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SNAPSHOT

## Bearing the Cost of War

Why the U.S. Should Raise Taxes--Just As it Has in Previous Conflicts

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After the United States invaded Afghanistan in 2001 and Iraq in 2003, the costs of these wars ballooned. In 2010, the United States spent \$167 billion on "overseas contingency operations" in these theaters -- a figure that includes expenditures by the Defense and State Departments and the U.S. Agency for International Development but excludes spending on the Department of Veterans Affairs. The economists Joseph Stiglitz and Linda Bilmes estimated in 2008 that the wars in Iraq and Afghanistan will eventually cost \$3 trillion, and they now acknowledge that the number may be even greater. Much of the expense for these wars has been financed by debt or represents future obligations.

Now, with U.S. forces mostly out of Iraq, the debate in Washington's foreign policy circles has focused primarily on the war in Afghanistan, with some critics, concerned in large part about the war's costs, advocating an accelerated withdrawal strategy. The biggest controversy in Washington this summer, however, has been over the federal budget and debt limit. It is no secret that the wars in Afghanistan and Iraq have contributed to the debt and to budget deficits. Yet other than some symbolic antiwar suggestions, no political figures have proposed actually paying the cost of these military actions today. It is time for this to change: Congress should consider enacting a wartime surtax, as it has done for nearly all past U.S. wars.

The current arrangement is unfortunate, since it means that the vast majority of Americans share none of the costs of war; instead, the burden is shouldered almost exclusively by the men and women fighting the wars and their families. American military personnel have suffered through multiple deployments and endured disabling casualties; their families and personal lives have been disrupted and sometimes permanently shattered. Over 6,100 Americans have died, and more than 44,000 have been wounded (a figure that only counts physical wounds). In mid-July, I visited the National Naval Medical Center, in Bethesda, Maryland. The numbers of patients in the wards were as high as I have seen them in recent years, and the injuries were severe; everyone I met had been in Afghanistan, where

explosives are now the Taliban's weapon of choice. Americans insist that they "support the troops." But for most of them, it has been a cost-free form of support.

Part of the problem, as former Secretary of Defense Robert Gates and Chairman of the Joint Chiefs of Staff Mike Mullen, among others, have pointed out, is that the soldiers serving in today's military are not representative of the U.S. population. They are disproportionately from small towns and rural areas, from the South, the Midwest, and the Great Plains states. And they represent a sliver of the population. About one-half of one percent of the U.S. population is in the military today; during World War II, the proportion was over 10 percent. Back then, most families, neighborhoods, and communities in the United States watched their young men go to war. Today, few Americans know anyone on the frontlines.

For the generation who established the United States, the assumption was that a democracy's wars would be fought and paid for by its citizens. This dual obligation was supposed to serve as a restraint on entering wars and a continuing reminder of their costs. George Washington insisted that every citizen owed a "proportion of his property" and his personal services to the nation's military in wartime. Today's wars, by contrast, are fought by other citizens' sons and daughters, husbands and wives, and they will be paid for by the children and grandchildren of today's generation. This is out of line with tradition. Beginning with the War of 1812 and up through the Vietnam War, Congress levied special taxes to pay for its wars.

Without a central government, the colonists who fought the Revolutionary War had to fund their efforts through debt, which was later assumed by the new government. During the War of 1812, the anti-tax Jeffersonian Democrats insisted they could carry on the conflict without levying any new taxes, but they had to back down from that position as the war's costs exceeded wartime revenues. The government imposed higher tariffs, a national property tax, and new excise taxes on the sale of certain goods. For the Mexican War of 1846–48, surplus tariff income covered the costs.

During the Civil War, both the Union and the Confederacy had to resort to income taxes. Some Southerners, concerned about a government with such strong confiscatory power, were especially resistant to the Confederate tax, but the necessity of collecting revenue prevailed. In the North, the Revenue Act of 1861 marked the first instance of a federal income tax (of three percent), but the tax affected only a very small high-income group. During the war, that tax was expanded somewhat, and Congress also levied an estate tax. The Spanish-American War of 1898 was financed by, among other things, a renewed estate tax and a telephone tax.

War taxation expanded in the twentieth century as major wars became even more expensive. The bill for World War I totaled some \$32 billion. With a "pay as you go" philosophy, Congress raised a significant amount of revenue by expanding income taxes (establishing very high rates for the wealthiest Americans), inheritance taxes, and war profits taxes on businesses. Debt, however, still covered most of the war's costs.

World War II witnessed the most massive mobilization in U.S. history -- military and fiscal. The U.S. government spent some \$200 billion on the war; by 1945, military expenses equaled over 37 percent of GDP and nearly 90 percent of federal spending. The government held large public bond drives, and the number of Americans paying

income taxes grew dramatically as the threshold for income taxes was lowered and as the implementation of the withholding tax assured payment.

During the Korean War, House Speaker Sam Rayburn, a Democrat from Texas, insisted that the United States should not finance the war with debt. "I think the boys in Korea would appreciate it more if we in this country were to pay our own way instead of leaving it for them to pay when they get back," he said. Republican leaders such as Senator Robert Taft and Congressman Richard Nixon agreed, and Congress approved President Harry Truman's war tax. In 1968, a bipartisan congressional vote also supported a surtax when President Lyndon Johnson belatedly asked for taxes to pay for the war in Vietnam. Johnson's aversion to this tax was part of his reluctance to ask for any sacrifices for the Vietnam War -- except from the disproportionately blue-collar army that was fighting it.

Since 9/11, no national leaders have proposed that the country actually pay for the current wars. In fact, the theme from the outset has been to reduce taxes -- a response without a wartime precedent in American history. And for the last two years or so, the mantra in Congress has been to not impose any additional or restored taxes on anyone. Only recently has the financial cost of the wars even been part of a public discussion.

It is long past time for Americans to affirm their common responsibility and share in some way in the sacrifice of war. Congress should consider enacting a surcharge on individual and corporate taxes that would retire the debt accumulated by these wars, pay their current operating costs, and establish a fund that would provide for veterans. This new tax could be deferred until the still fragile U.S. economic recovery gains strength. It would conclude when the wars have ended and the debt and obligations have been met.

A surtax would spread this cost over multiple years, and the rate could be applied progressively. Soldiers and their families should be exempted for some number of years for every year served, and families with casualties who had been principal taxpayers or dependents should receive a permanent exemption. A war tax would not mean that all Americans were sharing the full burden of war, but it would be a start.

President Woodrow Wilson's Treasury secretary, William Gibbs McAdoo, took issue with those who resisted special taxes to pay for World War I. "Should we be more partial and tender to those who are protected in safety at home," he asked, "than we are to those who make the supreme sacrifices for us in the field of battle?" Who has asked for sacrifice today? The country's political leaders might be surprised at the willingness of Americans to share, in some clear way, in the burden of war. After all, this is the United States' historic legacy.

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Home > Snapshot > Bearing the Cost of War

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