Playing Monopoly with Iraqi money

The biggest transfer of cash in history

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The biggest transfer of cash in history took place from May 2003 to June 2004 when the U.S. Federal Reserve of New York shipped $12 billion in bills of various denominations to war-torn Iraq. Over the course of one year, a fleet of C-130s carried, from New York to Baghdad, 484 pallets weighing a total of 363 tonnes and holding 281 million banknotes. This is not an advertisement for a new board game but the summary of a memorandum prepared for a meeting of the House Committee on Oversight and Government Reform, chaired by Rep. Henry Waxman, which is examining the "reconstruction" of Iraq under Paul Bremer.

No proper record of the funds, which were distributed by the Coalition Provisional Authority, is available. They seem to have been disbursed like Monopoly money. Contractors were paid in cash from the back of pickup trucks; thousands of "ghost employees", people enlisted in ministerial jobs that did not exist, were paid salaries with bundles of currency; one million dollars was stolen from the CPA vault and nobody seemed to be bothered; $500 million was disbursed under the heading "TBD", which stands for "to be determined". An obscure consulting firm from San Diego was in charge of certifying the distribution of the money, yet it never conducted any review of internal controls, as was contractually required.

Bremer's financial adviser, retired admiral David Oliver, seems surprised by the House committee's concern, as if the billions that have vanished were really play money. When challenged by a BBC journalist about the consequences of the disappearance without trace of billions of dollars, he pointed out that it was irrelevant where the money had gone because it was Iraqi funds, not U.S. taxpayers' money. The $12 billion came from Iraqi assets seized after the first Gulf War, from the sale of Iraqi oil, and from surplus payments from the UN oil-for-food program. The $12 billion is not included in the $400 billion spent by the U.S. in Iraq since March 2003.

The procedure for unfreezing "political" money is generally very long and requires the fulfillment of several legal requirements. After a legal battle of more than a decade, waged by a group of Cuban exiles, then-president Bill Clinton finally released some of the Cuban funds frozen during Fidel Castro's 1950s revolution. Still locked in the vaults of the Federal Reserve is Iranian money seized after the Ayatollah Ruholla Khomeini ousted Mohammad Reza Pahlavi in 1979, some of Gen. Manuel Noriega's dirty money, and even some assets belonging to the recently deceased Ugandan dictator Idi Amin.

Iraqi funds were miraculously freed in less than two months. The procedure was quick and involved the approval of the United Nations, which, technically, was responsible for the oil-for-food surpluses. Those monies could have been used to bring back water and electricity to millions of Iraqis; if equitably distributed, they would have made each Iraqi man, woman, and child $15,000 richer. Instead, they were wasted by incompetent officers appointed by even more incompetent politicians.

It is surreal to think that the U.S. government rushed to fly hundreds of tonnes of cash to a country where its army could not stop people looting arsenals, banks, museums, and hospitals, to a country not yet pacified. As Waxman put it: “Who in their right mind would send 363 tonnes of cash into a war zone?”

War is not a board game; it is deadly serious business. Even more surreal is the fact that no plan existed for what to do with so much money.

Bremer claims that the CPA urgently needed the cash because the banking system had disappeared and Iraq was a cash economy. Yet his administration was not equipped to operate in a cash economy, proven by the way it wasted those billions. War zones are always cash economies. Did Bremer really think that after President George W. Bush’s famous “mission accomplished”

declaration, ATM machines in Baghdad would miraculously start working again?

Those monies were also needed to inject U.S. dollars into a country where the local currency, the Iraqi dinar, was about to collapse. This is the other explanation Bremer put forward. Most currencies collapse after major conflicts. In the aftermath of the Second World War, devaluation spread like a virus among European currencies and new money had to be introduced by the central banks.

Injecting cash for the sake of injecting cash does more harm than devaluation; it can be extremely dangerous because war economies are run by militias, criminal gangs, black marketeers, and profiteers. Cash flows naturally toward these people.

Oliver, the man who was supposed to advise Bremer on these issues, is as unmoved as his ex-boss by the thought that the money they so irresponsibly distributed may have funded ethnic militias, criminal gangs, and insurgent groups in addition to “contractors” engaged in the reconstruction. Their lack of concern springs from the belief that they are not responsible for such failure because they are American and the money was Iraqi—they feel accountable to the U.S. taxpayer, not to the Iraqi people. The fact that some of those funds may have funded ambushes in which U.S. soldiers could have been killed does not cross their minds. War is a highly deceptive game.

Though the money was Iraqi, there is evidence that the CPA was eager to spend all of it before the interim Iraqi government was appointed. The House committee minutes report that one officer was handed $6.75 million in cash and told to spend it in the week before the interim government took control of the Development Fund for Iraq, where the money should have been held.

The motives behind such behaviour are clear. The primary objective was not to kick-start the reconstruction of Iraq. If it had been, the U.S. would have appointed competent people to run the CPA and the $12 billion would have gone to fund a sort of Marshall Plan, in which each penny would have been accounted for.

The objective was really another one: to establish an American bastion in the heart of the Middle East. Having incompetent U.S. officials distribute Iraqi money as if it were “funny money” instead of turning it over to the Iraqi interim government was part of this plan. Clearly, the Bush administration has never played Monopoly, or it would know the game’s cardinal rules: never waste money and always invest wisely.

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