

Bob's



# Quarterly Update

BOB DREIZLER, CHARTERED FINANCIAL CONSULTANT

*Specializing in socially conscious investors*

## IS WAR GOOD FOR THE ECONOMY?

An updated commentary after five years of war

In March of 2003, as President George W. Bush maneuvered America into the Iraq War, I pondered this question (based on prior wars) in my newsletter.\* Now, after five years of this perpetual war that drains taxpayers of \$12 billion a month, the current state of our economy suggests that the answer is a resounding “no.”

Bush's War has been a disaster for Americans, and more so for Iraqis. Recently, the research center for the U. S. Department of Defense, the National Institute for Strategic Studies, began its report on the Iraq War with this stark assessment:

*Measured in blood and treasure, the war in Iraq has achieved the status of a major war and a major debacle.*

Based on our recession, mushrooming federal debt, and skyrocketing oil and food prices it's safe to say that Bush's Iraq War is terrible for America's economy.

However, it has been very good for certain companies, especially oil companies and major defense contractors. During previous American wars, war profiteering was not just frowned at, it was considered to be unpatriotic, even traitorous.

It's impossible to separate the war's impact from normal economic cycles, but the stock market's annual performance during Bush's seven and a half years in office (based on the Standard & Poor's 500 Index at June 10, 2008)\*\* has actually had a negative return. This is the worst performance since the Nixon/



Ford administration (also a time of war). Even during President Jimmy Carter's inflation-plagued administration, the S&P 500 averaged 7% return per year.

On page 4, a chart compares the average market performance since the war started of two common stock market indexes with the startling performance of five military contractors and oil companies. These firms have benefited greatly since America's invasion of Iraq on March 20, 2003 and its subsequent occupation and “rebuilding.”

\* Spring 2003 newsletter is available on my website [www.bobdreizer.com](http://www.bobdreizer.com)

\*\* Yahoo News

**Consumer spending barely budged in April and growth in personal spending slowed sharply, even though the government started sending out billions of dollars in economic stimulus payments.**

– Yahoo News, by Martin Crutsinger, AP economics writer, May 30, 2008

**Consumer confidence in the United States dropped to a 26-year low this month, as the Reuters/University of Michigan preliminary index of consumer sentiment dropped to 63.2 this month—its weakest since 1982.**

– Financial Planning Magazine website, April 14, 2008

# THE COST OF THE IRAQ WAR

In the five years since the war began, the United States has spent more than \$522 billion in Iraq. This year spending will easily top \$160 billion. Yet, as Joseph Stiglitz and Linda Bilmes point out in their new book, *The Three Trillion Dollar War*; the short-term costs pale in comparison with the sum our nation will spend over the long term. Ongoing veterans' health costs, debt payments and the cost of re-equipping the military are some of the reasons for this outrageous \$3 trillion bill.

–“It's the War Economy, Stupid!,” *The Nation* editorial, March 31, 2008.



According to key officials in the Bush administration back in 2002-2003, the invasion and reconstruction of Iraq was either going to cost \$60 billion, or \$100-\$200 billion.

How far off were they? Well, it depends on which figure you choose to start with. Here's the range: Actually, we can start by tossing that top figure out, since not long after Bush economic advisor Larry Lindsey offered it in 2002, he was shown the door, in part for even suggesting a figure so large.

Deputy Secretary of Defense Paul Wolfowitz championed the \$60 billion figure, but added that much of the cost might well be covered by Iraqi oil revenues; the country was, after all, floating on a “sea of oil.” (“To assume we're going to pay for it all is just wrong,” he told a congressional hearing.) Still, let's take that \$60 billion figure as the Bush baseline. **If economists Joseph Stiglitz and Linda Bilmes are right in their recent calculations and this will turn out to be more than a \$3 trillion war (or even a \$5-7 trillion one), then the Bush administration was at least**

**\$2,940,000,000,000 off in its calculations.**

– Excerpts from “Cost of Iraq War Now Beyond Human Comprehension” By William D. Hartung, Tomdispatch.com. Posted March 5, 2008

Kellogg Brown & Root, the nation's top Iraq war contractor and until last year a subsidiary of Halliburton Corp., has avoided paying hundreds of millions of dollars in federal Medicare and Social Security taxes by hiring workers through shell companies based in [the Cayman Islands].

