

We're past due on handling the finances of war

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By Walter Pincus

Better late than never.

It's time to start thinking about how to pay not only for core spending by the Defense Department for what I will call "peacetime" forces but also the costs for actual fighting, next year and beyond.

Bush administration officials took the core defense budget to provide a force to fight two overseas wars and expanded it from \$391.5 billion in 2001 to \$544.6 billion in 2009. Each year, they sought supplemental billions in addition to the growing core budget. By 2009, funds for Iraq and Afghanistan fighting had totaled \$1 trillion. Over the same time period, another \$1 trillion had been added to core budget spending.

For the first time in U.S. history, an American president did not ask citizens to pay a special tax to cover costs of the fighting, leaving the trillion-dollar bill for later generations. Making it worse for the economy, President George W. Bush reduced income and other taxes, including one on phone calls that helped pay for the costs of World War II and the Korean War.

The Obama administration, sadly, has also not sought a special war tax. In 2009, Rep. David R. Obey (D-Wis.), Rep. John P. Murtha (D-Pa.) and others in the House called for one. It would have established a 1 percent surtax on what each taxpayer owed, plus an additional percentage on returns where the higher-income payer owed \$22,600 or more.

Obey told the press at the time, "If we don't address the cost of this war, we will continue shoving billions of dollars in taxes off on future generations and will devour money that could be used to rebuild our economy."

In the Senate, Carl Levin (D-Mich.), chairman of the Armed Services Committee, joined Obey in calling for an "additional income tax to the upper brackets, folks earning more than \$200,000 or \$250,000" to pay for a troop increase. "They have done incredibly well," Levin said of the troops two years ago, "and I think that it's important that we pay for it if we possibly can."

The Democratic congressional leadership, petrified by the thought of increasing taxes -

even to support the troops - failed to take action.

In April, Sen. Al Franken (D-Minn.) took another approach, introducing a resolution that would have required Obama or a future president to find funding at the same time he or she planned to send U.S. troops into combat situations. His "Pay for War Resolution" called for budget cuts or added revenue if the costs could not be covered by the core defense budget. In an emergency situation, the fund requirement could be overridden by a vote of 60 senators.

Not perfect, but a start.

The wars in Afghanistan and Iraq have required personal sacrifice from less than 1 percent of the American people - the troops that do the fighting and their families. "We have to ensure that Iraq and Afghanistan remain anomalies in American history," Franken said in introducing his resolution. "It will ensure that Congress and American citizens must face the financial sacrifice of going to war. And it will force us to decide whether a war is worth that sacrifice."

The question for the other 99 percent remains, Franken said, "Who will bear the financial sacrifice, the generation that has decided to go to war or its children and grandchildren?" We know the answer to Franken's question, at least for the wars in Afghanistan and Iraq.

Franken got two co-sponsors, Democratic Sens. Jon Tester (Mont.) and Jeff Merkley (Ore.).

The Brookings Institution's Michael O'Hanlon called the resolution a "serious and smart proposal." He added: "It seeks to remedy a major problem of the last decade - fighting wars while not asking the broader nation for sacrifice and commitment, and meanwhile racking up federal debt in a way that endangers the economic prospects of future generations."

William A. Niskanen, the Cato Institute's chairman emeritus and senior economist, who died this fall, said deficit financing of wars "limits the extent to which voters and their representatives weigh the wars' cost against other priorities. The effect is to make war feel cheaper."

He concluded, "Debt-bought wars debase democracy."

Franken's measure was sent to the Senate Budget Committee and hasn't been heard from since.

Nonetheless, it is a concept worth pursuing.

For example, the fiscal 2012 defense authorization bill that passed the Senate on Thursday set \$527 billion for the core Pentagon budget and another \$117 billion for Afghanistan and Iraq. One estimate is that the fiscal 2013 overseas war costs will be

around \$82 billion and continue downward toward \$50 billion through 2015.

Some of the loudest voices in support of maintaining or increasing defense spending and keeping troops in Iraq and Afghanistan are among those most opposed to increasing revenues, even through cutting tax expenditures.

But how about linking funds gained from letting the Bush upper-income tax cuts expire to paying for overseas war expenditures? That would gain \$40.9 billion in fiscal 2012, according to a 2010 Treasury estimate, and \$49.7 billion in fiscal 2013. It would also put us on the way to covering all the extra war expenditures by fiscal 2014.

"If it takes the threat of a tax increase to get people to think seriously about whether it's worth continuing to fight wars far from home - wars that have only the most tenuous connection to the national interest - then it's a good idea," Bruce Bartlett, a domestic policy adviser to President Ronald Reagan and Treasury official under President George H.W. Bush, wrote in November 2009.

"History shows that wars financed heavily by higher taxes, such as the Korean War and the first Gulf War, end quickly, while those financed largely by deficits, such as the Vietnam War and current Middle East conflicts, tend to drag on indefinitely," he added. The man has the right idea.