The Financial Cost of the Iraq War: $153,130 Per Iraqi

In early 2003, the White House economic adviser, Lawrence Lindsay, projected the cost of Iraq war between $100 and $200 billion. Subsequently, Lindsay left his post and the White House "re-estimated" the cost at $50 to $60 billion. As the conflict escalated, the cost of the war was gradually upgraded to about $600 billion in 2008. The Department of Defense projected the cost of the war to reach $800 billion and the Congressional Budget Office calculated the cost of the war between $1.0 and $1.3 trillion through 2020.

In early 2008, Joseph Stiglitz and Linda Bilmes estimated the “true” cost of Iraq war at $3.0 trillion, which accounted for both military expenses and the war’s broader impact on the U.S. economy. Recently, they revised their estimates to include $250 billion for higher oil prices due to the increased global demand. They asserted that a more realistic, yet conservative, estimate of the war’s impact on oil prices adds to $10 per barrel, instead of the original estimate of $5 per barrel. In addition, they projected that 25 percent of the increase in the federal debt between 2003 ($6.4 trillion) and 2010
($13.0 trillion) is due to the greater impact of war expenditures on the federal budget and recovery plans from the recession.

To capture these impacts, I subtract $6.4 trillion form $13.0 trillion and divide the difference by 4 to arrive at $1.65 trillion. Adding $250 billion of the oil price hick and $1.65 trillion of increased federal debt to the original estimate of $3.0 billion, I arrive at $4.9 trillion over seven-years.

Now, my calculations become even more appealing! I divide $4.9 trillion by 32 million population of Iraq to calculate the cost of the war per Iraqi at $153,130, which is 42.5 times greater than Iraq’s per capita income of $3,600. Next, I divide $4.9 trillion by 308,750,000 population of the U.S. to estimate the cost of the Iraq war at $15,870 per American, which is one-third of the U.S. per capita income of $46,700.

Stiglitz and Bilmes concluded that the recent global financial crisis was due, at least in part, to the war. They emphasized that higher oil prices and rising war costs meant that money spent abroad was money not being spent at home on education, infrastructure, job creation, and technological advancement for long-term economic growth.

Sources: