Blood, taxes, and public opinion: the political costs of war

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Benny Geys

War is a costly enterprise. Not only in terms of human life, but also with regard to the purely pecuniary aspect of warfare. In the much-discussed book The Three Trillion Dollar War, Nobel laureate Joseph Stiglitz and Linda Bilmes estimate that the financial cost to the U.S. government for the War on Terror exceeded three trillion dollars in 2008, the year of the book's publication. This sum includes estimated costs of actual fighting as well as broader social, economic and health-care costs – for example for veteran pensions, death indemnities, higher oil prices and invalidity benefits. While extensive academic research has illustrated that the human cost of war strongly depresses the popularity of political leaders, few studies have looked into the political consequences of its financial cost. Does the financial cost have an impact on leaders' authority, for example? How and to what extent does the financial burden of warfare affect the popularity (or re-election potential) of incumbent political leaders?

Given the human affliction brought about by war, it may seem insensitive to even consider the fact that war also entails significant financial burdens. Nevertheless, survey-evidence illustrates that the financial aspect does carry weight in people's assessment of a war. For example, in 2008, over 40 percent of Americans believed that U.S. defense and military spending was "too high" – a figure not reached since Vietnam and the final years of the Cold War. And reports by the Congressional Research Service – as well as the Stiglitz book – assessing the total costs of the Iraq War brought about significant political controversy and media attention upon publication. While all this does not imply that politicians, the media or the public are insensitive to human losses, it demonstrates forcefully that casualties are not their only consideration. Consequently, this sensitivity regarding the financial cost of warfare is likely to find its way into popular evaluations of political leaders.

For the financial cost of warfare to affect public opinion it is evidently necessary to show several things: first of all that the financial costs of war are substantial, that these costs are observed and understood by the public, and that fiscal policy affects incumbents' approval ratings. The first point hardly needs substantiation – war is a costly enterprise. The second point, though crucial, is less straightforward. Accurate, reliable and complete data on the financial cost of military intervention is generally hard to obtain and estimates vary widely, even when provided by government agencies. For the ongoing War on Terror, for example, three U.S. government agencies have issued greatly diverging estimates of its total cost so far. So how can the public be expected to find and absorb this information? Here, the media plays a crucial role. Indeed, they spend a substantial amount of time, effort and resources on portraying and discussing the financial costs of warfare, both directly and as a contextual interpretation of these data. For example, the *New York Times* argued in January 2007 that the cost of the Iraq War to date of printing the article could pay for an unprecedented public health campaign whilst leaving sufficient funds to fight poverty and support nation-wide preschool education programs. By providing both information and context, the media thus allows the public to be aware of and grasp the financial price of warfare.

Regarding the final condition (that fiscal policy affects incumbent popularity), extensive academic literature illustrates that this is true. These studies indicate that, on the whole, people favor budgetary austerity and dislike taxes and budget

Kurzgefasst: Anhand von Datenmaterial aus den USA für die Zeit von 1948 bis 2008 lässt sich zeigen, dass nicht nur der Verlust an Menschenleben, sondern auch die finanzielle Seite des Kriegführens die Popularität des jeweiligen US-Präsidenten beeinflusst. Als Faustregel kann gelten: Je mehr ein Präsident für Kriege ausgibt, desto unbeliebter macht er sich. Dieser Effekt schwächt sich jedoch ab, wenn die Arbeitslosigkeit in den USA steigt. Das legt nahe, dass die amerikanische Bevölkerung unter wirtschaftlich ungünstigen Bedingungen kriegsbedingte Ausgaben offenbar als Stimulus für die Volkswirtschaft betrachtet.

Summary: War casualties often have a devastating effect on the popularity of political leaders. Yet, war also entails substantial fiscal outlays requiring funding either through increased debt or taxes. Using U.S. data for the period from 1948 to 2008, we illustrate that this fiscal side of war also affects the popularity of the incumbent U.S. president. In general, the more he spends on war, the less popular he becomes. Such adverse effects of war-spending decrease, however, when unemployment rises. This suggests that under adverse economic conditions, the public might see war-induced spending as a stimulus for the national economy.

deficits. As a consequence, public expenditure on war-related activities – which have to be financed either through taxes or budget deficits – are likely to affect incumbent approval ratings negatively.

