THE COST STRUCTURE OF WAR

Operations Midnight Hammer and Epic Fury : War Deficit, Financing Mechanisms, and the True Price of the US–Iran Conflict 2025–2026

Andi Widjajanto
Laboratorium Indonesia 2045

200B+	$36T+	$1T+	$180/bbl	5 Tiers
Combined direct cost (MH + EF)	US federal debt at war entry	Annual interest burden (2026)	Peak Brent — Scenario C	Cost architecture depth

When the United States launched Operation Midnight Hammer against Iran's nuclear infrastructure in October 2025, it did so with the familiar assurance that the campaign would be precise, bounded, and decisive. When Operation Epic Fury followed six months later — broader in scope, deeper in consequence — that assurance had already been superseded by events. Together, the two operations constitute the most significant American use of force since the invasion of Iraq, and they carry a cost structure that no Congressional appropriation has fully captured. This essay applies a five-tier analytical framework to the conflict's cost architecture, examines the war deficit in its complete fiscal and structural dimensions, and argues that the United States pays for its wars through three interlocking mechanisms — sovereign debt issuance, hidden inflation taxation, and the externalization of macroeconomic burden through dollar privilege — each of which distributes costs across time, across income groups, and across sovereign borders in ways specifically designed to minimize the political accountability of those who authorize the fighting.

I. TWO OPERATIONS, ONE STRATEGIC LOGIC

Wars rarely present their true shape at inception. They arrive as bounded commitments and expand according to a logic that consistently outruns the intentions of those who authorized them. The US–Iran War of 2025–2026 conformed to this historical pattern with a fidelity that should occasion no surprise among students of American military history, even as its specific operational and geopolitical contours were unique to the particular character of Iranian deterrence strategy and the structural vulnerabilities of the global energy system.

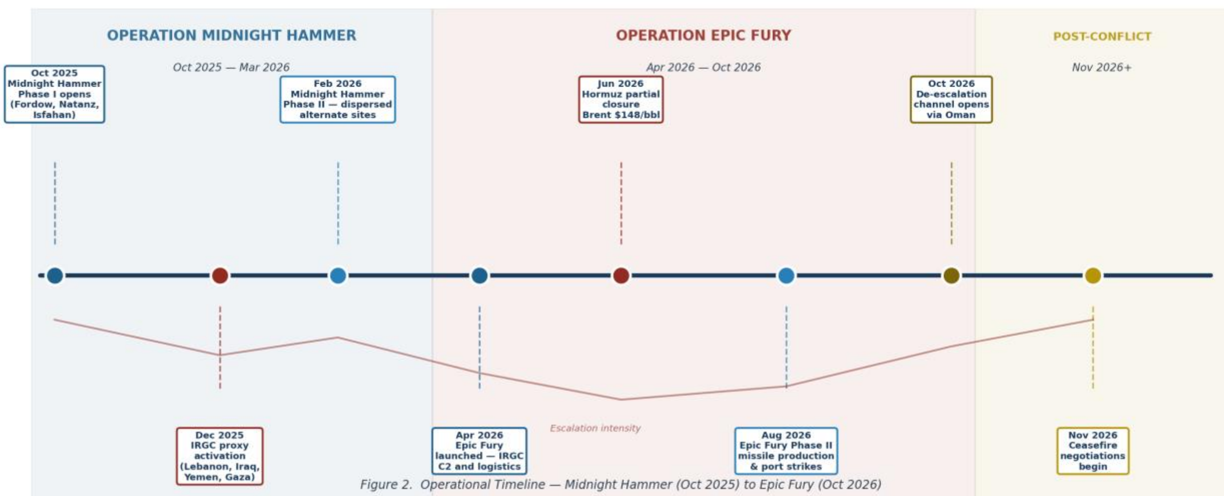

Figure 2. Operational Timeline — Midnight Hammer (Oct 2025) through Epic Fury (Oct 2026).

Operation Midnight Hammer (October 2025 — March 2026)

Midnight Hammer was authorized with a single, clearly defined objective: to destroy or irreparably damage Iran's uranium enrichment infrastructure before Tehran's nuclear program crossed the threshold from latent capability to operational weapons readiness. The target set was organized around three principal facilities. The first was Fordow, the enrichment complex excavated into the granite of the Qom mountains at a depth of approximately ninety meters — a depth that places it below the threshold of all conventional precision munitions save one. The second was the Natanz enrichment complex, the primary centrifuge installation and the symbolic heart of Iran's program. The third was the Isfahan uranium conversion facility, which fed the enrichment pipeline with hexafluoride feedstock.

To attack Fordow, United States Air Force B-2 Spirit bombers delivered the GBU-57 Massive Ordnance Penetrator, a thirty-thousand-pound bunker-defeating weapon engineered specifically to defeat deeply hardened reinforced concrete structures. The Air Force maintains a finite inventory of this munition — measured in dozens rather than hundreds — and Boeing's production capacity at its Weapons and Missile Systems facility cannot be rapidly scaled to replenish combat consumption. This constraint would prove operationally significant: the requirement for multiple redundant strikes against hardened, only partially destroyed target sets consumed GBU-57 stocks at rates that pre-conflict planning had not adequately provisioned for, creating a munitions ceiling that constrained operational tempo during the campaign's later phases.

