Five years ago, as the Bush administration was preparing to attack Iraq, it claimed that the war would cost $50 billion to $60 billion. We are now spending for military operations alone that amount every three months -- and that sum does not even include future costs, such as disability and health benefits for returning troops. We estimate conservatively that by the time the war is over, it will have cost America in excess of $3 trillion, an amount so vast it is hard to fathom. The only way to grasp such numbers is to translate them into what a day or an hour of fighting costs, what economists refer to as the opportunity costs, what else we might have purchased. Many are worried about China's growing influence in Africa. But what we spend in aid to Africa amounts to but 10 days of upfront costs of fighting in Iraq. President Bush talked about the enormous financial problems facing Social Security, saying that drastic reforms -- even privatization -- were needed. Well, for one-sixth of the cost of an Iraq war, one could put Social Security on firm financial footing for at least the next 50 to 75 years.

There is no such thing as a war for free

March 20, 2008 | By J. E. Stiglitz and Linda Bilmes

War is always expensive, but this war is particularly expensive. It is now the nation's second longest (after Vietnam) and the second costliest (after the all-encompassing World War II). The cost per troop, even adjusted for inflation, is some eight times greater than earlier wars. Many of these costs arise because the administration tried to persuade the American people that they could have a war for free. The government kept upfront costs down, not spending money on, for instance, vehicles that would have protected our
troops against improvised explosive devices, or IEDs, which have led to so many deaths and disabilities, even after they were urgently requested. This war is distinctive in the huge number of injuries, some 15 times the number of fatalities -- a tribute to modern medicine, but an unfunded liability in excess of $600 billion, costs that we will be paying for decades. (The administration has done all it can to hide these numbers; working through veterans groups, we had to use the Freedom of Information Act to get the full scope of the injuries.)

This war relied more on National Guards, which are intended to protect us against domestic emergencies like Hurricane Katrina, not to fight foreign ventures. This war has been privatized more than any other war. The contractors have done well -- just look at Halliburton Co.'s share prices, which almost tripled in value. But these strategies, too, have been penny-wise and pound-foolish.

Going from $50 billion to $3 trillion is mostly a matter of simple arithmetic. We first added up the budgetary costs -- beginning with some $600 billion that goes to actual operations, requested in dribs and drabs, still five years into the war funded with emergency appropriations, which itself is more than 10 times what the administration said. But there are huge costs to come. Most important of these are the veterans' costs. Our armed forces have been drained: America is less prepared to meet a new challenge than it was five years ago (this is part of the security opportunity cost of the war). It will be expensive to restore the military to its pre-war strength.

But then there are huge costs to our economy and society that go beyond the budget. Many are not quantifiable -- the loss of America’s standing in the world may be among the greatest. But some can be quantified. The death benefit for a soldier is at $500,000 far less than any economic measure of the value of life (including those used by the Bush administration itself in determining whether an environmental regulation is worth the cost). Disability pay, too, does not cover the economic loss -- including the cost of care. In one of five families with a seriously disabled military person, someone has to give up a job to care for the returning veteran. And finally, there is the cost to the macroeconomy -- a cost that is just now becoming fully apparent.

From an economic perspective, most striking is that this is the first war in America’s history that ordinary citizens have not been asked to make an economic sacrifice as their sons and daughters risked their lives; as we went to
war, there was a huge deficit, but in spite of this, we actually cut taxes on upper-income Americans, meaning the costs are being passed on to future generations.

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