

The Cost of Woe on Deficits

The chair of the local Democratic party opines on the federal budget.

"Deficits don't matter." — Vice President Dick Cheney to then Treasury Secretary Paul O'Neill

"The key thing to remember, always, is what the federal government does: It is basically an insurance company for old people that also has an army." — Paul Krugman

The incredible toll that fighting the longest and most expensive wars in our history have taken in blood and treasure is immense and is likely to continue for some time.

For much of this time, the true costs have been largely hidden from public view, and never more so than with the actual finances behind the wars. Last week we celebrated the proper and just end of the world's most wanted terrorist and infamous mass murderer, Osama Bin Laden, after more than a decade of concerted and frustrated efforts to capture or kill him.

As the man who singularly spawned our global war on terror slipped beneath the waves of an unmarked watery grave, our fight in Afghanistan and in Pakistan continued apace for the new "fighting season" with the insurgent forces of the Taliban.

Our U.S. Ambassador to Afghanistan Karl Eikenberry, [pledged](#) that "this victory will not mark the end of our effort against terrorism," vowing that "America's strong support for the people of Afghanistan will continue as before."

There have been 2,451 total Coalition [fatalities](#) in the "Af/Pak" theatre, of which 1,572 were Americans, with more than 11,000 of our soldiers wounded. Beyond these more tragic costs, [estimates](#) are that "the U.S. government spent \$2 trillion combating bin Laden over the past decade, more than 20 percent of the nation's \$9.68 trillion public debt. That money paid for wars in Afghanistan and Iraq, as well as additional military, intelligence and homeland security spending above pre-Sept. 11 trends, according to a Bloomberg analysis. This year alone, taxpayers are spending more than \$45 billion in interest on the money borrowed to battle al-Qaeda, the analysis shows."

The *Financial Times* largely concurs with this assessment, though estimating the total costs somewhere north of this at \$2.5 trillion. This sober appraisal is seconded by Mark Zandi, chief economist of Moody's Analytics Inc., who said "bin Laden cost the U.S. government and businesses \$2.5 trillion, or \$250 billion each year. I think a prudent planner would anticipate these costs continuing ad infinitum into the future."

So the evil some men do seldom dies with them.

Accruing from this concentrated evil that was behind the some of the most widespread

destructive terrorism seen not only on U.S. soil, but worldwide the Pentagon budget has nearly doubled in 10 years. And currently "roughly \$125 billion of the Pentagon's \$553 billion fiscal 2012 budget request represents unnecessary spending justified by claims of war-time need," according to Gordon Adams, a well known defense analyst. This "bin Laden tax" has been assessed for each year of the past decade, and also is singularly responsible for a [near tripling](#) of our entire National Intelligence Security budgets.

The Bush administration saw to it that along with this massive increase in spending, possibly to assuage for its real responsibility for failing to [capture](#) or [kill](#) bin Laden earlier when he was cornered in Tora Bora in 2001, we saw an unprecedented growth in the strength and concealed powers of the national security state, which grew wildly in unchecked cancerous darkness with seldom any questions asked from a compliant GOP controlled Congress.

The true societal costs in loss of privacy and rights with unprecedented mass and widespread surveillance and boundless state secrecy and control are little known to this day. In pursuit of an ever elusively but broadly defined Homeland Security, Bush likely also oversaw one of the most lawless and complex [expansions](#) of federal and executive powers in our history.

Also likely for the first time in world history, not only did Bush keep the wars' costs officially hidden "off budget," but he also inaugurated [costly rounds](#) of mostly ineffectual but hugely expensive [tax cuts](#), now undercutting fiscal sanity for decades to come, instead of raising taxes to properly pay for such a vital cause.

That this reckless spending (including the unfunded mandate of Medicare Part D) would have real consequences for our fiscal futures was seldom discussed by many Republicans at the time. Their hypocrisy in now seeking to shut the government down (once again as they did in 1995-6) to enforce a fiscal discipline they never showed or took an interest in some scant years ago when they were in charge is truly remarkable — especially so considering that almost all the ensuing record budget deficits come from these very actions taken during and by the Bush administration! In one graph anyone can see that without the needless Bush tax cuts and wars, the budget [deficit](#) would dramatically [improve](#).

Recall also that the first Bush tax cuts were meant to "solve" the "problem" of the Clinton surplus that was available on the books when Bush stepped into office in 2001. What a long strange tip it's been. Even a few Reagan-era economic officials now concede that taxes or indeed "tax expenditures" need to be on the bargaining table. David Stockman, Reagan's OMB budget director, Marty Feldstein and Bruce Bartlett are among these.

On the tax expenditures alone there's somewhere from \$800 billion to \$1 trillion of wasteful, inefficient and ancient "off-budget tax preferences" available to be considered.

This is from William A. Niskanen, chair of Reagan's Council of Economic Advisors, presently chairman emeritus and senior scholar with the Cato Institute, who also argues

against the foolish brinkmanship of playing games with the [debt ceiling](#), but what do they know? They were at the Reagan revolution, not imagining they were or what they might do if presented with the opportunity.

As Friedrich Hayek famously noted in *The Fatal Conceit*, “The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design.”

My great fear is that Boehner's Congress will back us right back into a Depression by churlishly refusing to do what Reagan was repeatedly willing to do to seriously try to address worrisome deficits: Raise taxes AND cut spending. You need to do both to balance a budget and likely much more too.