By the narrow metric of target destruction, Midnight Hammer succeeded. Fordow sustained severe structural damage; Natanz was significantly compromised; Isfahan was largely neutralized. American battle damage assessments concluded that Iran's aggregate enrichment capacity had been reduced by between sixty and seventy percent. The campaign achieved its kinetic objectives within the first seventy-two hours of operations, with subsequent strikes in the following weeks addressing residual capability and conducting damage confirmation.

The metric was, however, too narrow. Iran had spent fifteen years studying American strike planning and building redundancy into every layer of its nuclear infrastructure. Dispersed centrifuge components, cached at locations not identified by Western intelligence services, were moved to alternative sites within weeks of the initial strikes. Technical personnel and program documentation had been pre-positioned to survive. The program was seriously wounded but not killed — and the reconstitution process began almost immediately under the direction of a surviving IRGC scientific cadre.

Operation Epic Fury (April — October 2026)

The transition from Midnight Hammer to Epic Fury was not, in any meaningful sense, a strategic choice. It was a strategic recognition — the acknowledgment that the first operation had produced tactical success without strategic resolution, and that the alternative to escalation was the progressive erosion of that success over a period of months. When American intelligence confirmed in early 2026 that Iran, with documented technical assistance from Russia and access to pre-positioned equipment at alternative facilities, was reconstituting its enrichment capacity at a rate that would recover meaningful capability within twelve to eighteen months, the administration confronted a binary decision: accept the erosion of Midnight Hammer's effects, or escalate to a broader campaign capable of more durably suppressing Iran's reconstitution capacity.

Epic Fury represented the escalation option. Launched in April 2026, it expanded the target set well beyond nuclear infrastructure to encompass the command-and-control architecture of the Islamic Revolutionary Guard Corps — the institution that manages Iran's strategic weapons programs, its regional proxy network, and its asymmetric retaliatory capabilities. IRGC headquarters complexes, regional logistics nodes, communications relay infrastructure, ballistic missile production facilities, and port installations used for materiel transfers to regional proxies were incorporated into the expanded target set. The campaign's geographic scope extended to elements of Iran's anti-access and area-denial architecture in the Persian Gulf, including shore-based anti-ship missile batteries whose threat to commercial navigation had made Hormuz insurance premiums commercially prohibitive for much of the Epic Fury operational period.

Epic Fury was a larger, more complex, and far more consequential operation than its predecessor. It required sustained combat operations over a period of weeks. It activated Iranian retaliatory mechanisms — direct, proxy, and cyber — at a scale and intensity that Midnight Hammer had not. And it produced the conditions that translated the bilateral US–Iran conflict into the global energy and economic disruption that constitutes the third tier of the cost framework analyzed in this essay.

> *"Iran had spent fifteen years studying American strike planning and building redundancy into every layer of its nuclear infrastructure. The program was seriously wounded but not killed — and the reconstitution process began almost immediately."*

II. THE FIVE-TIER COST ARCHITECTURE

The costs of the US–Iran War cannot be captured in a single budgetary figure. They constitute a layered architecture — five distinct tiers of consequence, each compounding those below it, ascending from immediate and quantifiable fiscal expenditure at the base to structural and civilizational costs at the apex. The fundamental error of American war authorization processes is the systematic failure to engage with tiers three through five before committing to tiers one and two. The historical record from Iraq, Afghanistan, and now Iran suggests that this failure is not episodic but structural.

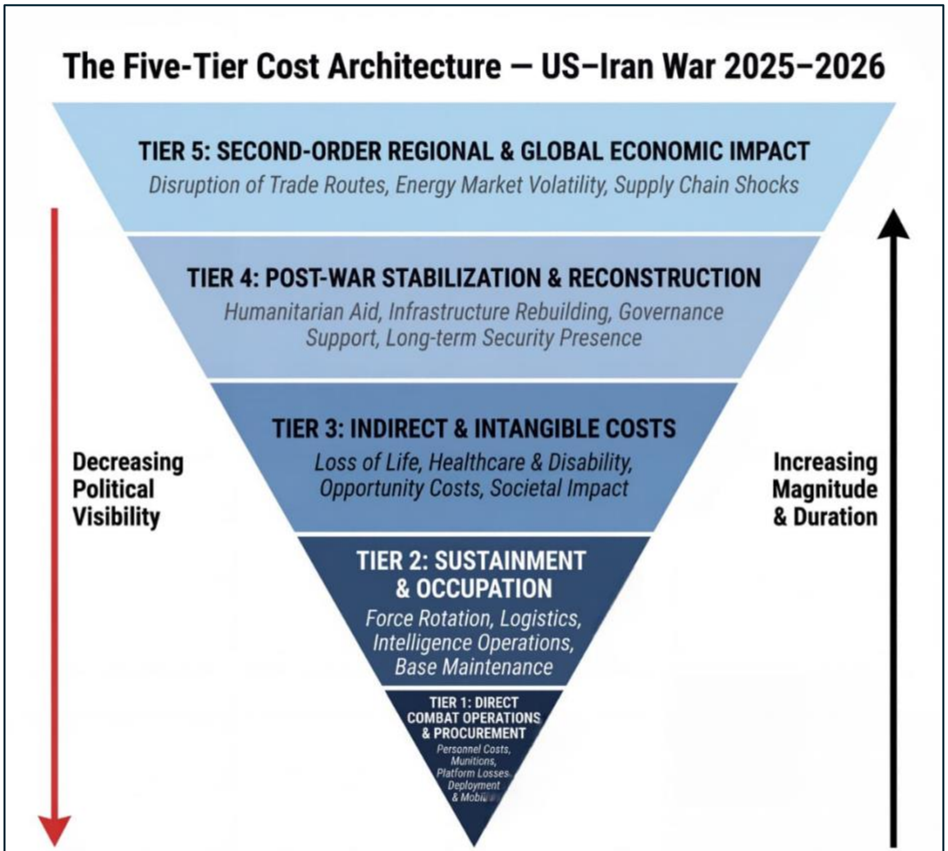

Figure 1. Operations Midnight Hammer & Epic Fury.

