

# Nobel laureate estimates wars' cost at more than \$3 trillion

## HIGHLIGHTS

When U.S. troops invaded Iraq in March 2003, the Bush administration predicted that the war would be self-financing and that rebuilding the nation would cost less than \$2 billion. Five years later, a Nobel laureate estimates that the wars in Iraq and Afghanistan are costing America more than \$3 trillion.

## Price tag for Iraq, Afghan wars

*A new book by Nobel laureate Joseph Stiglitz makes conservative and moderate estimates for the wars' costs, in billions:*

- Conservative estimate totals \$2 trillion
- Moderate estimate totals \$3.1 trillion

**Social costs** (Statistical value of death, injury, medical costs)



**Spent to date** (total operations)



**Future operations** (through 2017)



**Future veterans's costs** (medical disability, Social Security)



**Other military costs** (equipment replacement, demobilization)



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Source: "The Three Trillion Dollar War"  
Graphic: Judy Treible



Kevin G. Hall - McClatchy Newspapers

WASHINGTON — When U.S. troops invaded Iraq in March 2003, the Bush administration predicted that the war would be self-financing and that rebuilding the nation would cost less than \$2 billion.

Coming up on the fifth anniversary of the invasion, a Nobel laureate now estimates that the wars in Iraq and Afghanistan are costing America more than \$3 trillion.

That estimate from Noble Prize-winning economist Joseph Stiglitz also serves as the title of his new book, "The Three Trillion Dollar War," which hits store shelves Friday.

The book, co-authored with Harvard University professor Linda Bilmes, builds on previous research that was published in January 2006. The two argued then and now that the cost to America of the wars in Iraq and Afghanistan is wildly underestimated.

When other factors are added — such as interest on debt, future borrowing for war expenses, the cost of a continued military presence in Iraq and lifetime health-care and counseling for veterans — they think that the wars' costs range from \$5 trillion to \$7 trillion.

"I think we really have learned that the long-term costs of taking care of the wounded and injured in this war and the long-term costs of rebuilding the military to its previous strength is going to far eclipse the cost of waging this war," Bilmes said in an interview.

The book and its estimates are the subject of a hearing Thursday by the Joint Economic Committee of Congress.

The White House doesn't care for the estimates by Stiglitz, a former chief economist of the World Bank who's now a professor at Columbia University.

"People like Joe Stiglitz lack the courage to consider the cost of doing nothing and the cost of failure. One can't even begin to put a price tag on the cost to this nation of the attacks of 9-11," said White House spokesman Tony Fratto, conceding that the costs of the war on terrorism are high while questioning the premise of Stiglitz's research.

"It is also an investment in the future safety and security of Americans and our vital national interests. \$3 trillion? What price does Joe Stiglitz put on attacks on the homeland that have already been prevented? Or doesn't his slide rule work that way?"

Rep. John Murtha, D-Pa., a decorated Marine Corp colonel and Vietnam veteran, welcomed the effort by Stiglitz and Bilmes to quantify how much the wars will cost taxpayers.

"It's astounding that here we are about to mark the fifth anniversary of the invasion of Iraq, and this administration still refuses to acknowledge the long-term costs of the war in Iraq," he said.

By any estimate, the Bush administration's predictions in March 2003 of a self-financing war have proved to be wildly inaccurate. Stiglitz cites operational spending to date of \$646 billion for the wars in Iraq and Afghanistan, and, working off estimates from the nonpartisan Congressional Budget Office, presumes that spending on these wars over the next decade probably will amount to another \$913 billion.

Pentagon officials had no immediate comment on Stiglitz's book or his estimates.

Stiglitz and Bilmes first estimated war costs of \$1 trillion in January 2006. Their research proved controversial and sparked debate about the costs of replacing equipment used by the regular armed forces and National Guard. In the new book, they offer a figure of \$404 billion for replacing equipment, planes and tanks and bringing military hardware back from Iraq and Afghanistan.

In an interview, Stiglitz said that too much of the public debate had been over the wars' operational costs while the real budget strains would show up only years from now.

"The peak expenditures are way out," he said, noting that the peak expenditures for World War II vets came in 1993.

The pair estimated that future medical, disability and Social Security costs for veterans of the conflicts in Iraq and Afghanistan range from a best-case \$422 billion to what they call a more probable long-term expense of \$717 billion.

It's why the two call in the book for creating a Veterans Benefits Trust Fund to set aside money in a "lock box" to pay for future health-care needs of Iraq and Afghanistan vets. Although veterans' health care amounts to a future promise, they said, it isn't an entitlement and instead is funded through discretionary spending. In the future, funding for vets will compete with other government programs.

"We should not have an unfunded entitlement program like this," Stiglitz said. "This is more like deferred compensation. . . . We require corporations to put money away but we don't require the government to put money away, and we should be doing that . . . so when the focus turns away to some other problem, veterans aren't given the shaft."

The book divides war costs into two main categories: budgetary and social. The budgetary costs are the more quantifiable spending on operations, equipment, future benefits paid to veterans and the like. In a best-case scenario they total about \$1.7 trillion; in a more probable scenario almost \$2.7 trillion.

The social costs that Stiglitz and Bilmes offer are more theoretical, and represent the thought-provoking part of their war-cost argument.

When a soldier is killed in combat, they said, the U.S. armed forces pay a \$100,000 death gratuity and make a \$400,000 payment to his or her survivors in the equivalent of insurance for an unexpected death.

If these men and women had died in private-sector employment or in some kind of disaster, compensation to family members generally would be settled in court after determining what economists and lawyers call "the value of statistical life." This measures the economic contribution that a person would have made over the rest of his or her life if they hadn't died.

Stiglitz and Bilmes settled on a statistical value of life that they say the Environmental Protection Agency uses when people are killed in environmental disasters: \$7.2 million.

There have been 4,456 U.S. military fatalities in the wars in Iraq and Afghanistan from 2001 to Feb. 26, 2008. The direct cost to the Pentagon from these deaths has been \$2.2 billion, but if lives are valued as they are outside the armed forces, the researchers conclude, the hypothetical economic cost rises to more than \$30 billion. Include contractors killed while working for U.S. operations and the number rises to more than \$50 billion.

In a best-case outlook, the social and societal costs of the Iraq and Afghanistan wars would be \$295 billion; \$415 billion in a moderate-realistic case scenario.



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