Died While Missing In Action	1	1	0	0	0
Died While Captured	5	5	0	0	0
Died While Detained	1	0	1	0	0
Total Hostile Deaths	3,481	2,536	64	852	29
Accident	566	413	19	121	13
Illness/Injury	94	72	10	6	6
Homicide	36	23	4	7	2

Self-Inflicted	223	180	4	37	2
Undetermined	11	9	2	0	0
Total Nonhostile Deaths	930	697	39	171	23
Total Deaths	4,411	3,233	103	1023	52
Total Wounded in Action	31,954	22,230	648	8,626	450

Source:DCAS, https://www.dmdc.osd.mil/dcas/pages/report_oif_type_xhtml

Notes: Includes those who died of wounds where wounding occurred in theater and death occurred elsewhere.

a. Navy totals include Coast Guard.

Table 10 represents the total deaths which was 4,411 in the Iraq War as of April 24, 2017
 Some conclusions drawn from Table 12 are the following:

- (1) The number of soldiers who was killed in action was 2,675 which was 61.0%.
- (2) The number of soldiers casualties not killed was 1,736 which was 39%.
- (3) Total Hostile Deaths was 3,481 out of 4,411 represented 78.9%.
- (4) Total Non-Hostile Deaths was 930 out of 4,411 represented 21.1%.

Table XI: Operation Iraqi Freedom (OIF): Military Deaths
 (as of April 24, 2017)

	Totals	Army	Navy	Marine Corps	Air Force
Casualty Type					
Hostile	3,481	2,536	64	852	29
Nonhostile	930	697	39	171	23
Total	4,411	3,233	103	1,023	52
Gender					
Female	110	89	10	8	3
Male	4,301	3,144	93	1,015	49
Total	4,411	3,233	103	1,023	52
Officer/Enlisted					
E1-E4	2,539	1,709	43	774	13
E5-E9	1,445	1,195	49	174	27
Officer	427	329	11	75	12
Total	4,411	3,233	103	1,023	52
Age					
<22	1,283	789	15	473	6
22-24	1,073	790	17	257	9
25-30	1,126	875	31	204	16
31-35	426	353	16	49	8
>35	503	426	24	40	13
Total	4,411	3,233	103	1,023	52
Component					
Active Duty	3,501	2,492	79	884	46
Reserve	413	246	24	139	4
National Guard	497	495	0	0	2
Total	4,411	3,233	103	1,023	52
Race					

American Indian or Alaska Native	43	27	1	15	0
Asian	77	63	5	9	0
Black or African American	439	372	12	48	7
Native Hawaiian or Pacific Islander	17	10	1	6	0
White	3,641	2,627	82	892	40
Multiple Races	62	46	0	16	0
Unknown	132	88	2	37	5
Total	4,411	3,233	103	1,023	52

Table 11 represents six categories of the military deaths of the Iraq War which was 4,411

The six categories are the following:

1. Casualty Type
2. Gender
3. Officer and Enlisted
4. Age
5. Military Component
6. Race

Some observations of the Table 10 were the following:

1. White race accounted for 3,641 out of the 4,411 represented 82.5% of total military deaths.
2. Active Duty casualties which were 3,501 out of the 4,411 represented 79.4% of the total military deaths.
3. Male Gender accounted for 4,301 out of 4,411 which represented 97.5%.

Table 12 represents the wounded in the Iraq War which was 31,954 soldiers as of April 24, 2017.

The male gender which was 31,220 out of 31,954 soldiers represented 97.7% of the total wounded soldiers in the Iraq War. The white race represented 25,909 out of 31,954 soldiers represented 81.1% of the total wounded in the Iraq War. The black of African America represented 2,727 out of 31,954 wounded soldiers which represented 8.5% of the total wounded in the Iraq War.

