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BOOK REVIEW:

THE THREE TRILLION DOLLAR WAR: THE TRUE COST OF THE IRAQ CONFLICT

Joseph E. Stiglitz & Linda J. Bilmes*

Reviewed By: Bruce Patsner

The Three Trillion Dollar War: The True Cost of the Iraq Conflict is the ultimate reality check. For the past six years, the Bush administration has been very successful at keeping the American people from seeing photographs of American soldiers killed in Iraq and Afghanistan. Our dead and wounded are airlifted here from Europe and land in the middle of night at military bases, far from the prying eyes of the press. However, no amount of information control is going to help politicians run from the ever-increasing, overwhelming economic catastrophe the current Iraq war has become for this country, not just in terms of the unanticipated costs of caring for the seriously wounded and injured (now numbering more than 58,000)¹ and long-term disabled veterans, but also because of the sheer enormity of the financial expenditure. Even by conservative estimates, the costs of veterans' healthcare for this conflict will in all likelihood equal or exceed the \$800 billion spent on this conflict, since the "Shock and Awe" campaign kicked it off six years ago.

The dollar numbers are staggering, the sheer wastefulness mind-numbing, and the manner in which medical care for our warriors is administered once they are state-side depressing. Worse still is the fact that the authors—a 2001 Nobel Prize winning economist and a skilled expert in government finance from the Harvard University's Kennedy School of Government—repeatedly emphasize that some of their cost

* JOSEPH E. STIGLITZ & LINDA J. BILMES, *THE THREE TRILLION DOLLAR WAR: THE TRUE COST OF THE IRAQ CONFLICT* (W.W. NORTON & COMPANY 2008).

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¹ DEFENSE MANPOWER DATA CENTER, STATISTICAL INFORMATION ANALYSIS CENTER, *GLOBAL WAR ON TERRORISM – OPERATION IRAQI FREEDOM, BY CASUALTY CATEGORY WITHIN SERVICE, MARCH 19, 2003 THROUGH DECEMBER 8, 2007*, obtained by Veterans for Common Sense under the Freedom of Information Act, available at <http://siadapp.dmdc.osd.mil/personnel/CASUALTY/OIF-Total.pdf> (last accessed March 10, 2008).

estimates are conservative.² This book should be required reading for every American old enough to vote this election year.

As a work of major healthcare economics research, *The Three Trillion Dollar War* is likely to be the definitive source for some time. Readers may or may not be surprised at how difficult it was for skilled economics researchers, such as the authors, to obtain even basic information needed for many of the cost calculations in this book. What is surprising is that some of the authors' success was in no small part due to repetitive requests for information by veterans' interest groups,³ under the Freedom of Information Act.

I. THE TWO TAKE-HOME MESSAGES

The first message Stiglitz and Bilmes have for the reader—and they hit this point repeatedly—is that there is no free lunch. More specifically, there is no free war. The fact is that wars cost money, and our current war has been extremely expensive by any standard. The butcher's bill (as Napoleon would say) may be small compared to World War I, World War II, Korea, or Vietnam,⁴ but Americans are going to be paying off the tab for many years to come. Unlike other wars the U.S. has fought in the past 100 years, the financing of the current conflict has been with money borrowed from overseas. Instead of raising taxes so that American citizens were aware of the direct costs of this war and its long-term veterans' healthcare consequences, the current Bush administration cut taxes for Americans and shifted the burden for paying off our war debt to future generations. For this reason, there has been little direct effect of the war on the day to day lives of most Americans, and most Americans remain oblivious to the direct financial, and personal, costs of the war.

The total amount of money Congress has thus far appropriated and that the military has spent as of this writing is approximately \$845

² JOSEPH E. STIGLITZ & LINDA J. BILMES, *THE THREE TRILLION DOLLAR WAR: THE TRUE COST OF THE IRAQ CONFLICT* (W.W. NORTON & COMPANY 2008) [hereinafter abbreviated as Stiglitz and Bilmes].

³ See Veterans for America, available at <http://www.veteransforamerica.org> (last accessed March 31, 2008). This website tracks trends in the healthcare provided to Gulf War veterans suffering from Traumatic Brain Injury (TBI) and Post-Traumatic Stress Disorder (PTSD).