For the empirical evaluation of just how fiscal policy affects popularity, it was assessed how presidential popularity in the U.S. from the first quarter of 1948 to the third quarter of 2008 was affected by both the human and financial costs of warfare. The human cost is measured by counting the number of casualties suffered by the U.S. army in a given quarter in a given war. To approximate the financial burden of warfare, we estimate the level of Department of Defense (DoD) spending that arises solely because the United States is involved in a war that generates casualties. To do so, we estimate the trend in DoD spending over time to check how it is affected by economic and historical determinants. Then, this estimate is compared to true spending in wartime, and the difference defined as resulting from the involvement in warfare.

The results, first of all, show that higher U.S. casualty counts significantly reduce presidential approval ratings during the Korean, Vietnam, as well as the Iraq and Afghanistan wars. However, such casualty effects are not totally independent of the financial cost of warfare. Indeed, it is often the case that increasing human cost goes together with a higher financial cost of warfare due to repatriation costs, death indemnities, widow(er) pensions, health bills and, most obviously, the fact that a higher military presence generally requires higher budgets and leads to higher casualty numbers. In practical terms, this positive correlation between both variables means we cannot properly interpret the effect of casualty numbers without considering the effect of the financial cost of warfare. Looking at both variables simultaneously, we find that at least part of the strong U.S. casualty sensitivity actually reflects the effect of the financial cost of warfare. In other words, U.S. citizens not only punish their leaders for the human costs of war, but for its financial cost as well.

Interestingly, this finding that both fiscal and human costs of warfare affect U.S. public opinion is particularly true for the Korean, Iraq and Afghanistan wars. During the Vietnam War, however, the casualty effect dominates, whereas the fiscal cost of the conflict plays no significant role. This suggests that the sheer number of casualties in this conflict – reaching levels well beyond the Korean, Iraq and Afghanistan wars put together – may have made voters insensitive to the financial side of the conflict. This strong reaction to casualty numbers during the Vietnam War has been documented before and is generally referred to as the "Vietnam Syndrome." Although this is hard to evaluate based on our limited number of conflicts, our results regarding the Vietnam War may well indicate that, once a certain threshold is surpassed in terms of casualty numbers, the fiscal cost of the military conflict loses relevance.

A second central finding is that the financial cost of war can strongly affect the popularity of political leadership in the U.S. Specifically, it becomes evident that the fiscal burden of the Korean War had significant negative impact on presidential popularity, although a similar effect following the wars in Afghanistan and Iraq appears much weaker and remains fully absent during the Vietnam War. One potential explanation for this divergence is that war has become relatively less expensive for the United States over time. The Vietnam, Afghanistan and Iraq wars are much less expensive relative to the U.S. gross domestic product than the Korean War, World War II or the Civil War.

Finally, whether or not the impact of war-induced spending is affected by economic conditions is also evaluated. To this end, spending variables are compared with unemployment levels. They indicate that high unemployment indeed mitigates the negative effect of war-induced spending on incumbent popularity. In the absence of unemployment, war-induced spending significantly depresses incumbent popularity. Increasing levels of unemployment mitigate the effect of additional war spending on presidential popularity. When the unemployment rate surpasses five percent, additional war spending even starts to have a positive effect on presidential popularity – though such positive effects never reach statistical significance.

While these results support the theoretical argument that, under adverse economic conditions, the public might see war-induced spending as a stimulus for the national economy, further questions arise. First, given the use of a fairly rudimentary measure of war-spending (extracted from the United States' DoD spending), more precise measurement of the financial cost of war needs to be developed and its impact tested. Second, future work should address whether (and to what extent) the source of this additional spending – borrowing, taxation or simply printing money – matters for public opinion. One hypothesis is that current tax increases are often found to be politically more costly than deferred tax increases like borrowing. Third, recent research has shown that conditions such as perceptions of success, casualty framing, domestic (or international) political and media support and elite consensus or dissensus affect casualty sensitivity and public support for the use of military force. One asks to what extent similar effects hold for war-related spending.


[Foto: David Ausserhofer]

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Peace and prosperity are generally acknowledged to be the two key determinants of the electorate's judgment of its leader(s). Prosperity is mostly measured through economic indicators such as gross domestic product growth, unemployment levels or inflation. In studying the effects of peace and war, scholars have consistently depended on casualty counts. The present contribution illustrates that this might be overly restrictive and that the pecuniary cost of war also plays a key role in shaping the popularity of a warring incumbent.

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