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The cold price of hot blood

A devastating new book reveals that Iraq will cost the U.S. at least \$3 trillion. Will Americans check their pocketbooks the next time a president tries to sell them on a cheap, glorious war?

By Gary Kamiya

Mar. 04, 2008 | Every nation that goes to war makes that war its religion. Wars are always holy, necessary and sacrosanct. That's why asking how much a [war](#) costs is blasphemous. It's like asking how much [God](#) is worth.

Hence the Bush administration's predictably apoplectic reaction to Joseph Stiglitz and Linda J. Bilmes' new book, "The Three Trillion Dollar War: The True Cost of the Iraq Conflict." "People like Joe Stiglitz lack the courage to consider the cost of doing nothing and the cost of failure," [White House spokesman Tony Fratto](#) declaimed. "One can't even begin to put a price tag on the cost to this nation of the attacks of 9/11. 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?"

Since the [Iraq war](#)

hasn't done anything except endanger the future security of Americans and jeopardize our vital national interests, it's tempting to reply that Fratto's slide rule is the one that's busted. But his overblown rhetoric refutes itself. When official spokesmen accuse a Nobel Prize-winning economist of cowardice, you know that a direct hit has been scored.

As far as I know, Stiglitz and Bilmes' landmark book is the first to break the taboo against counting up the costs of an ongoing war. Not only does it reveal the staggering actual cost of Bush's war of choice -- at least \$3 trillion -- it details what we could have done with that money if we had spent it more wisely. The book also argues that Iraq is partly responsible for the nation's current economic crisis: The Federal Reserve Bank under [Alan Greenspan](#)

tried to offset the adverse effects of the war by lowering interest rates, which helped cause the subprime debacle when interest rates inevitably rose.

The import of their insistence on looking at the war's cost now, while it's still in progress, can't be underestimated. By forthrightly acknowledging that armed conflict should be subject to a cost-benefit analysis, they implicitly puncture the sacrosanct aura of patriotism surrounding war -- and make it harder for governments to launch future wars as ill-considered as the present one we find ourselves in.

To put Stiglitz and Bilmes' \$3 trillion in perspective, it's worth comparing it to the cost estimates Bush officials bandied about before the war began. The authors present a damning "Nightline" transcript in which one official, Andrew Natsios, blandly told Ted Koppel that Iraq could be completely reconstructed for only \$1.7 billion. (With the war now costing \$12.5 billion a month, Natsios' estimate would have been accurate if he had stipulated that it would pay for *four days' worth* of reconstruction. Which, considering the delusional nature of most of the Bush administration's pre-invasion estimates, may have been how long it thought it would take to rebuild the country.) Other officials settled on a figure of \$50 billion to \$60 billion. Larry Lindsey, Bush's economic advisor, went way out on a limb, suggesting that the war might cost \$200 billion -- a figure derided by then-Secretary of Defense [Donald Rumsfeld](#) as "baloney." Rumsfeld [refused even to offer](#) a range of estimates, saying, "I've already decided that. It's not useful." He was right: It would not have been useful for those ginning up support for a war to predict that it might cost \$3 trillion.

In 2005, the Congressional Budget Office estimated that the war had so far cost about \$500 billion. That figure was obviously far higher than initial [Bush](#) administration estimates, but Stiglitz and Bilmes suspected it was still much too low. After researching the issue, they [published a paper](#) in January 2006 that conservatively estimated that the true cost of the war would be between \$1 trillion and \$2 trillion. Even at the time, they regarded that estimate as excessively conservative, but didn't want to appear extreme. Stiglitz and Bilmes' book, which is based on that paper, doubles their earlier estimates to \$3 trillion, making Iraq the second most expensive war in U.S. history, trailing only World War II, which cost an adjusted \$5 trillion (and in which 16.3 million Americans served in the armed forces, with 400,000 dying). But the authors regard even their new figure as conservative: Their estimates range from \$2 trillion, in the best-case scenario in which the U.S. withdraws all combat troops by 2012 and fewer veterans need medical and disability pay, to more than \$5 trillion. Add in the cost to the rest of the world, and the price tag could exceed \$6 trillion.

As the authors detail, the Bush administration has used every trick in the book to hide the real price tag -- concealing non-combat casualty figures, keeping double sets of books, not factoring in support troops, and allowing the Pentagon to produce budgets so contradictory, obscure and incompetently presented that there is literally no way to determine how much it has spent. The authors had to use the Freedom of Information Act to obtain much of the information in their book.

