



Cost of Iraq war could surpass \$1 trillion

Estimates vary, but all agree price is far higher than initially expected

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One thing is certain about the Iraq war: It has cost a lot more than advertised. In fact, the tab grows by at least \$200 million each and every day.

In the months leading up to the launch of the war three years ago, few Bush administration officials were willing to comment publicly on the potential costs to the United States. After all, no cost would have been too high if the United States faced an imminent threat from an Iraq armed with weapons of mass destruction, the war's stated justification.

In fact, the economic ramifications are rarely included in the debate over whether to go to war, although some economists argue it is quite possible and useful to assess potential costs and benefits.

In any event, most estimates put forward by White House officials in 2002 and 2003 were relatively low compared with the nation's gross domestic product, the size of the federal budget or the cost of past wars.

White House economic adviser Lawrence Lindsey was the exception to the rule, offering an "upper bound" estimate of \$100 billion to \$200 billion in a September 2002 interview with *The Wall Street Journal*. That figure raised eyebrows at the time, although Lindsey argued the cost was small, adding, "The successful prosecution of the war would be good for the economy."

U.S. direct spending on the war in Iraq already has surpassed the upper bound of Lindsey's upper bound, and most economists attribute billions more in indirect costs to the war effort. Even if the U.S. exits Iraq within another three years, total direct and indirect costs to U.S. taxpayers will likely be more than \$400 billion, and one estimate puts the total economic impact at up to \$2 trillion.

Back in 2002, the White House was quick to distance itself from Lindsey's view. Mitch Daniels, director of the White House budget office, quickly called the estimate "very, very high." Lindsey himself was dismissed in a shake-up of the White House economic team later that year, and in January 2003, Defense Secretary Donald Rumsfeld said the budget office had come up with "a number that's something under \$50 billion." He and other officials expressed optimism that Iraq itself would help shoulder the cost once the world market was reopened to its rich supply of oil.

Those early estimates struck some economists as unrealistically low. William Nordhaus, a Yale economist who published perhaps the most extensive independent estimate of the potential costs before the war began, suggested a war and occupation could cost anywhere from \$100 billion to \$1.9 trillion in 2002 dollars, depending on the difficulty of the conflict, the length of occupation and the impact on oil costs.

The most current estimates of the war's cost generally start with figures from the non-partisan Congressional Budget Office, which as of January 2006 counted \$323 billion in expenditures for the war on terrorism, including military action in Iraq and Afghanistan. Just this week the [House approved another \\$68 billion](#) for military operations in Iraq and Afghanistan, which would bring the total allocated to date to about \$400 billion. The Pentagon is spending about \$6 billion a month on the war in Iraq, or about \$200 million a day, according to the CBO. That is about the same as the gross domestic product of Nigeria.

Scott Wallsten, a resident scholar at the conservative American Enterprise Institute, put the direct cost to the United States at \$212 billion as of last September and estimates a "global cost" of \$500 billion to date with another \$500 billion possible, with most of the total borne by the United States.

That figure is in line with an estimate published last month by University of Chicago economist Steven Davis and colleagues, who put the likely U.S. cost at \$410 billion to \$630 billion in 2003 dollars.

Joseph Stiglitz, a Nobel Prize-winning economist and self-described opponent of the war, puts the final figure at a staggering \$1 trillion to \$2 trillion, including \$500 billion for the war and occupation and up to \$300 billion in

future health care costs for wounded troops. Additional costs include a negative impact from the rising cost of oil and added interest on the national debt.

In the buildup to any war, financial costs rarely play a big role in the debate, especially for a superpower like the United States, which is presumed to have virtually limitless resources. But economists like Wallsten and Davis say there is no reason wars cannot be subjected to the same type of cost-benefit analysis as other government activities.

After all, even a society as rich as ours has finite resources, and the public has a limited appetite for absorbing the costs of war, whether human or economic.

"I come at this from a background in regulation," said Wallsten, who served in the Clinton White House but said his analysis is not rooted in any particular perspective on the war.

"When the government proposes a new regulation they have to by law do a cost-benefit analysis," he noted. "So we have this framework, but it's never been applied to this kind of policy decision."

Wallsten said some people might look at his estimate of up to \$1 trillion in costs and conclude that the war was worth it given its benefits, such as the removal of Saddam Hussein from power and the possible installation of a democratic government in the heart of the Middle East.

"I wasn't trying to say whether the war was worth it or not. There are lots of benefits that could arise, and I don't know how to place a probability on whether they would occur. I was interested more than in coming up with a number, coming up with a framework that people might want to have in coming up with such decisions in the future," Wallsten said.

Wallsten also offers amateur and professional policy-makers the chance to come up with their own cost estimates by plugging in values for variables like the length of the occupation (up to nine more years) the number of annual deaths and injuries and the statistical "value" of a life. ([To try your own assumptions, click here.](#))

In addition to the economic costs, any military conflict can also have financial benefits, although in this age of more limited wars and a service-oriented economy, war is not the economic pump-primer it once was.

Davis and his colleagues at the University of Chicago recently updated a paper to make the point that the cost of the war alone is not necessarily an iron-clad argument against it.

They estimate that continuing the previous policy of containment with a deployment of 28,000 troops in Turkey, the Middle East and the Persian Gulf would have cost \$14.5 billion a year for many years to come. And they say containment eventually could have failed, meaning a more costly armed conflict might have broken out anyway. Factoring in those possibilities, they say containment could have cost \$350 billion to \$700 billion over the long term, possibly as much as the war option.

They also point to potential net economic benefits to Iraqis, concluding that the war is likely to lead to "large improvements in the economic well-being of most Iraqis relative to their prospects under the policy of containment."

And, Davis and his colleagues argue, even though the war has led to thousands of Iraqi deaths, tens of thousands were dying prematurely each year under Saddam's regime, due to repression, economic failure or UN sanctions.

"If, over the course of a generation, Iraqis recover even half of the economic losses they suffered under Saddam Hussein, then they will be significantly better off in material terms as a consequence of forcible regime change," they say.

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