



Worksheet 1.2

The Hidden Costs of War

In the United States, the Obama administration officially put an end to US combat in Iraq in the summer of 2009. Seven years after the US invasion, both politicians and economists found themselves looking back and asking themselves, was the invasion into Iraq and the ensuing occupation of coalition forces actually worth it? Or in economic terms, was the benefit of the war greater than the costs of fighting it?

What were the benefits of the US being in Iraq? Were there any and if so how can we measure them? There are some clear explicit benefits that can be measured such as companies that profited from the war as well as evidence of increased investment in the Middle East due to the presence of the coalition forces. But there are also benefits that are hard to measure such as the creation of democracy, freedom or the removal of a ruthless dictator.

On the cost side there are explicit costs for the war in Iraq such as the total amount spent by the US Government which by summer 2009 had come to around US \$748 billion. Like the benefits there are also costs that are hard to place a number on such as the human cost, with an estimate of over 100,000 total deaths, close to 4400 of which were Americans. For a more detailed look at these costs you can view the [American Progress website](#).

But as you know, economists do not only look at the explicit or obvious costs. In order to get a better understanding of the true costs of a decision, economists must look at the ‘could have beens’ or the opportunity costs. In their article [‘The true cost of war - \\$3 trillion and beyond’](#) Nobel Economics recipient Joseph Stiglitz and Harvard Professor Linda Bilmes do just this. They calculate the costs of the war not only based on the explicit costs, but on the hidden ones. Several years ago, the authors estimated that the costs of the war in Iraq would eventually reach US \$3 trillion. In this article, they claim that they may have underestimated the amount. Read the 3rd and 4th paragraphs, from ‘Moreover, two years on...’ to ‘...was not available elsewhere’.

Economists believe that if we can get a sense of what the ‘true costs’ of a decision are, then we can make a more rational choice when faced with a decision. Read the following two articles, [‘The true cost of war - \\$3 trillion and beyond’](#) by Joseph Stiglitz and Linda Bilmes and [‘Iraq, weighing the costs and benefits’](#) by Tim Kane and answer the following questions:

Questions

1. Why is it important to look at the hidden costs when making a decision?
2. In your opinion, what would be some of the opportunity costs associated with *not* invading Iraq? What are some that are associated *with* invading Iraq?



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3. In your opinion, is it possible to properly do a cost–benefit analysis of a war? Are there some things that we cannot put a price on? Is it possible to use opportunity costs as ‘true costs’ when they are essentially ‘could have beens’?