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Iraq war cost estimates run into the trillions

New book says war will cost at least \$3 trillion before it's over.

By [David R. Francis](#) / *columnist*

Next week, the Iraq war enters its sixth year. As casualties mount (about 4,000 American soldiers killed since the start of the war in March 2003), so do the bills.

"The cost is going up every month," says Linda Bilmes, an expert at Harvard University's Kennedy School of Government. She estimates the short-term, "running cost" has reached \$12.5 billion a month. That's up from \$4.4 billion a month in 2003. Add in long-term factors, such as the care of veterans and interest on federal debt incurred as a result of the war, and the cost piles up to \$25 billion a month nowadays.

Last September in a phone interview, Ms. Bilmes estimated the war's total price tag as easily exceeding \$2 trillion. In a book published last month, she and Joseph Stiglitz, a Nobel Prize-winning economist from Columbia University, New York, estimated the total long-run cost at \$3 trillion in 2007 valued dollars. If you add in Afghanistan and various costs to the economy, the sum reaches \$4.95 trillion.

When the book was released in London, it prompted questions in the House of Commons because it puts the cost to Britain of the Iraq war through 2010 at approximately \$40 billion – twice the amount previously estimated.

Now all these numbers are inexact, especially projections into the future.

Scott Wallsten, an economist at the Georgetown Center for Business and Public Policy in Washington, figures Iraq war costs through 2015 will be close to \$1 trillion. Remarkable as it may seem, Mr. Wallsten says his estimates are "not so far off" from the Bilmes-Stiglitz \$3 trillion estimate. For one thing, Wallsten doesn't include in his estimate some "macro" economic costs, such as a rise of \$5 to \$10 per barrel of oil that Bilmes and Stiglitz blame on the war. In 2003, oil was priced in the futures market at \$25 a barrel. Now it is more than \$100 a barrel. But other factors, such as the huge rise in demand for petroleum in China and India, also have helped push prices up.

Further, Wallsten uses a much lower medical inflation rate for the cost of treating veterans into the future than Bilmes-Stiglitz. That makes a significant difference over time.

Whatever the complex statistical issues, the costs of the war are plainly enormous. Democratic presidential candidate Barack Obama speculates sometimes on how the money could have been better

spent on domestic programs.

To make the numbers a bit more real to citizens, Wallsten and graduate student Katrina Kosec have compared the cost of the war to the US Treasury of \$415 billion in the years 2003-07 with approximate amounts spent on other federal agencies over that same period: Education, \$370 billion; Transportation, \$310 billion; State Department \$64 billion; Corps of Engineers, \$35 billion.

The war's cost, of course, is far larger than the \$100 billion to \$200 billion "upper bound" estimate by presidential economic adviser Lawrence Lindsey prior to the war, an estimate that got him into hot water in the White House. Then Defense Secretary Donald Rumsfeld talked of "something under \$50 billion."

Wallsten notes that Yale economist William Nordhaus in 2002 reckoned the war would cost anywhere from \$100 billion to \$1.9 trillion, far closer to reality. And Wallsten says this demonstrates the value of making serious cost-benefit analysis when government leaders make major policy decisions. In his original study, Professor Nordhaus noted: "The historical record is littered with failed forecasts about the economic, political, and military outcomes of wars."

Iraq gives him another example of such a failure.

Like Wallsten, University of Chicago economist Steven Davis holds more analysis and planning is needed before launching a war. But this was "actively resisted" by the Defense Department before the war. "Quite unfortunate," he says.

Professor Davis and some colleagues did publish in 2006 a look at the cost of continuing the prewar containment policy involving economic sanctions on Iraq, disarmament requirements, weapons inspections, northern and southern no-fly zones within Iraq, and maritime interdiction to enforce trade restrictions. The cost, they calculate, would have run in the range of \$350 billion to \$700 billion. "It is difficult to gauge whether the Iraq intervention is more costly than containment," they wrote.

But Bilmes-Stiglitz war-cost estimates are much higher. And it is unclear whether more Iraqis would have died prematurely if Saddam Hussein had remained in power than have already been killed during the war and the subsequent occupation.

In any case, the next president will be faced with the difficult issue of what to do next about the war. Bilmes figures a Democratic president would make a faster drawdown of troops than a Republican president, but "not as rapid as one might hope."

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