AW LAB45

Tier 1 — Immediate Fiscal and Market Costs

The base tier — the one that dominates Congressional debate and public reporting — encompasses the direct operational expenditure of both campaigns. The combined direct military cost of Midnight Hammer and Epic Fury is estimated at between one hundred eighty and two hundred twenty billion dollars. This figure encompasses: the consumption of precision munitions, including GBU-57 inventory at replacement costs approaching two hundred million dollars per unit; the forward deployment and sustainment of two carrier strike groups and associated expeditionary air wings across the extended operational period; the extraordinary intelligence, surveillance, and reconnaissance footprint required for battle damage assessment against hardened, dispersed, and partially subterranean target complexes; and the logistical sustainment of a multi-theater campaign that extended from the Persian Gulf to the Red Sea to the Eastern Mediterranean.

Financial markets responded with the concentrated volatility that historical precedent would predict. The CBOE Volatility Index surged to between thirty-five and fifty-five within days of the Midnight Hammer opening strikes. Global equity markets shed between three and six trillion dollars in market capitalization across the first two weeks of active hostilities. Capital rotated aggressively into traditional safe-haven instruments — United States Treasury securities, gold, and the Swiss franc — while emerging market currencies across Asia, Latin America, and Sub-Saharan Africa entered a coordinated selloff as portfolio managers priced energy import vulnerability into risk premiums with exceptional speed and conviction.

Tier 2 — Operational and Military Blowback

The second tier encompasses the adaptive, retaliatory, and asymmetric responses that Iran had spent two decades preparing. The IRGC's strategic doctrine — developed under the concept of decentralized forward defense and structured around the activation of a regional proxy and partner network in the event of a direct American military strike — is explicitly premised on the logic that Iran cannot match American conventional military power and therefore will not attempt to do so. Instead, Iran will fight everywhere, through distributed networks, across an extended time horizon, imposing cumulative costs designed to erode American political will at rates that outpace the operational progress of American strikes.

The activation of this network was rapid, coordinated, and consequential. Hezbollah commenced sustained ballistic missile and precision rocket operations against Israeli population centers within seventy-two hours of the first Midnight Hammer strikes. Iranian-aligned militia formations in Iraq — the Popular Mobilization Forces and affiliated organizations — escalated their attacks on American military installations, rendering the continuation of the US military presence in Iraq politically untenable for the Baghdad government within weeks. Houthi formations in Yemen intensified their campaign against commercial shipping in the Red Sea and Gulf of Aden. IRGC cyber operations targeted Western financial infrastructure and, in several documented instances, attempted to activate pre-positioned sleeper networks in European urban centers. A United States guided-missile destroyer sustained significant combat damage from a Noor anti-ship missile salvo during the second week of Epic Fury operations — an event whose public disclosure the administration sought, without success, to manage.

Tier 3 — Global Energy and Economic Shock

The third tier is where the bilateral conflict became a global event — where the decisions of two governments in Washington and Tehran generated consequences for billions of people in economies that had no agency in the conflict and no voice in its authorization. The mechanism of transmission is the Strait of Hormuz, which at twenty-one miles of navigable width carries approximately twenty percent of all globally traded petroleum and eighteen percent of global liquefied natural gas each day.