⁴ STIGLITZ & BILMES, *supra* note 2, at 240 ("CRS estimates the military costs (in FY 2007 dollars) of previous wars as: Vietnam \$670 billion; Korean War \$295 billion; and Gulf War \$94 billion (total costs, mostly paid by allies). These are military costs, not including veterans' medical care and disability compensation.").

billion dollars.⁵ Three-quarters of that money (\$634 billion) is just for Iraq. How much money is that exactly? Treasure of such magnitude is hard to comprehend. It is ten times the Bush administration's early estimates for the Iraq war⁶ and exceeds the amount we spend on Medicare and Medicaid combined each year.⁷ Looking at the possibilities for what this amount of money might have been used for in non-healthcare items, the figures border on the fantastic.⁸ The recent month-long dispute between Congress and the President over expansion of SCHIP coverage so more poor children in this country could receive medical care⁹ revolved around an amount of money that would not run military operations in Iraq for more than a few days. On the other hand, given the amount of waste and cost-overruns, which routinely inhabit the world of the Pentagon,¹⁰ others might view what we have spent on current military operations as nothing out of the ordinary.

Reading this book in 2008, it is difficult to imagine that the Bush administration actually claimed six years ago that the war would cost "only" \$50-60 billion dollars and that revenue from oil would ultimately defray our costs.¹¹ U.S. gasoline prices are almost double what they were five years ago when this conflict started, and there is no evidence that any real Iraqi oil revenue is being used to payback anything. If the real reason for going to war in the Gulf was to get cheap oil (something the authors believe to be unlikely and dismiss in

⁵ STIGLITZ & BILMES, *supra* note 2, at 32.

⁶ *Id.* at 7. Larry Lindsey, head of the National Economic Council, initially suggested that the total cost of the war might reach \$200 billion. This estimate was dismissed as "baloney" by Defense Secretary Rumsfeld who estimated the costs in the \$50-60 billion dollar range. Rumsfeld's deputy Paul Wolfowitz stated that post-war reconstruction could pay for itself through increased oil revenues. This has yet to happen. Interestingly, the first Iraq War under President Bush Senior *was* paid for mostly by our allies, unlike the current Iraq war.

⁷ BUDGET OF THE U.S. GOVERNMENT (2007). Included \$394 billion for Medicare and \$276 billion for Medicaid.

⁸ See STIGLITZ & BILMES, *supra* note 2, at preface ("A trillion dollars could have built 8 million additional housing units, could have hired some 15 million additional public school teachers for one year; could have paid for 120 million children to attend a year of Head Start; or insured 530 million children for health care for one year.").

⁹ Sara Rosenbaum, *The Proxy War—SCHIP and the Government's Role in Health Care Reform*, 358 N. ENG. J. MED. 869 (2008).

¹⁰ See Dana Hedgpeth, *GAO blasts weapons budget. Cost overruns hit \$295 billion for dozens of Pentagon's biggest systems*. THE WASHINGTON POST, APRIL 1, 2008, available at <http://www.msnbc.msn.com/id/23891322/print/1/displaymode/1098/> (last accessed April 1, 2008).

¹¹ Stiglitz & Bilmes, *supra* note 2, at 7.

Chapter Five “The Macroeconomic Effects of the War”), our efforts and expense, thus far, have been an appalling failure.¹² President Bush recently stated that he is comfortable with the expenditure in lives and national treasure for his policies;¹³ perhaps, he should put down his book about George Washington long enough to read this one. Except for Barack Obama, none of the current Presidential candidates have directly pointed out what many Americans are belatedly figuring out for themselves: some of the current economic woes in this country are because of the money we have spent on this war. Every dollar spent on the war is a dollar that is not spent on domestic concerns. The non-intuitive notion of “opportunity costs,” which is nothing more than economic shorthand for asking whether we are getting sufficient value for the money we are spending on something (as opposed to anything else), is now beginning to rear its ugly head. A recent Op-Ed piece by Nicholas D. Kristof, in the *New York Times*,¹⁴ pointed out that Iraq war-related expenses are accumulating at the rate of almost \$5000 *per second*.

