

## This Can't Go On

By Paul Krugman

Academic economists often cite Stein's Law, a principle enunciated by the late Herbert Stein, chairman of the Council of Economic Advisers during the Nixon administration. The law comes with various wordings; my favorite is: "Things that can't go on forever, don't." Believe it or not, that's a useful reminder.

For we're now led by men who think that macho posturing makes Stein's Law go away. On issues ranging from budgets to foreign policy, they insist that we can sustain the unsustainable. And when challenged to explain how, they engage in magical thinking.

The prime example I have hammered on in this column is, of course, the federal budget. Realistic budget projections say that current policies aren't remotely sustainable. For example, a month ago a joint report of the Committee for Economic Development (a business group), the bipartisan Concord Coalition and the Center on Budget and Policy Priorities concluded that under current policies, federal debt would rise by \$5 trillion over the next decade. And then baby boomers will start collecting benefits, and our debt will really explode.

Such explosive growth in debt can't go on forever, and it won't. Yet our current leaders and their apologists insist that the problem will magically solve itself. Last year's deficit came in slightly below forecasts, and we've had one quarter of good economic growth—see, we'll grow out of the deficit!

But we won't, and there will eventually be a day of reckoning. As Bill Gross of Pimco, the giant bond manager, says, "Sooner, perhaps later, our Asian creditors will wake up and smell the coffee." (Yes, the federal budget and the value of the dollar now depend on huge purchases of Treasury bills by the governments of Japan and China.) When they do, he predicts "higher import costs, a cutback in spending on cheap foreign goods, rising inflation, perhaps chaotic financial markets, a lower standard of living." Something to look forward to.

But the day of reckoning seems closer on a different front.

Some Americans may share the views of the Republican congressman who said that progress in Iraq was "a better and more important story than losing a couple of soldiers every day." (Support the troops!)

But whether or not you think troop losses are important, there's growing evidence that our Iraq strategy is unsustainable. The immediate issue is manpower. Some politicians are calling for a bigger force in Iraq—but even our current force levels can't be maintained.

In September the Congressional Budget Office analyzed how many U.S. soldiers could be kept in Iraq without extending tours beyond one year. The conclusion was that force levels would have to start dropping rapidly about five months from now, and that the forces in Iraq and Kuwait would eventually have to shrink by almost two-thirds. As the report explains, the Pentagon can use various expedients to maintain a larger force in Iraq, but all of these expedients would threaten to undermine our military readiness.

At a broader level, the accelerating pace at which Americans are being killed and wounded and the strains of occupation duties clearly pose difficulties for recruitment in a volunteer military. And at a still broader level, public support for this war—whose original rationale has turned out to be a mirage, if not a deliberate deception—will wilt if losses go on at this rate, no matter how tough the president talks.

For sure, good things are happening in Iraq. But are we making the kind of progress that would allow us to withdraw large numbers of soldiers, and greatly reduce casualties, in the fairly near future? That's a hard case to make.

Yet we keep expecting a magic solution. We'll get European, Indian and Pakistani forces to help us! But since we went to war without international support, they're not interested. We'll bring in the Turks! But the Iraqi Governing Council itself is bitterly opposed. We'll engage in "Iraqification," creating local forces that take the place of American troops! Let's hope that works—but hope is not a plan.

Just as the federal government is in no immediate danger of running out of money, our forces in Iraq are in no danger of outright defeat. But in both cases, current policies appear to be unsustainable: we can't go on like this indefinitely. And things that can't go on forever, don't.