

United States Budgetary Costs of Post-9/11 Wars Through FY2018:

A Summary of the \$5.6 Trillion in Costs for the US Wars in Iraq, Syria, Afghanistan and Pakistan, and Post-9/11 Veterans Care and Homeland Security¹

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"After 16 years, should the taxpayers of America be satisfied we are in a 'stalemate'? I don't think so."

*Senator John McCain, Senate Armed Services Committee Hearing,
3 October 2017³*

As of late September 2017, the United States wars in Iraq, Afghanistan, Pakistan and Syria and the additional spending on Homeland Security, and the Departments of Defense and Veterans Affairs since the 9/11 attacks totaled more than \$4.3 trillion in current dollars through FY2017. Adding likely costs for FY2018 and estimated future spending on veterans, the costs of war total more than \$5.6 trillion.⁴ This report focuses on US federal budgetary costs and obligations for America's wars since 9/11.⁵

¹ This updates Neta C. Crawford, "US Costs of Wars through 2016, \$4.79 Trillion and Counting: Summary of Costs for the US Wars in Iraq, Syria, Afghanistan and Pakistan and Homeland Security" September 2016 and Neta C. Crawford, "US Costs of Wars Through 2014: \$4.4 Trillion and Counting: Summary of Costs for the US Wars in Iraq, Afghanistan and Pakistan," Costs of War, June 2014. In June 2014, I reported the costs of the major wars and Operation Noble Eagle, including OCO, homeland security, veterans, future obligations and interest on borrowing to pay for the wars through 2014 was about \$4.4 Trillion. Crawford, "US Costs of Wars Through 2014."

² I thank contributors to the Costs of War Project, especially Linda J. Bilmes, Stephanie Savell, and Catherine Lutz. I thank Paula Dias for her assistance on the DHS budget.

³ Senator John McCain, quoted in Claudia Grisales, "Senators Grill Mattis, Dunford on War Strategy in Afghanistan," *Stars and Stripes*, 3 October 2017, <https://www.stripes.com/news/us/senators-grill-mattis-dunford-on-war-strategy-in-afghanistan-1.490741#.WeOudxNSzUI>.

⁴ All calculations were made and are reported here in current dollars.

⁵ On calculating the costs of wars, see: Joseph E. Stiglitz and Linda J. Bilmes, "Estimating the Costs of War: Methodological Issues, with Applications to Iraq and Afghanistan," in Michelle Garfinkel and Stergis Skaperdas eds., *Oxford Handbook of the Economics of Peace and Conflict*. (Oxford University Press: Oxford, 2012). <http://www.socsci.uci.edu/~mrgarfin/OUP/papers/Bilmes.pdf>.

The Pentagon publishes an “Estimated Cost to Each Taxpayer for the Wars in Afghanistan, Iraq and Syria,” which calculates the total taxpayer costs on those wars between Fiscal Years 2001 and 2018. That report estimated that the total authorized spending for Afghanistan, Iraq, and Syria has been \$1.52 trillion, and, on that basis, estimated a total cost to the individual taxpayer of \$7,740 from FY2001 to FY2018.⁶ Using a more comprehensive estimate of global war on terror costs since 2001, this report estimates that the total cost per individual taxpayer of the post-9/11 wars over this period is \$23,386. Figure 7 in the Appendix compares these two estimates of the annual bill per taxpayer. Because the US went into deficit spending after 9/11, the cost of war per taxpayer will be higher as the US pays interest on borrowing for war.

The difference between this Costs of War Project estimate and other estimates is that it includes *not only* Pentagon/Department of Defense military spending, but other war-related costs, including war-related spending by the State Department, the Department of Veterans Affairs, and Homeland Security.⁷ Further, as with previous reports, this report notes that every war costs money before, during and after it occurs — as governments prepare for, wage, and recover from armed conflict by replacing equipment, caring for the wounded and repairing infrastructure destroyed in the fighting.

Table 1, below, summarizes the estimated costs of these wars from FY2001 through FY2018, not including *future* interest on any borrowing after FY2018, rounded to the nearest \$billion.⁸ Because Congress has not yet passed a FY2018 budget, the figures for FY2018 (*in italics*) are estimates based on the previous year’s spending or on the amount that the relevant department has requested. In the case of Homeland Security spending, as of the FY2018 budget request, the Homeland Security budget is no longer explained by the White House Office of Management and Budget.