The second, and most important, message of this book is that there is no free medical care. According to the authors, even if we take into account the costs of overhauling our military and the direct expenses on personnel and equipment spent thus far, the most serious and long-term direct financial obligations for American taxpayers are going to be the current and future costs for medical care, disability benefits, social security payments, and lost earnings for the veterans of this conflict and their families. This second point is the real surprise of the book, because at first glance one would not normally view the major costs of the Gulf war through the prism of healthcare economics. Although every chapter in the book makes this second point, and a breakdown of relative costs is nicely summarized in a table at the end of Chapter Two (“The Costs to the Nation’s Budget”), it is Chapter Three (“The True Cost of Caring for Our Veterans”) that is the critical “core” of the book where the authors detail their economic analysis and make their case.

¹² *Id.* In Chapter 5, the authors note “It is enough to say that if America went to war in the hope of securing cheap oil, we failed miserably. We did however succeed in making the oil companies richer.”

¹³ Karen DeYoung & Michael Abramowitz, *Bush Says War’s Outcome ‘Will Merit the Sacrifice’*, WASH. POST, March 25, 2008 at A1.

¹⁴ Nicholas D. Kristof, *Iraq, \$5000 Per Second*, THE NEW YORK TIMES, March 23, 2008, WK at 10.

The Preface and Chapter One (“Is It Really Three Trillion?”) provide the background discussion for the lead-up to the war, the initial cost projections, and the “shell game” the Pentagon and Department of Defense play with their budgeting and accounting to hid where the money is going and what it is being spent on. An important point the authors make is that the recurrent use of “emergency” appropriations to fund the war has allowed the current Bush administration to make an end-run around the traditional Congressional budgetary process and oversight for war-related costs. The authors also outline their basic framework, steps followed, and the preliminary budgetary considerations which form the basis for the Chapter Two, “The Costs to the Nation’s Budget.” In the several months since *The Three Trillion Dollar War* was first published, there have been no substantive objections to the authors’ methodology, numbers, or conclusions.

II. THE THREE DIRECT COMPONENTS OF VETERANS’ CARE COSTS

The author’s case—that there are hundreds of billions of dollars, which have already been spent on veterans’ healthcare, and perhaps another trillion dollars in future expenses—is a strong one. The structure of the book takes the reader through a detailed analysis of the true costs of the war, and leads the reader to the discussion of the healthcare costs for veterans. The cumulative effect of each chapter is to delineate the expansive nature of the healthcare costs thus far and predict likely expenses in both “best-case” and “realistic-moderate” scenarios. The “worst-case” scenarios are left to the reader’s imagination, but even contemplating the reasonable ones should give everyone pause.

Even if the assumption that much of the war will have “wound down” by 2012 is correct, by conservative estimates the war will still have produced approximately 1.8 million veterans. It is this figure—the total number of deployed personnel—which is critical to any determination of veterans’ future healthcare costs. Every one of these individuals will be eligible for at least two years of veterans’ healthcare from the Veterans Administration (VA), and all will be eligible to claim disability compensation from the Veterans Benefits Administration (VBA).

The burden of veterans’ healthcare costs is comprised of three components. First there is the cost of providing medical treatment to returning veterans. Second is the cost of disability compensation and

other benefits they have earned. Third is the separate social security compensation benefit of \$1000/month that any veteran who cannot work or hold down a job is entitled. For the first two components, the authors project the likely costs for providing medical treatment to returning veterans and paying them the disability compensation and other benefits they have earned; figures are provided for “best case” and “realistic-moderate” scenarios.

The projected costs for these two major categories of healthcare costs are enormous. The “best case” scenario involves 1.8 million personnel through 2012 and estimates that the U.S. government will pay a total of \$398 billion in total long-term costs to the VA system: \$121 billion for veterans’ health care and \$277 billion in veterans’ disability benefits. Of course, this scenario assumes that only twenty percent of veterans will use the VA system as their primary healthcare provider and that only thirty-nine percent of current Gulf War veterans will eventually qualify for disability benefits at all. Experience from the last Gulf War strongly suggests that neither of these assumptions is likely to be true: the repetitive deployments of personnel virtually guarantee a greater likelihood of serious injury requiring more extensive medical care, and a greater likelihood of filing disability claims, particularly for mental health related issues. Again, using data from the Vietnam War and the first Iraq war, the authors estimate that forty-five percent or more will ultimately apply for long-term disability benefits for physical or mental health problems, of which eighty-eight percent will be approved.

The real healthcare costs are more likely to resemble the “realistic-moderate” scenario, which involves a larger total of 2.1 million servicemen and a longer active military presence through 2017. Under this set of circumstances, with 850,000 troops filing disability claims, the average monthly payment to veterans remaining at \$592, and the current average cost of medical treatment in the VA system staying constant, the numbers are much higher. Disability compensation costs are \$388 billion and medical care costs \$285 billion, for a total long term cost to the U.S. taxpayer of \$673 billion.¹⁵

¹⁵ STIGLITZ & BILMES, *supra* note 2, at 40 (“For estimating the future cost of medical care, we project that 48% of current veterans will eventually seek treatment from the VA. Of these, we assume that 60 percent will seek short-term treatment (lasting less than five years) and 40 percent will remain in the system for the rest of their lives. Both scenarios predict that medical health care inflation will continue to increase at double the rate of general inflation, as it has for decades.”).

This is essentially the same amount of money, which has been spent on the current conflict to date.

Ironically, much of our long-term health and disability obligations from this war are a direct result of the fact that our battlefield medical care and transportation systems are so good. Wounds that routinely were fatal even twenty-five years ago during Vietnam, no longer are. Significant improvements in our military's medical capabilities have resulted in a much higher ratio of wounded to killed, than in other wars.¹⁶ This, too, has contributed to the gross underestimation of the true costs of this war. Also, as the Army's recent Mental Health Advisory Team V Report indicates, the damage caused by disruption to soldiers' lives is higher than in previous conflicts, as demonstrated by elevated suicide rates.¹⁷

III. THE VETERANS' HEALTHCARE MATRIX

As sobering as the costs of providing healthcare and disability benefits for our veterans will be, the administrative maze veterans have to go through to obtain benefits is the other harsh reality the authors describe. The problem of providing medical care for our veterans is partly due to the bifurcated nature of our system. Veterans must first be medically processed by the Department of Defense, and only once this is completed and they are discharged can they be processed by the Veterans Administration. The process takes time (varying enormously from state to state);¹⁸ the application is twenty-six pages long and difficult to navigate, and the administrative burden faced by government officials incomprehensible. In 2000, prior to the current Iraq war, the backlog of initial compensation claims for the Veterans Benefits Administration was 228,000, of which 57,000 had been waiting more than six months. At the end of 2007, the total number of claims, either new or in the process of adjudicated, exceeded 600,000.¹⁹

¹⁶ See Department of Defense, available at <http://siadapp.dior.whs.mil/personnel/CASUALTY/castop.htm> (last accessed April 11, 2008).

¹⁷ Mental Health Advisory Team (MHAT) Report V, at 28 (Feb. 2008), available at http://www.armymedicine.mil/news/mhat/mhat_v/Redacted1-MHATV-OIF-4-FEB-2008Report.pdf.

¹⁸ STIGLITZ & BILMES, *supra* note 2, at 73 ("In a 2005 study, the GAO found that the time to complete a veteran's claim varied from 99 days at the Salt Lake City office to 237 days in Honolulu. In a 2006 study, GAO found that 12 percent of claims were inaccurate.").

¹⁹ *Id.* at 74 ("The VA has announced that it expects to receive another 1.6 million claims over the next two years."). Has there been a dramatic increase in the number

“The True Cost of Caring For Our Veterans” ends with discussion of the special problems of TBI (Traumatic-Brain Injury), PTSD (Post-Traumatic Stress Disorder), and the reality that the Veterans Health Administration, as fine an institution as it is,²⁰ is no match for the sheer numbers of veterans and complexity of their medical problems. All of this points to the repetitive lack of planning and business administration capability so characteristic of the Bush administration.

IV. COSTS VETERANS’ FAMILIES, OUR ALLIES, AND EVERYONE ELSE PAYS

The last half of the book examines the \$300-400 billion in social costs of the Gulf War, which will not be paid by the government, but which will be directly and indirectly, paid by veterans’ families (Chapter Four “The Costs of War That The Government Doesn’t Pay”). Many family members will lose their jobs caring for severely wounded veterans, even if the maximum benefit package is paid out by the government because not all medical costs, such as home nursing, are covered. The financial and emotional toll taken on these families is enormous.