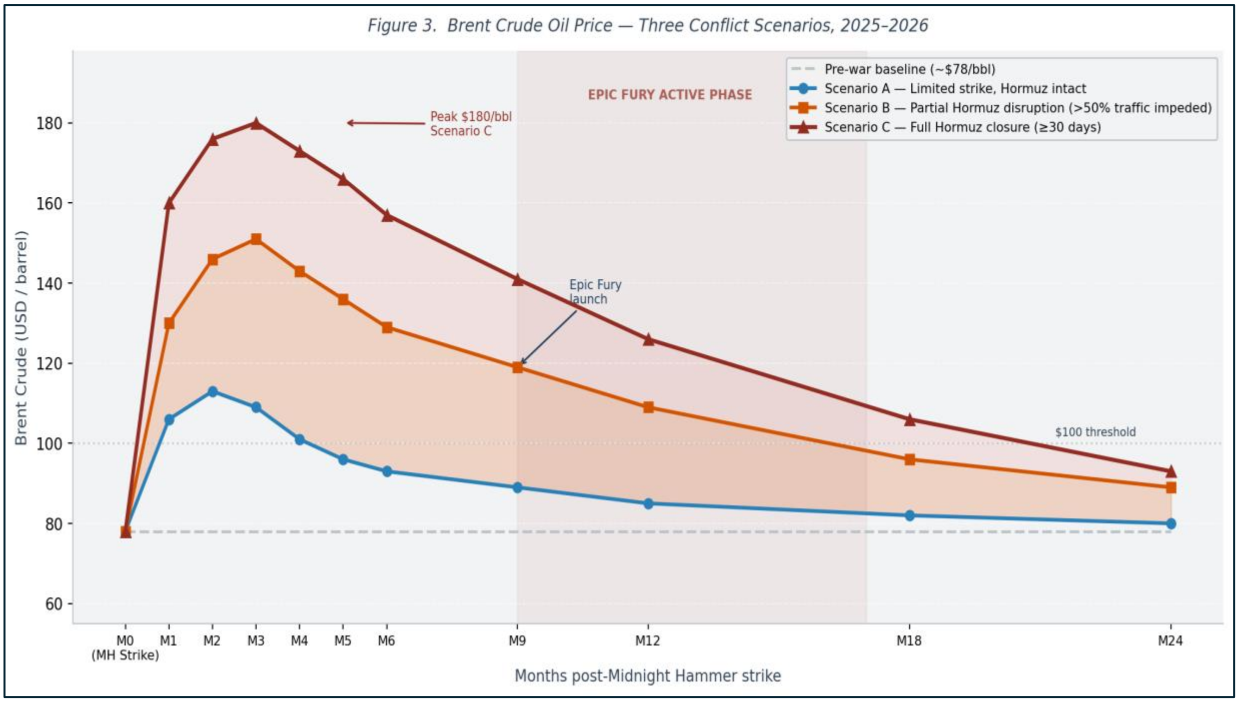

Figure 3. Brent Crude Oil Price — Three Conflict Scenarios, Months Post-Midnight Hammer.

Iran does not need to physically close the strait to impose catastrophic costs on global energy markets. It requires only the credible threat of sustained disruption — operationalized through mine-laying operations, anti-ship missile deployment, and the targeting of commercial vessels — to trigger the insurance premium escalation that renders Hormuz passage commercially unviable for private operators. Scenario A — the most limited, involving a Midnight Hammer-only campaign without sustained Hormuz operations — produced an oil price spike to approximately one hundred five to one hundred twelve dollars per barrel before subsiding as markets assessed the absence of a navigation closure. Scenario B — partial disruption of Hormuz commercial traffic exceeding fifty percent of normal flow, sustained across the Epic Fury operational period — drove Brent crude to between one hundred twenty-eight and one hundred fifty dollars per barrel. Scenario C — full closure for thirty or more days — produced price trajectories approaching one hundred eighty dollars per barrel, with pass-through effects through food, fertilizer, and global shipping cost structures that the International Monetary Fund subsequently assessed as the most severe supply-side shock to the world economy since the 1973 Arab oil embargo.

The macroeconomic transmission mechanism created a policy trap for central banks across advanced and emerging economies simultaneously. A supply shock combined with an inflation surge cannot be resolved by any available monetary policy instrument without accepting one of two unacceptable costs: tightening to suppress inflation deepens the contractionary impact of the supply shock on real output; easing to support growth accelerates inflationary pass-through into wage and price-setting expectations. There is no technically optimal response to a simultaneous supply shock and price spike of this magnitude — only a choice between distributional outcomes.

Tier 4 — Strategic and Geopolitical Costs

The fourth tier encompasses consequences that outlast the active conflict by years — the structural realignment of regional and global geopolitics in directions that systematically disadvantage the party that won the military exchange. Russia extracted substantial geopolitical dividends without deploying a single military asset: Russian energy revenues, partially suppressed by Western sanctions, recovered sharply as global oil prices spiked across the Epic Fury phase, providing the Kremlin with fiscal relief at a moment of acute pressure from its Ukrainian operations. China deepened its strategic dependency relationship with an isolated and grateful Iran, securing long-term energy supply contracts at heavily discounted prices while establishing a precedent for Chinese diplomatic protection of Iranian interests in multilateral forums — a precedent with compounding implications for the architecture of great-power competition across the broader Middle East. The Abraham Accords framework, the principal American diplomatic achievement in the region across the preceding five years, collapsed under the political weight of the conflict's regional spillover as Gulf Arab governments found themselves unable to sustain the ambiguity their previous posture had required.

Tier 5 — World Order Costs

At the apex sit costs that are constitutive rather than transactional — costs that do not merely violate the rules of international order but alter them. The Nuclear Non-Proliferation Treaty regime is premised on a specific bargain: states that forgo weapons acquisition receive credible security alternatives; states that acquire weapons face coordinated international pressure including, if necessary, military force. The US–Iran War demonstrated, to the satisfaction of several threshold states, that the security alternatives on offer were insufficient. When Saudi Arabia, Turkey, the United Arab Emirates, and at least one East Asian state accelerated their latent nuclear hedging programs in the eighteen months following the conflict, the lesson they were absorbing was not that nuclear pursuit is futile but that only completed deterrents are genuinely secure. No available instrument of nonproliferation policy has an adequate answer to a proliferation cascade driven by rational strategic calculation rather than ideological hostility to arms control norms.

III. THE WAR DEFICIT — ANATOMY OF A FISCAL CRISIS

War deficit is a concept that deserves greater analytical precision than it typically receives in public discourse. It is not simply the difference between government expenditure and tax revenue in a fiscal year that happens to include military operations. It is the full accumulation of financial obligations — direct, contingent, and structural — generated by a decision to use force, financed through mechanisms that defer, distribute, and obscure the burden, and ultimately settled by parties whose connection to the authorizing decision is indirect at best and nonexistent at worst.

