The high cost of fighting a losing battle

Linda Bilmes and Joseph Stiglitz

We have reached the fifth anniversary of the invasion of Iraq. Even though the number of British troops remaining is down to 4,000 – from a peak of 46,000 at the time of the invasion – the economic costs of this debacle are not going away soon.

The British experience in Iraq has uncaningly echoed the US experience. In both countries, the war has strained military morale to breaking point, depleted the military equipment arsenal and brought a national scandal over the country’s failure to care properly for its wounded veterans.

In both countries the budgetary costs have been far higher than originally promised. At the onset of war the Blair government “guaranteed” £1.6bn (€1.8bn) to cover the costs. But the UK has already spent over £3bn in Iraq alone. This does not include the huge “tail” in overall war costs, such as the impact of looking after the disabled, replenishing equipment and restoring the forces to pre-war strength.

Veterans are entitled to specialised medical care, lump-sum payments for quality-of-life impairments and a disability stipend. The UK has prided itself on its care for its veterans. But squalid conditions discovered at Selly Oak Hospital, Birmingham, have raised questions about whether the NHS has the capacity to care for the severely injured. In our calculations, we have been highly conservative and assume only £600m for the care of veterans in NHS facilities. If they need private treatment, this figure could easily triple.

The cost of repairing and replacing military equipment destroyed or worn out in Iraq will almost surely exceed £1bn. But the full costs of restoring British forces to their pre-Iraq state of readiness is larger. Sir Richard Dannatt, the army’s chief of general staff, described in a 2007 report how underfunding and an overstretched military had left troops feeling “devalued, angry and suffering from Iraq fatigue”, with many considering leaving the force.

There are, moreover, enormous “hidden” costs, beyond the budget, such as the loss of 387 British soldiers killed or seriously wounded in Iraq and the full social costs of the 2,663 British troops hospitalised in the field and then cared for at home. Factoring in these costs brings the tally to £14bn-£16bn (€17bn-€21bn, including Afghanistan). Britain is still getting away lightly; the equivalent number for the US (which has deployed 1.6m troops, suffered nearly 4,000 deaths and 70,000 casualties) is a staggering $3,000bn (€1,500bn).

Beyond the economic costs, the Anglo-American fixation on Iraq has had a huge security opportunity cost – shifting the focus from Afghanistan. Nato is now fighting hard to fend off resurgent Taliban forces, Britain is paying a deadly price. In 2003-05, British forces lost nine soldiers in Afghanistan, with eight serious injuries. Since 2005, more than 100 British troops have been killed and more than 1,000 have been injured or contracted a disease.

Britain was a key enabler of the war both politically and militarily. The support for the invasion of Tony Blair, then prime minister, was indispensable at a time when the US faced loud international opposition. Militarily, Britain contributed 10 per cent of the initial force that invaded Iraq and has punched far above its weight in supplying equipment and weapons. Even today, Britain’s presence on the ground dwarfs everyone apart from the US. The remaining “coalition” comprises a handful of countries (including Albania, Bulgaria and Mongolia) with only a token presence. The “coalition of the willing” has become, in effect, a coalition of two, the UK and US.

The House of Commons defence committee was stunned to discover last week that British spending in Iraq had shot up by 72 per cent during the past year, despite lower troop levels. In 2008 the number of British troops on the ground is scheduled to halve – but the bill will be only slightly lower than last year. This is due to the high fixed costs of keeping anyone there – in terms of security, fuel, medical care and repairing equipment. As long as 2,500 British troops remain in Iraq, Britain can expect that the costs of Iraq will not drop appreciably and may yet increase.

Unfortunately, Iraq war costs do not stop here. It has helped to weaken the US economy – through higher oil prices and soaring deficits. A week US economy means a weak global economy. Britain, along with all of America’s trading partners, will end up paying a heavy cost for the Iraq misadventure.

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