We should also look at the direct toll of the war on Iraq and the Iraqi people, the costs to Afghanistan, and the costs to the rest of the world, particularly to Great Britain and her armed forces (Chapter Five, “The Macroeconomic Effects of the Conflicts”). Here are some sobering and depressing facts: aside from the direct cost to the world economy of over one trillion dollars just from the jump in oil prices as a result of the war: almost 4.6 million people in Iraq have been uprooted from their homes,²¹ almost 8,000 Iraqi soldiers fighting alongside U.S. soldiers have been killed,²² sanitation facilities in Iraq are so bad that there were more cases of cholera in Iraq in 2006 than in all of the rest of Asia,²³ as of July 2006, the number of Iraqi civilian

of VA personnel under the Bush administration to process this anticipated astronomical number of health claims? No.

²⁰ *Id.* at 65. Among the veterans who return from Iraq and Afghanistan more than 263,000 have been treated at veterans’ medical facilities for a variety of conditions, more than 100,000 have been treated for mental health conditions, and 52,000 have been diagnosed with post-traumatic stress disorder (PTSD).

²¹ *Id.* at 133.

²² *Id.* at 135.

²³ *Id.* at 137.

deaths was more than 650,000²⁴ and at its current pace likely to exceed 1 million by 2010 at its current pace, and Iraq now has fewer than half the number of doctors it had at the beginning of the war²⁵ (assuming there is enough light to find a physician: at present Baghdad gets only nine hours of electricity per day, less than it had before the war).²⁶

Chapter Six (“Global Consequences”) discusses the effects of the war on the United Kingdom and the manner in which Great Britain has dealt with its Gulf War veterans. The monetary compensation is slightly better in the United Kingdom, but “the social costs are similar to those in the United States. The same pattern in terms of families who leave jobs to care for wounded soldiers, long waiting times for care, poor medical conditions that require the families to take up residence at hospitals, and diminished quality of life for those thousands left with disabilities.”²⁷

V. LEAVING IRAQ AND LEARNING FROM OUR MISTAKES

The Three Trillion Dollar War veers off-message in the next to last chapter (“Exiting Iraq”); there is little new information in the authors’ dissection of the administration’s rationale for either going to war or continuing to stay in Iraq, and the discussion is at best a necessary distraction. The final chapter (“Learning from Our Mistakes: Reforms for the Future”) returns to the underlying themes of transparency of financial costs and expenditures in real time, and accountability and responsibility for care of our veterans. The first nine reforms described concern the first, and the second nine concern the latter. Although space limitations prevent a detailed discussion of each of the proposed reforms, the gist is that veterans’ health care should be viewed as an entitlement, not as something veterans must “prove” eligibility for. Cutting red-tape and bureaucratic delays for our veterans is another focus.

Prior to listing their nine veterans-health related reforms, the authors make a statement, which seems so self evident it is almost embarrassing that it has to be made: “On one issue, however, almost all concur: we should treat those who fight for their country well- better

²⁴ STIGLITZ & BILMES *supra* note 2, at 138.

²⁵ *Id.* at 136.

²⁶ *Id.* at 140.

²⁷ *Id.* at 154.

than they have been treated by the Bush administration.”²⁸ Or to put it another way, “we have behaved as if there were a direct conflict of interest between funding the war and taking care of veterans after they come home.”²⁹ It’s time for everyone to pony up on this one, because there is no place to run.

²⁸ *Id.* at 198. See also Tom Philpott, *Bitter Split Over Making VA Care Open to All Veterans*, MILITARY UPDATE, June 23, 2007. In 2003, former VA Secretary Anthony Principi suspended VA benefits for all veterans in Priority Group 8, the lowest priority group, in order to free up resources for higher-priority veterans, those with very low income or those disabled. The effect of this ruling was to deny access to care to almost 400,000 veterans.

²⁹ STIGLITZ & BILMES, *supra* note 2, at 188.

**PART II:
IRAQ**