The United States entered the US–Iran conflict in a fiscal condition that would have alarmed any prudent financial analyst. Federal debt stood at more than thirty-six trillion dollars, representing a debt-to-GDP ratio exceeding one hundred twenty percent — a level that, by the historical standards of peacetime fiscal management, leaves minimal buffer for war-related expenditure spikes without structural consequences for long-run fiscal sustainability. More consequentially, the annual cost of servicing that accumulated debt — interest payments to holders of Treasury securities across the maturity spectrum — had, for the first time in the country's modern fiscal history, exceeded the budget of the Department of Defense. The United States was paying more annually to service its accumulated past obligations than to maintain its current military establishment. Into this environment, the Midnight Hammer and Epic Fury supplemental appropriations injected between two hundred and two hundred fifty billion dollars of additional debt without identifying any revenue source, spending offset, or amortization mechanism to accompany them.

WAR DEFICIT IN HISTORICAL CONTEXT

The combined supplemental appropriations for Midnight Hammer and Epic Fury added approximately $200–250 billion to federal debt — contained by historical American war standards. The Gulf War (1991) cost approximately $102 billion in nominal terms; Iraq (2003–11) approximately $2.1 trillion; Afghanistan (2001–21) approximately $2.3 trillion. What distinguishes the US–Iran War is not the absolute magnitude of its direct costs but the fiscal environment into which they were injected: a debt-to-GDP ratio above 120%, an interest burden exceeding defense outlays, a Federal Reserve with diminished counter-cyclical capacity after the post-pandemic tightening cycle, and a Treasury market that, for the first time in decades, showed signs of structural demand insufficiency at the long end of the yield curve.

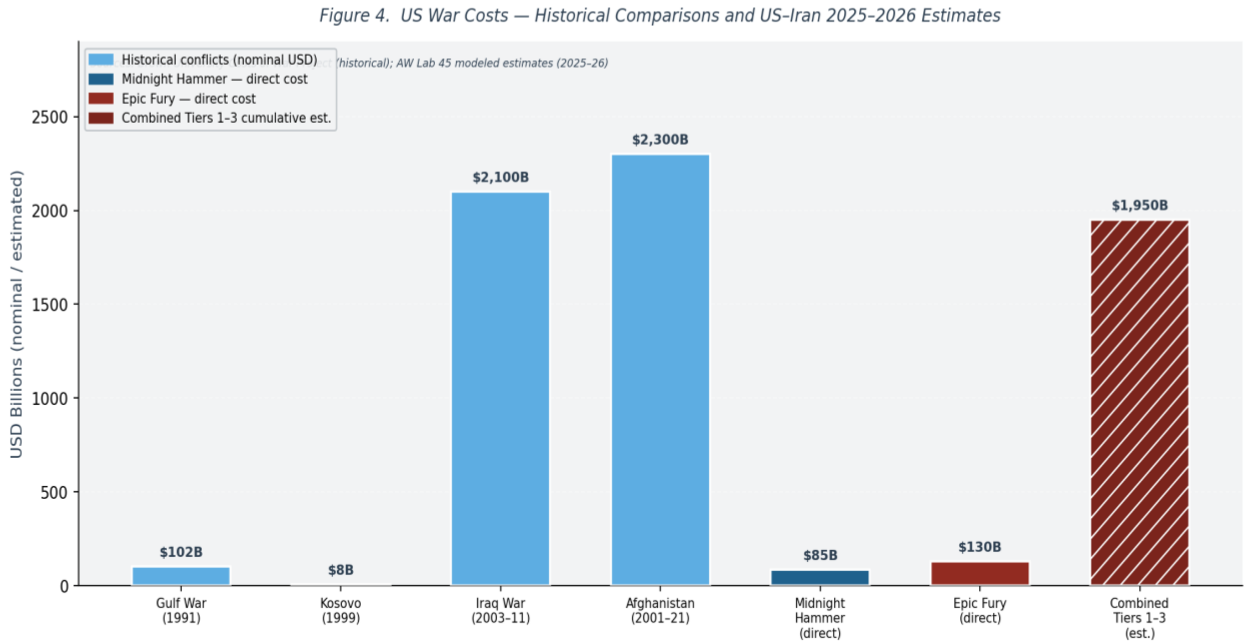

Figure 4. US War Costs — Historical Comparisons and US–Iran 2025–2026 Estimates.