But the administration's biggest sleight of hand has been ignoring the enormous future costs of caring for the hundreds of thousands of disabled veterans who will require vast medical and disability payments, many for the rest of their lives. Those costs will be staggering: an estimated \$717 billion. Relatively little attention is paid to those costs, because they haven't shown up on the books yet. But as the authors point out in one of the book's more arresting statistics, they're coming: We're already paying \$4.3 billion a year to the veterans of the first Gulf War, which lasted less than two months and in which only 148 U.S. soldiers were killed.

Veterans' costs for the current Iraq war will certainly dwarf that figure. Tens of thousands of troops will suffer from post-traumatic stress disorder from a war so stressful some experts have compared it to Vietnam. To these grievous mental wounds, which can require a lifetime of expensive treatments, one must add the unprecedented percentage of troops suffering horrific physical injuries. Thanks to body armor, fast airlifts to hospitals and advances in medical treatment, many more severely wounded vets are returning home, where they require ongoing medical and disability care. One army neurosurgeon calls the injuries "the severest ... I've seen in my career."

Getting the care they need is another question. As documented by Salon's [Mark Benjamin](#), the Washington Post's [Dana Priest and Anne Hull](#) and other reporters, wounded [vets](#) often receive shamefully inadequate care. First, they face bureaucratic obstacles that make it difficult or impossible for them to receive timely assistance. Then once they do get into the system, the hospital facilities and care are often substandard. This is a national disgrace.

It's clear that economic calculations are a big reason why the Bush administration has not moved aggressively to ensure that all America's wounded veterans receive the best possible care, no matter at what expense. If veterans were treated properly, and that future cost factored into war planning from the start, the price tag of going to war would rise exponentially -- which is precisely the last thing that administrations bent on war want.

Noting that "[h]istory suggests that after a war, the public often loses interest in taking care of its veterans," the authors call on the U.S. to fundamentally change its approach to veterans' healthcare. Funds should not be discretionary, they argue, but in an entitlement -- not subject to annual cuts. National Guard and reservists should be made eligible for full benefits. A new national office to advocate for veterans should be created to guard against Catch-22 outrages like the policy (since overturned by the U.S. Senate) that required wounded veterans to return a portion of their enlistment bonuses if they failed to serve out their full tours as a result of their injuries. And perhaps most important, the burden of proof for eligibility for healthcare and disability

benefits should shift from soldiers to government. "If a veteran claims a war-related disability, then the veteran should be *presumed* to be entitled to that claim," they write.

Such a radical change in the nation's approach to its veterans would ensure that we pay more than lip service to the men and women we ask to risk everything. It would also make going to war far more expensive.

"The Three Trillion Dollar War" talks about two types of war-related expenses: budgetary and social. Budgetary costs include operational spending on Iraq and Afghanistan, which they estimate will total from \$1.7 trillion to \$2.7 trillion. (Throughout the book, the authors put forward two sets of figures: one based on a "best-case scenario" and one on a far more likely "realistic-moderate" scenario.) This figure includes the expense of keeping armies in the field, paying veteran-related costs, replacing equipment (\$400 billion for this alone), and paying interest on the vast debt we have incurred to fight the war. So far, Congress has actually appropriated \$645 billion for Iraq and Afghanistan since 2001, plus the \$200 billion Bush asked for in 2008. As the authors point out, this is more than the U.S. spends annually on Medicare and Medicaid combined. And the monthly "burn rate" to pay for the wars has gone steadily up, from \$4.4 billion in 2003 to \$16 billion today. This means that every American household is spending \$138 a month on the current operating expenses of the wars.

The additional "social" costs that are not borne by the government are harder to calculate -- and more controversial. The most important concept here is lost productivity due to death or injury. The U.S. government pays a \$100,000 "death gratuity" and a \$400,000 insurance payout to the survivors of those killed. But the authors argue that this figure represents only a small fraction of the actual **economic** loss to society caused by a lost life. Economists have developed a standard measure called "value of statistical life," or VSL, an estimate of what a person could have earned if he or she had lived to a normal age. This measure is used by government to assess the cost worthiness of regulations, and by insurance companies to determine the appropriate compensation for a wrongful death. A typical VSL value is \$7.2 million. By applying that figure to fatalities, and a proportionally related figure to the wounded and disabled (including contractors, which the government pushes off the books), the authors estimate that the "social" costs of the wars range between \$295 billion and \$415 billion.