More than 21,000 people working for KBR in Iraq— including about 10,500 Americans — are listed as employees of two companies that exist in a computer file on the fourth floor of a building here in the Caribbean. Neither company has an office or phone number in the Cayman Islands.

– *The Boston Globe*, March 6, 2008

Bulletproof vest maker DHB Industries CEO David Brooks pay rose a staggering 3,349 percent from 2001 when it stood at \$525,000 to 2004 when it reached \$70 million.

In May of this year (2005), the Marine Corps recalled 5,277 DHB Industries Interceptor armored vests after questions were raised about the vests' ability to stop 9-mm pistol rounds.

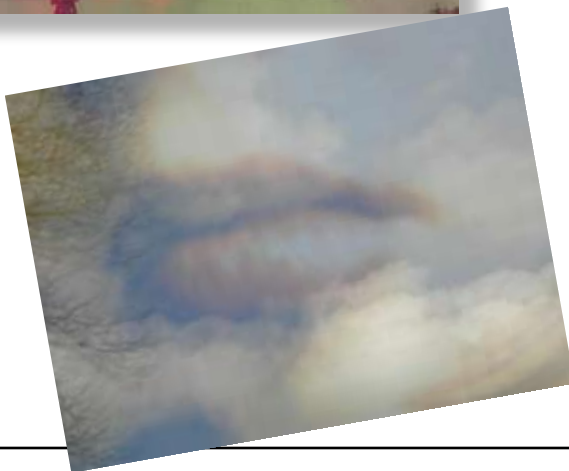
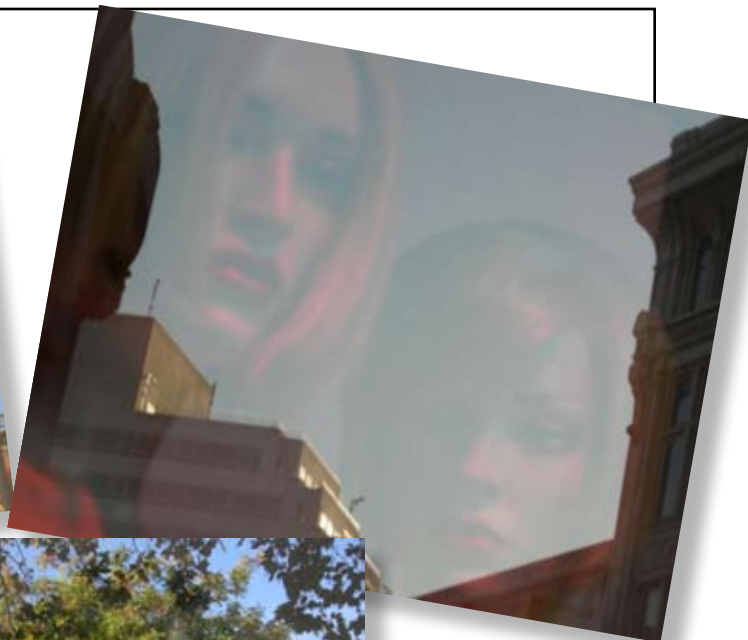
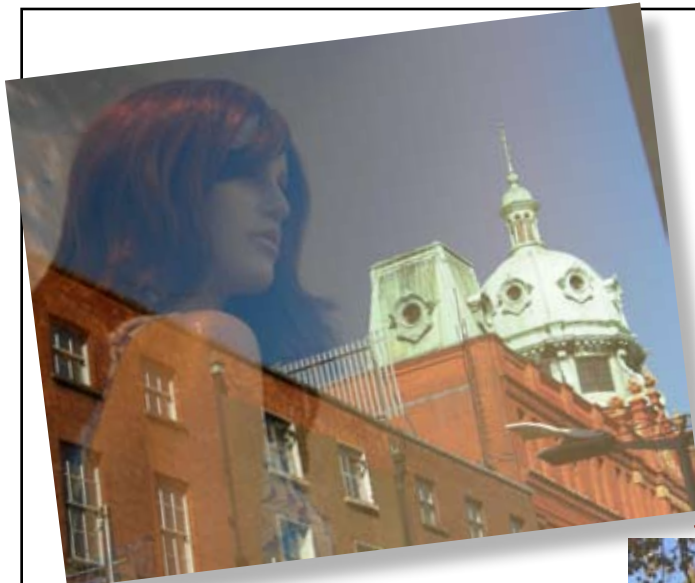
– “War Millionaires: Defense Contractor CEO Pay Up 200 Percent Since 9/11,” by William Baue, September 1, 2005