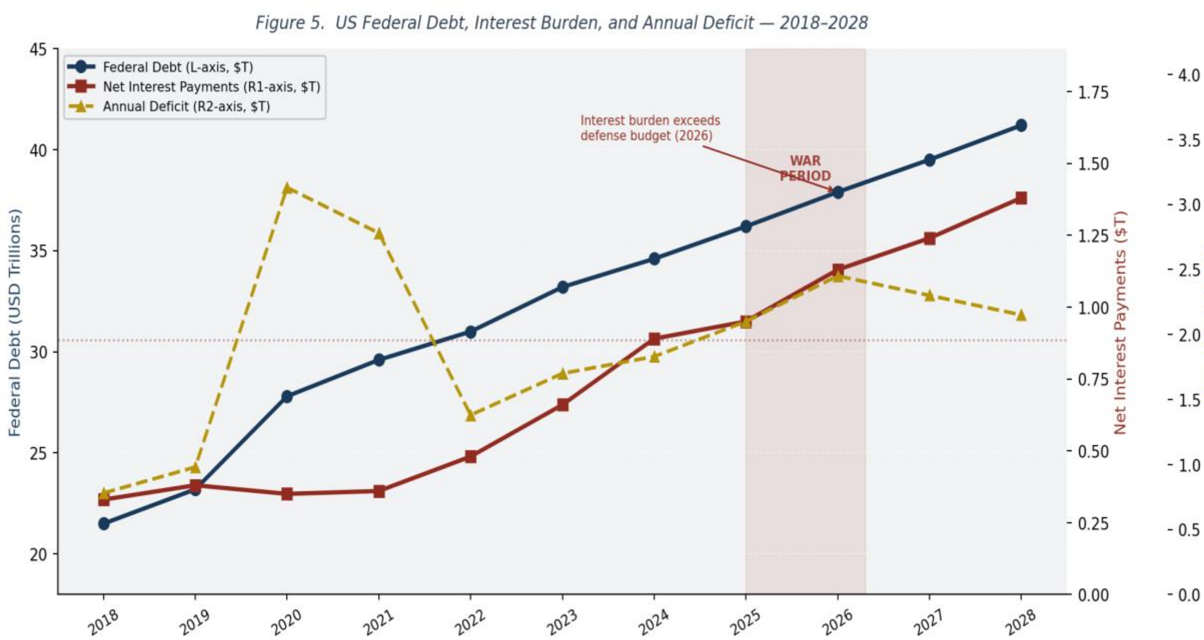

Figure 5. US Federal Debt, Interest Burden, and Annual Deficit — 2018–2028.

IV. HOW THE UNITED STATES PAYS FOR WAR

The question of how the United States actually finances its wars is among the most consequential and least publicly examined dimensions of American military policy. The formal answer — Congressional appropriation and Treasury bond issuance — is technically accurate but analytically incomplete. The full answer requires a disaggregated examination of three distinct financing mechanisms that operate simultaneously, each with its own distributional logic, its own constituency of ultimate payers, and its own time horizon of consequence.

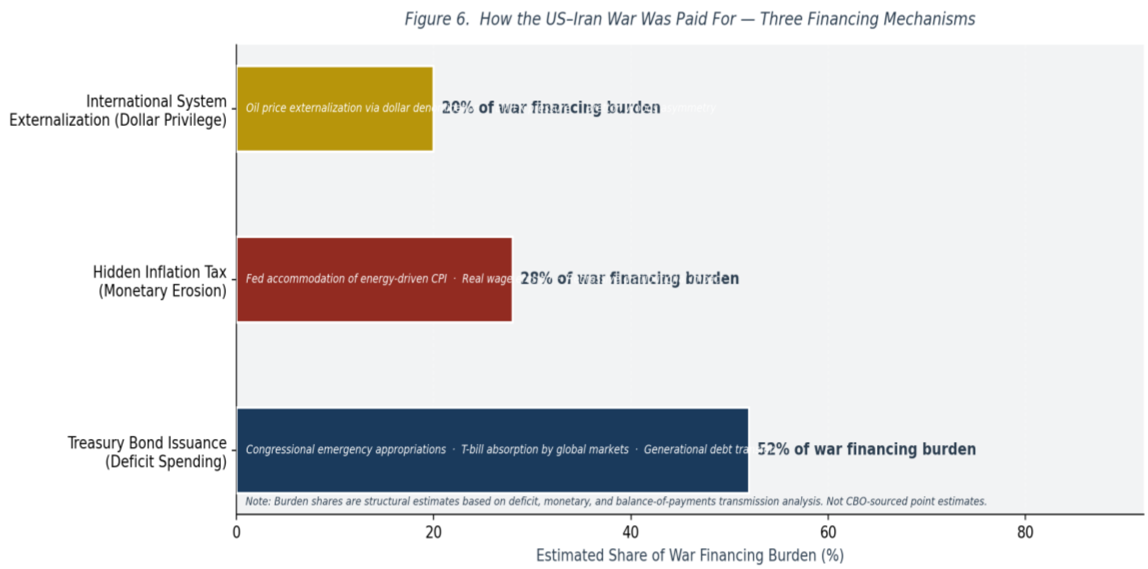

Figure 6. How the US–Iran War Was Financed — Three Mechanisms and Burden Shares.

Mechanism One — Deficit Spending Through Treasury Bond Issuance

The primary and most visible mechanism is the issuance of United States Treasury securities — bills, notes, and bonds denominated in dollars — to finance the gap between what the government appropriates for military operations and what it collects in revenue. In the context of the US–Iran War, this mechanism operated through emergency supplemental appropriation legislation that bypassed the normal annual budget process, authorizing expenditure without requiring offsetting revenue measures or spending reductions elsewhere in the budget. The Treasury then conducted regular auction cycles to sell these obligations into domestic and international capital markets.

This mechanism functions as efficiently as it does because of a structural feature of the post-Bretton Woods international monetary system: the dollar's status as the world's primary reserve currency creates persistent, structurally anchored demand for dollar-denominated safe assets — including Treasury securities — that no other sovereign issuer can reliably replicate. The political economist Barry Eichengreen has termed this the dollar's exorbitant privilege: the ability to borrow in one's own currency at rates suppressed by structural foreign demand, financing deficits at a scale that would produce sovereign credit deterioration and interest rate escalation for any other borrower. This privilege is real, consequential, and has underwritten American military activism for decades. It is also neither unlimited nor free of compounding costs.

