On Campus

Economist Stiglitz Says Iraq War Will Cost $1-2 Trillion

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One trillion dollars could fix Social Security for the next 75 years, twice over. Or bankroll Medicare's prescription drug plan for the next decade.

It's also the price Americans will pay for the Iraq war, when accounting for the long-term healthcare costs of injured vets and economic ripple effects, according to a recent study by Columbia economics professor Joseph Stiglitz and Harvard lecturer Linda Bilmes.The study assumes that U.S. troops will begin withdrawing from Iraq in large numbers this year but will maintain a diminishing presence in the country through 2010. If troops remain in Iraq for the next 10 years, the study finds, the war's cost could approach $2 trillion.

The nonpartisan Congressional Budget Office has estimated that expenditures for the Iraq war will total $500 billion over the next decade. That number represents only basic combat operations, according to Stiglitz and Bilmes. They factor in the cost of medical care for troops, replacement of damaged military hardware, beefed-up recruitment efforts, and interest paid on loans to finance the fighting. In the more conservative of their two appraisals, healthcare and disability benefits for returning veterans alone will cost $91 billion over the course of their lives, in part because better body armor has led to an unusually high rate of vets surviving with brain damage, spinal injuries, and amputations.

"This first objective of our study was to conduct a more complete analysis of the government's direct spending on the war," says Stiglitz, a University professor. "The government is basically measuring the cost of new bullets and the cost of moving people over there, and so forth.They look at a pie chart for military operations and ask, 'What extra costs are we adding to this?'" And the story doesn't end with direct expenditures, Stiglitz says. He and Bilmes conservatively estimate that the war is dealing our economy a blow of $187 billion, primarily by sending skilled workers to

the battlefield and causing 20 percent of the spike in petroleum prices over the last three years.

Stiglitz, the recipient of the 2001 Nobel Prize for economics and a former chief economist at the World Bank, says that the federal government could easily have conducted its own comprehensive cost analysis before invading Iraq. “It’s the kind of thing the Congressional Budget Office does as a matter of routine,” he says. “Obviously, when the United States is attacked at Pearl Harbor, you don’t need to do this kind of analysis to decide whether or not you respond. But this was a war of choice. Whatever our nation’s objective is, whether to achieve stability in the Middle East or to spread democracy, you have to ask whether this was the costeffective way to do it. Before you go to war, you must think about what the costs are and if there are other ways of achieving your goals.That didn’t happen.”

The paper, “The Economic Costs of the War in Iraq: An Appraisal Three Years After the Beginning of the Conflict,” was presented at the annual meeting of the American Economics Association in January.


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All categories >