Pentagon contractors' congressional allies routinely defeat or bury in committee initiatives that could curtail war profiteering. This June [2006], for example, all 55 Senate Republicans voted to kill an amendment strengthening laws governing waste, fraud and abuse in defense (43 of 45 Democrats voted for it).

– *Seattle Post-Intelligencer*, August 23, 2006

With just the amount of the Iraq budget of 2007, \$138 billion, the government could instead have provided Medicaid-level health insurance for all 45 million Americans who are uninsured. What's more, we could have added 30,000 elementary and secondary schoolteachers and built 400 schools in which they could teach. And we could have provided basic home weatherization for about 1.6 million existing homes, reducing energy consumption in these homes by 30 percent.

– “The Wages of Peace” by Robert Pollin and Heidi Garrett-Peltier, *The Nation*, March 13, 2008



## Current Photo Exhibits (as of July)

SPANISH FLY HAIR GARAGE, BACK AREA (1723 J STREET)  
MEGAMI BENTO-YA RESTAURANT (1010 10<sup>TH</sup> STREET,  
NEAR K STREET)

EVERY SECOND SATURDAY IN STUDIO 2 OF THE GALLERY  
BEHIND MICHELANGELO'S RESTAURANT (1727 ½ I  
STREET)

STARTING SECOND SATURDAY IN JULY  
LUSH (20<sup>TH</sup> AND I STREET) MANNEQUIN REFLECTION PHOTOS



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Bob and Sonya Dreizler at 2004 pre-war march in San Francisco

## QUOTES

“So?” – Vice President Dick Cheney responding to ABC News’ Martha Raddatz’s question about recent polls showing that about two-thirds of Americans say the fight in Iraq is not worth it.

In answer to her follow up, “*You don’t care what the American people think?*” Cheney said, “*You can’t be blown off course by polls.*”

<http://www.youtube.com/watch?v=SypeZjeOrY4>, video from March 20, 2008

*Compounding all these problems, our efforts there (in Iraq) were designed to enhance U.S. national security, but they have become, at least temporarily, an incubator for terrorism and have emboldened Iran to expand its influence throughout the Middle East.*

– National Institute for Strategic Studies

*If our nation manufactured its own munitions, in its own factories at cost, it would take the private profit out of war, and the war traders out of American politics.* – Senator Robert La Follette, 1917

*Iraq is a very wealthy country. Enormous oil reserves. They can finance, largely finance the reconstruction of their own country. And I have no doubt that they will.*

– Richard Perle, chair, The Pentagon’s Defense Policy Board, July 11, 2002

*Those who profit from defective weapons ought to have their devilish heads shot off.* – Abraham Lincoln during the Civil War

*The likely economic effects [of a war in Iraq] would be relatively small .... Under every plausible scenario, the negative effect will be quite small relative to the economic benefits.*

– Lawrence Lindsey, White House Economic Advisor, September 16, 2002

*There is a lot of money to pay for this that doesn’t have to be US taxpayer money, and it starts with the assets of the Iraqi people. We are talking about a country that can really finance its own reconstruction and relatively soon.*

– Paul Wolfowitz, Deputy Secretary of Defense, testifying before the defense subcommittee of the House Appropriations Committee, March 27, 2003