⁶ Department of Defense, “Estimated Cost to Each Taxpayer for the Wars in Afghanistan, Iraq and Syria.” July 2017, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/Section_1090_FY17_NDAA_Cost_of_Wars_to_Per_Taxpayer-July_2017.pdf.

⁷ See the Appendix for a more detailed discussion.

⁸ These are conservative estimates. In cases, as this report discuss below, where the U.S. Office of Management and Budget or the relevant department does not have a budget yet, or those numbers are no longer public, as in the case of Homeland Security, this report’s estimates are based on the authorization for the previous year.

Table 1. Summary of US Federal War-Related Spending in Billions of Current Dollars (Rounded to the Nearest Billion), FY 2001-2018⁹

| Category | \$ Billions |
|---|--------------------|
| All DOD and State Overseas Contingency Operations (OCO) Appropriations, FY2001-2017 | 1,878 |
| Estimated additional DOD base budget due to the post-9/11 wars, FY2001 - FY2017 | 879 |
| Estimated GWOT Veterans spending, FY2001 - FY2017 | 277 |
| Homeland Security spending for prevention and response to terrorism, FY2001- FY2017 | 783 |
| Estimated Interest on OCO borrowing for wars, FY2001-FY2017 | 534 |
| Subtotal War Appropriations and War Related Spending through FY 2017 | \$4,351 |
| Estimated FY2018 for DOD and State OCO, incl. Afghanistan, Iraq and Syria ¹⁰ | 70 |
| Estimated FY2018 increase to the DOD base budget due to the post-9/11 wars | 33 |
| Estimated FY2018 request for Homeland Security for prevention and response to terrorism ¹¹ | 70 |
| Estimated FY2018 GWOT Veterans spending | 20 |
| Estimated Interest on OCO borrowing for wars FY2018 | 88 |
| Estimated Future Obligations for GWOT Veterans Medical and Disability 2019 - 2056 ¹² | 1,000 |
| Total War Related Spending through FY2018 and Future Obligations through 2056 | \$5,632 |

This and previous Costs of War Project estimates have never counted every budgetary expense related to these wars. For example, there are substantial costs of war to state and local governments that are not subsidized by the federal government, most significantly, perhaps, the costs of caring for the veterans of these wars. This report has also not counted here the value of the gifts the US makes in excess military equipment to countries in and near the war zones. For example, from 2007 to 2017, the US provided or authorized gifts to Iraq of excess defense articles that initially cost more than \$1.2 billion to acquire and are currently valued at more than \$200 million dollars. Similarly, between 2009 and 2015 the US authorized gifts to Afghanistan of excess defense articles that cost more than \$350 million to acquire and are currently valued at \$69.9 million.¹³ This report has also not included the value of military spending on these wars by US allies. In sum, although this report's accounting is comprehensive, there are still billions of dollars not included in its estimate.

⁹ Rounded to the nearest \$Billion. Totals may not add due to rounding. See Table 6 for a breakdown of these costs by Federal Department.

¹⁰ Members of Congress have indicated that Congress will likely appropriate more money than the Trump administration requested.

¹¹ This estimate is based on last year's appropriation. The Whitehouse no longer provides a breakdown of Department of Homeland Security expenditures.

¹² See Linda J. Bilmes, "A Trust Fund for Veterans," *Democracy: A Journal of Ideas*, no. 39, (Winter 2016), <http://democracyjournal.org/magazine/39/a-trust-fund-for-veterans/> and Linda J. Bilmes, "The Financial Legacy of Iraq and Afghanistan: How Wartime Spending Decisions Will Cancel Out the Peace Dividend," *Costs of War*, (March 2013), for a discussion of her methods and assumptions. <http://watson.brown.edu/costsofwar/files/cow/imce/papers/2013/The%20Financial%20Legacy%20of%20Iraq%20and%20Afghanistan.pdf>.

¹³ Calculated from the Excess Defense Articles (EDA) Database, <http://www.dsca.mil/programs/excess-defense-articles-eda>. Accessed 28 September 2017.