Table XII: Operation Iraqi Freedom (OIF): Wounded in Action
 (as of April 24, 2017)

	Totals	Army	Navy	Marine Corps	Air Force
Casualty Type					
Hostile	31,954	22,230	648	8,626	450
Total	31,954	22,230	648	8,626	450
Gender					
Female	627	547	6	41	33
Male	31,220	21,683	547	8,573	417
Not specified	107	0	95	12	0
Total	31,954	22,230	648	8,626	450
Officer/Enlisted					
E1-E4	19,686	12,510	362	6,640	174

E5-E9	10,387	8,328	247	1,575	237
Officer	1,880	1,392	38	411	39
Total	31,953	22,230	647	8,626	450
Age					
<22	8,893	5,262	134	3,432	65
22-24	7,998	5,765	153	1,974	106
25-30	7,544	5,928	140	1,345	131
31-35	3,064	2,557	81	372	54
>35	2,865	2,444	94	234	93
Unknown	1,590	274	46	1,269	1
Total	31,954	22,230	648	8,626	450
Component					
Active Duty	24,934	16,444	544	7,573	373
Reserve	2,839	1,663	104	1,053	19
National Guard	4,181	4,123	0	0	58
Total	319,454	22,230	648	8,626	450
Race					
American Indian or Alaska Native	344	220	25	95	4
Asian	528	413	20	90	5
Black or African American	2,727	2,348	44	306	29
Native Hawaiian or Pacific Islander	57	32	2	21	2
White	25,909	18,050	489	7,000	370
Multiple Races	322	243	15	57	7

Cost of War

When we think of war we have to realize that war cost before, during, and after the war. We have to think of money to repair equipment, help mend the wounded, and fix the land that was destroyed. So trying to get an exact amount for war because of all the different area is very hard to be exact, but we can get a pretty good idea of how much we spend when we look at what we spent out in the major areas. According to our records as of August of 2016 we have spent out or are planning to spend out about 3.6 trillion dollars. It was also asked to add 65 billion dedicated to war for the 2017 year, along with 33 billion set aside for homeland security. When you add all of the cost together it came out to be around 4.9 trillion dollars. War spending has occurred in several categories. A large portion of goes to the state department and the department of wars.

Table XIII: Cumulative Direct War Appropriations for DOD and State Department/ USAID for “Emergency” or “Overseas Contingency Operations”

War Zone/ Operation	Cumulative Total FY2001-FY2016, Billions of Current Dollars	Request for FY 2017, Billions of Current Dollars
Iraq	\$805	2.2
Syria	12	9.4
Afghanistan	783	43.7
Pakistan	8	0.3
Operation Noble Eagle	28	0.1
Other OCO incl. Bipartisan Budget Act	107	9.6
Total	\$1,742 billion	\$65.3 billion

In Figure 1 below, I consolidate the expenses for closely related war zones, specifically Afghanistan and Pakistan, and Iraq and Syria.

Cost of War in Iraq

Every hour, taxpayers in the United States are paying \$117,035 for Cost of War in Iraq.

\$820,927,761,041

Conclusion

Several studies have been done on the cost of the Iraq war to the U.S. Economy. Some deals with the financial cost. Other has examined the human cost. Still others investigate descriptively or empirically the net effect of the war costs to United States. This paper supports the contention that all these costs whether financial, human or otherwise crowded out the private sector, the main engine of economic growth and development as well as the principal source of jobs and job opportunities. In order to carry out this investigation, data from different sources was collected and analyzed. Some estimations have been made using the same data. On the basis of these estimations, it was found out that almost every sector of the economy, has been crowded out by war expenses. And as the October 2007 Congressional Budget Office (CBO) reports, when taken into account that \$1.9 trillion would be spent on Iraq and accounting the huge interest costs of combat spending financed with borrowed money “makes one to wonder if this huge financial crisis which the U.S. economy is experiencing now is not deeply rooted in the crowding out effect of the Iraq war. Of course more research needs to be done on this topic. The war in Iraq is a moving target which makes it difficult to quantify. However, this paper is an awareness of this fact and sets the stage for further studies in that direction.

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