*In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.*

*We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted. Only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together...*

– President Dwight D. Eisenhower, forewarning the American people in the final days of his presidency

**My website  
www.bobdreizler.com  
is regularly updated  
with new commentaries,  
art, photos and resources.  
Please check planned  
photo exhibits.**

## Historical Performance since March 20, 2003\*\*

	Total Return	Annual Return
S & P 500 Index	52%	10%
Dow Jones Index	46%	9%
Halliburton	399%	80%
Gen Corp	223%	45%
L3	149%	30%
Harris	294%	41%
Exxon Mobil	178%	36%

\*\* Yahoo News

Opinions expressed in this newsletter are Bob’s alone.

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*Every gun that is made, every warship launched, every rocket fired, signifies in the final sense a theft from those who hunger and are not fed, those who are cold and are not clothed.*

– President Dwight D. Eisenhower

*Yes, we love peace, but we are not willing to take wounds for it, as we are for war.*

– John Andrew Holmes, *Wisdom in Small Doses* (1927)



## For More Information

### Websites:

National Priorities Project analyzes and clarifies federal data so that people can understand and influence how their tax dollars are spent.

[http://www.nationalpriorities.org/costofwar\\_home](http://www.nationalpriorities.org/costofwar_home)

Tax Policy Center, Urban Institute and Brookings Institution

<http://www.taxpolicycenter.org>

Chart and cost of our addiction to foreign oil

<http://zfacts.com/p/196.html>

### Movies:

*Iraq for Sale: The War Profiteers*  
*War, Inc.*

### Books:

*Bad Money* by Kevin Phillips. I'm reading this now. It's written by former Republican strategist and advisor to Richard Nixon. Though heavy on economics, this is one of the most insightful books I've read in years on how we got into our dreadful political and economic situation.

*War and Taxes* by historian Joseph Thorndike. This book contrasts the *tax hikes* enacted to support previous military operations with the extraordinary *tax cuts* Americans have received during the current wars in Afghanistan and Iraq.

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Your feedback is always appreciated.

1. B; 2. D; 3. B; 4. C; 5. B; 6. D; 7. A; 8. D.  
Answers (sources available upon request)

## SOCIALLY-CONSCIOUS INVESTING



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with your values

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Author of  
*Tending Your  
Money Garden*

## Quiz: Your Tax Dollars at Work

1. The projected cost of the Bush's War in Iraq and its consequences is now \$2 to \$3 TRILLION. In 2003, Secretary of Defense Donald Rumsfeld predicted that the cost would be: A) \$1 Trillion; B) \$50 Billion; C) A lot less than a national health care ; D) Free, the oil revenues will pay for it.
2. According to the National Priorities Project, what percentage of the federal budget pays for current wars and debt on past wars? A) 22%; B) 28%; C) 35%; D) 42%.
3. What is the percentage that goes toward education? A) 2%; B) 4%; C) 8%; D) 12%.
4. The direct costs of the Iraq War are about how many millions of dollars per day? A) \$100; B) \$250; C) \$350; D) \$500.
5. Who founded the Committee for the Liberation of Iraq? (Question and answers from the *Seattle Post-Intelligencer* August 23, 2006) A) A prominent Iraqi political exile; B) Bruce Jackson, former Lockheed Martin VP; C) Neoconservatives William Kristol and Paul Wolfowitz.
6. "I don't want to see a single war millionaire created in the United States as a result of this world disaster." Who said this? A) President George W. Bush; B) V.P. Dick Cheney; C) Former Secretary of Defense Donald Rumsfeld; D) President Franklin Delano Roosevelt, during World War II.
7. KRB, a former subsidiary of Halliburton, was the nation's top Iraq War contractor from 2004-2006 and received \$16 billion. The next nine top contractors **combined** received approximately how many billion dollars? A) 8; B) 12; C) 22; D) 36.
8. Who was the president of Halliburton from 1995 to 2000? A) Karl Rove; B) Peewee Herman; C) Darth Vader; D) VP Dick Cheney.

ANSWERS ON PAGE 5.

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Return service requested