The near-term cost of Treasury-financed war expenditure operates through two channels. The first is the absorption of global liquidity by sovereign bond issuance, which puts upward pressure on interest rates across the yield curve — raising borrowing costs for corporations, households, and foreign sovereigns that compete for capital in the same markets. The second, and more significant in the long run, is the incremental increase in the annual interest burden that each additional trillion dollars of debt imposes on future revenues. The twenty-year interest cost of the combined Midnight Hammer and Epic Fury appropriations, at the weighted average Treasury yield prevailing at the time of issuance, is estimated at between three hundred and four hundred billion dollars — two to three times the direct operational expenditure that the original appropriation funded. The bond buyer absorbs the principal; the future taxpayer absorbs the interest; neither voted on the war.

> *"The twenty-year interest cost of the combined Midnight Hammer and Epic Fury appropriations is estimated at two to three times the direct operational expenditure. The bond buyer absorbs the principal; the future taxpayer absorbs the interest; neither voted on the conflict."*

Mechanism Two — The Hidden Inflation Tax

The second mechanism is less visible than Treasury issuance, more pervasive in its social reach, and more regressive in its distributional consequences. It has been a feature of war financing in every major conflict since the collapse of the gold standard made managed currency inflation technically feasible — deployed with varying degrees of deliberateness by governments that found it politically preferable to the transparent legislative alternative of raising taxes to pay for fighting.

The Federal Reserve entered the conflict period in a structurally constrained position. Having executed the most aggressive interest rate tightening cycle in four decades between 2022 and 2024 to suppress the post-pandemic inflation surge, it had partially reversed those increases by 2025 in response to softening growth indicators. When the Midnight Hammer strikes triggered the energy price shock described in Tier 3 of the cost framework — driving Brent crude toward one hundred fifty dollars per barrel across the Epic Fury operational phase — the Federal Reserve confronted a policy geometry that admitted no comfortable solution. Tightening further to suppress the energy-driven inflation passthrough would deepen the contractionary impulse from the same supply shock on a real economy already under pressure; accommodating the fiscal expansion required by war financing while tolerating above-target inflation would erode the credibility of the two-percent price stability commitment that the central bank had spent three years rebuilding at considerable economic cost. The Federal Reserve chose, as central banks historically do when confronted with wartime fiscal pressures, a path of managed accommodation

— allowing inflation to run above its stated target for an extended period while characterizing the excess as transitory.

This accommodation functioned as a tax levied on holders of dollar-denominated assets with fixed nominal values: savings accounts, money-market instruments, certificates of deposit, fixed-income portfolios, and defined-contribution retirement accounts. Unlike a statutory tax, it required no legislative authorization, produced no itemized receipt, and was experienced not as a discrete payment to government but as the gradual, diffuse erosion of purchasing power across millions of household balance sheets. Its distributional incidence was systematically regressive: households that hold wealth primarily in real assets — equities, real estate, and physical commodities — experienced nominal value increases that broadly offset the inflationary erosion and were largely protected. Households that hold wealth primarily in cash and fixed-income instruments — disproportionately lower-income households, retirees on fixed pensions, and households in the lower-middle-income quintiles with insufficient wealth to maintain diversified asset portfolios — bore the burden without access to the hedge.

The magnitude of the inflation tax in the US–Iran War context resists precise quantification, but structural estimates based on the differential between the Federal Reserve's actual policy path and the counterfactual path absent war-related fiscal and energy pressures suggest that the mechanism transferred between two hundred and three hundred billion dollars of real purchasing power from private holders of dollar assets to the government over the eighteen-month period spanning the two operations. No appropriations bill authorized this transfer. No committee markup recorded it. No floor vote approved it.

THE REGRESSIVE LOGIC OF WAR INFLATION

War-driven inflation operates as a tax with an inverted distributional structure. Equity holders and property owners — the wealthiest quintile of American households — see nominal asset values rise with the general price level and are broadly insulated from real wealth erosion. Households holding savings in cash, certificates of deposit, or fixed annuities — disproportionately lower-income workers, the elderly, and those without access to investment accounts — absorb the full real-value loss with no offsetting appreciation. The inflation tax is simultaneously the most politically durable war financing mechanism and the least democratically accountable: it distributes burdens without votes, without transparency, without the possibility of legislative revision, and without the political visibility that statutory taxation always generates.

Mechanism Three — Externalization to the International Monetary System

The third mechanism is the one most systematically absent from American domestic political discourse about the costs of war — because its burden-bearers are foreign, and foreign burdens do not generate domestic political accountability. It operates through the structural asymmetries of the dollar-denominated international monetary system to externalize a portion of every American war's macroeconomic cost onto economies that had no participation in the decision to fight and no direct stake in its outcome.

The mechanism of externalization is straightforward. When American military action generates an oil price shock — as both Midnight Hammer and Epic Fury did, through their activation of the Hormuz threat environment and the consequent disruption of commercial navigation — that shock propagates through global commodity markets denominated in dollars. Every oil-importing economy in the world experiences a simultaneous terms-of-trade deterioration: a greater quantity of domestic currency must be surrendered to purchase the same barrel of petroleum. Current account deficits widen. Imported inflation accelerates. Central banks in vulnerable economies face pressure to raise interest rates to defend their exchange rates and contain inflationary expectations — tightening domestic financial conditions and slowing real economic activity regardless of their own policy preferences and regardless of whether their own fiscal and monetary management has been sound.