The macroeconomic cost of the war, primarily due to the increase in price of oil as a result of the war, is the most conjectural part of the economic picture, and so the authors are appropriately cautious -- but the figures here are the highest of all. Before the Iraq war began, oil cost about \$25 a barrel. At the time their book went to press, it was \$90, and is \$103 today. Even if one assumes that the war was only responsible for \$5 or \$10 of that increase, which is so conservative as to be barely credible, the authors find that the budgetary impact would be \$187 billion. Their more realistic assessments range from \$1.9 trillion to more than \$3 trillion. The authors do not include any of these figures in their final \$3 trillion estimate -- if they had, they could have titled their book "The \$6 Trillion War." (It's worth noting that the authors are skeptical of arguments that the war was fought for oil: If it was, they point out, it was a highly irrational motivation, since the invasion was not likely to lead to lower oil prices and more stable supplies. They see it as more driven by ideological motivations.)

When Stiglitz and Bilmes published their 2006 paper, they were attacked by war supporters who argued that they ignored the war's benefits. The White House today echoes that charge with its insistence that the Iraq war has prevented other terrorist attacks. The authors, who acknowledge that they opposed the war from the beginning, scarcely bother to reply to that unprovable and implausible claim: They tersely point out that so far there have been few benefits to Iraq and, apart from the oil and defense industries, none to America. Instead, they remind readers of what we could have done with just \$1 trillion of the \$3 trillion we will spend in Iraq.

This is a useful exercise, since for anyone who isn't an original employee of **Google**, any figure above \$10 million is almost incomprehensible. Reading this book, I had to keep repeating to myself: A billion is a thousand million dollars, and a trillion is a thousand billion dollars. But even that didn't really help me visualize the numbers, so I turned to specific issues. For example, the state I live in, California, is suffering a serious budget crisis that has resulted in major cuts in education and other areas. California has a vast

economy, and the [shortfall is massive](#):

\$3.3 billion. That's a lot of money -- but just reallocating about one week's worth of Iraq funding would wipe it out.

Domestically, the authors note that a trillion dollars could have fixed the Social Security crisis for 50 years, built 8 million housing units, or hired 15 million public schoolteachers for a year.

Abroad, "[t]wo trillion dollars would enable us to meet our commitments to the poorest countries for the next third of a century." For a "mere" \$8 billion, the cost of two weeks of the war, we could have fully funded the world campaign to eradicate illiteracy. And imagine the benefits if we had used some of that money for a Marshall Plan for the Middle East that "might actually have succeeded in winning the hearts and minds of the people there."

It is too late to do any of that now, and too late to bring back the more than 4,300 Americans killed in Iraq and Afghanistan, or the hundreds of thousands of Iraqis who have died. But the authors want to make sure that future wars come with a full disclosure statement. Their aim is to restore financial responsibility. But they also have a deeper purpose: to prevent America from cavalierly rushing into war. To that end, they propose a number of reforms.

- Wars should not be funded by "emergency" supplemental spending bills, as Iraq has been for five years in a row, because such funds are not subject to the same oversight as regular appropriations.
- War funding should be linked to strategy reviews. If a war is going badly, the administration should be required to explain why and present strategies for improving it.
- The full costs of war -- present and future -- should be clearly presented. The Department of Defense should be required to present auditable books to Congress. As the authors note, "the accounting practices used by the government are so shoddy that they would land any public firm before the Securities and Exchange Commission for engaging in deceptive practices."
- Congress should cut back on the excessive use of contractors in wartime. The heavy outsourcing of military tasks to the private sector has driven up costs astronomically, led to massive corruption and incompetence, and "limited the extent to which America has felt the human toll of the war ... the percentage of the U.S. population bearing the cost of a conflict is the lowest ever."
- Finally, the authors call for current taxpayers to be required to pay for any war lasting more than one year, by levying a war surtax. As they point out, "[w]ar has become too easy for America ... The war has been financed by debt." This not only burdens future generations with debts they did not incur, but it makes it all too easy for Americans, especially in the absence of a draft, to sign off on wars. "As the United States has emerged as the sole superpower ... spending 47 percent of the total for the entire world on armaments, there is no last line of checks against its abuse of military power -- other than the active involvement of its citizens."

There is no free lunch, and there are no free wars. Wars do not stimulate the [economy](#): They drag it down. We will all be paying for this disastrous war for decades. With Americans disillusioned about the Iraq war, and the economy tanking in part because of it, the cold, undeniable economic message of "The Three Trillion Dollar War" may finally sink in. Perhaps it will make it harder for governments to wage future frivolous wars. But even if it only succeeds in forcing our society to honor our commitment to take care of our veterans, this book will have succeeded.

-- By Gary Kamiya

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