This externalization is not the product of deliberate American policy design. It is a consequence of a structural arrangement established at the Bretton Woods Conference in 1944 and sustained, with periodic modification and not without friction, through every decade since: the dollar's reserve currency status, the dollar denomination of global oil contracts and a large fraction of global trade finance, and the centrality of United States Treasury securities to the collateral infrastructure of the global financial system. What the US–Iran War of 2025–2026 illustrated with unusual clarity is the scale of this externalization in a high-intensity conflict scenario: structural estimates suggest that between fifteen and twenty-five percent of the aggregate macroeconomic cost of the war — measured across lost GDP growth, imported inflation, balance-of-payments pressure, and emergency reserve drawdowns — was borne by economies outside the United States, none of which had a seat at the table when the decision to authorize force was taken.

The political irony of this arrangement is that it accelerates the structural erosion it depends upon. When the macroeconomic costs of American military decisions are experienced in Jakarta, Nairobi, São Paulo, and Manila, the governments of those capitals acquire both the incentive and the domestic political legitimacy to build financial arrangements that reduce their exposure to dollar-denominated shocks. The acceleration of bilateral trade settlement in non-dollar currencies, the expansion of regional currency swap networks, and the active architecture discussions within BRICS+ and other forums about alternative reserve asset structures — all of which intensified materially in the eighteen months following the conflict — are the rational, market-driven response to the externalization mechanism that American war financing inadvertently imposes on the international system each time it is activated.

> *"Between fifteen and twenty-five percent of the aggregate macroeconomic cost of the war was borne by economies that had no seat at the table when the decision to fight was taken. Every American war, financed through dollar privilege, levies a tax on the world — without a ballot, without accountability, and without acknowledgment."*

V. THE BILL THAT NEVER ARRIVES IN FULL

The five-tier cost framework and the three-mechanism financing analysis presented in this essay converge on a conclusion that is analytically robust even if politically inconvenient: the United States systematically undercounts the cost of its wars at the moment of authorization, consistently fails to engage with tiers three through five in its public deliberations, and distributes the true burden through mechanisms specifically designed to be invisible to democratic oversight. This is not primarily a story of institutional bad faith. It is a story of institutional structure — of budget processes that ask for ten-year appropriation scores but not fifty-year interest payment schedules; of intelligence assessments that model target effects but not proliferation cascade probabilities; of National Security Council deliberations that stress-test operational escalation scenarios but not stagflation transmission mechanisms.

The United States can absorb the direct costs of Midnight Hammer and Epic Fury. It absorbed the far larger direct costs of Iraq and Afghanistan, at greater fiscal damage and with lower strategic returns. What it cannot indefinitely absorb is the compounding arithmetic of the habit: the structural inflation of debt service costs that each additional war cycle accelerates; the incremental erosion of Federal Reserve counter-cyclical capacity that each accommodation episode deepens; and the incremental legitimacy cost imposed on the dollar-denominated international financial architecture that each externalization episode advances. The exorbitant privilege is real. It is also finite. And the US–Iran War of 2025–2026, placed in the full context of its cost architecture, is one more entry in the ledger of its gradual consumption.

A democracy that wishes to make honest and durable decisions about the use of military force requires the institutional capacity to see all five tiers before it authorizes any of them — and the political courage to account for all three financing mechanisms before the supplemental appropriation is drafted. The US–Iran War did not generate that capacity. It did not require that courage. The next conflict will inherit both absences, compounded by the obligations this one created.

THE LONG-RUN FISCAL ARITHMETIC

At current debt trajectories, federal interest payments will consume approximately $1.3 trillion annually by 2028 — exceeding the entire discretionary budget outside defense and entitlements. The Midnight Hammer / Epic Fury supplemental appropriations, at a weighted average Treasury yield of approximately 4.5%, add roughly $9–11 billion to annual interest obligations in perpetuity. Over thirty years, that single authorization decision costs approximately $270–330 billion in interest alone, before any principal reduction. This is the arithmetic of deficit war financing: the bill arrives not at the moment of authorization, but across a generation — distributed among taxpayers who will have no memory of, and no accountability for, the strategic decision that generated it.

METHODOLOGICAL NOTE

Quantitative estimates cited in this essay are drawn from AW Lab 45 (Laboratorium Indonesia 2045) analytical modeling, supplemented by publicly available data from the US Congressional Budget Office, Brown University Costs of War Project, International Energy Agency, International Monetary Fund, and US Department of the Treasury. Oil scenario projections in Figure 3 use an event-study methodology calibrated against the 1973 Arab oil embargo, 1990–91 Gulf War, and 2019 Abqaiq–Khurais attack.

War financing burden-share estimates in Figure 6 are structural approximations based on deficit, monetary, and balance-of-payments transmission channel analysis and should not be interpreted as CBO-sourced point estimates. Federal debt and interest burden projections in Figure 5 are derived from CBO extended-baseline scenarios adjusted for war-related supplemental appropriations.

All forward projections carry significant uncertainty and should be understood as scenario-bounded estimates rather than forecasts.

-Andi Widjajanto – Laboratorium Indonesia 2045-