Moreover, a full accounting of any war's burdens cannot be placed in columns on a ledger. From the civilians harmed and displaced by violence, to the soldiers killed and wounded, to the children who play years later on roads and fields sown with improvised explosive devices and cluster bombs, no set of numbers can convey the human toll of the wars in Iraq and Afghanistan, or how they have spilled into the neighboring states of Syria and Pakistan, and come home to the US and its allies in the form of wounded veterans and contractors. Wars also entail an opportunity cost — what we might have done differently with the money spent and obligated and how veterans' and civilians' lives could have been lived differently.

There is some question about what to call these wars. After the 9/11 attacks, the US launched a “Global War on Terror” alongside its war against the Taliban and Al Qaeda in Afghanistan begun in October 2001.¹⁴ The US began its war in Iraq in 2003 and expanded the fight to Syria in August 2014. The Pentagon has called the major wars by various names at different times. For example, from October 7, 2001 to December 31, 2014, the war in Afghanistan, which includes operations in Pakistan, was called Operation Enduring Freedom (OEF), and “Af/Pak,” and since 2014 has been called Operation Freedom’s Sentinel (OFS). The war in Iraq was called Operation Iraqi Freedom (OIF) from March 19, 2003 to August 31, 2010, when it became Operation New Dawn (OND) until December 2011. The latest iteration of the Iraq war, (Post-Operation New Dawn or P-OND) which now includes Syria, began on August 8, 2014, and is called Operation Inherent Resolve (OIR). Other elements of the counterterror wars include operations in Somalia, Turkey, Yemen, Libya, and many other countries in Europe and Africa. The costs of these other operations are included when they are officially part of the OCO budget authorization. The Department of Veterans Affairs identifies the soldiers who have served in these operations as Global War on Terror (GWOT) veterans. Also known as the “post-9/11 wars,” the thread that ties together these operations, now in more than 50 countries, is a focus on what the current administration insists we call “radical Islamic extremism.”

The US plan is essentially to defeat all “radical Islamist” groups militarily.¹⁵ But the more people the US kills, the more seem to join the organizations the US was already fighting, even as new radical groups spring up. Further, political control of territory in Afghanistan, Iraq and Syria often switches hands or remains contested. Consider the situation in Afghanistan as an example of the difficulty of killing for peace. When the US invaded in 2001, the US Central Intelligence Agency estimated that there were 45,000 Taliban.¹⁶ There are no reliable estimates of the number of Taliban, Haqqani network, and Al Qaeda that have been killed by the US and its allies in Afghanistan since the US invasion on October 7, 2001, but

¹⁴ The Pentagon recognizes many regions as part of the Global War on Terror as can be illustrated in the list of places where service members can receive medals for GWOT service.

<http://www.people.mil/Portals/56/Documents/oe/pm/GWOT-EM%20-%20Approved%20AOEs%20for%20Ops%20-%202017%2005%2011.pdf?ver=2017-05-24-125043-020>.

¹⁵ For an overview of the strategy as of late 2016, see the Department of Defense, Inspector General, “Overseas Contingency Operations, FY2018 Comprehensive Oversight Plan,” October 2017, https://media.defense.gov/2017/Oct/18/2001829251/-1/-1/1/FY2018_LIG_COP_OCO_OCT2017.PDF

¹⁶ CIA, in Bob Woodward, *Bush at War* (New York: Simon and Schuster, 2002) p. 35.

one 2014 estimate was that the US and its allies had killed 20,000 members of the Taliban.¹⁷ US General Joseph L. Votel estimated in March 2016 that there are now 20,000-40,000 opposition forces — including members of the Taliban, Al Qaeda and ISIL/ISIS — in Afghanistan.¹⁸ As of the end of June 2017, according to a US government report, the Afghan government controlled about 60 percent of Afghan territory, a six percent reduction of the amount it controlled at that same point in 2016.¹⁹

The Trump administration decided to increase the number of US military troops in Afghanistan in response to a Pentagon request for 3,900 additional troops. They will join the 11,000 US troops already there mostly to train and assist Afghan forces.²⁰ But Afghan security forces themselves are beleaguered. Recruitment and retention of Afghan armed forces and police is difficult. The Afghan government has stopped releasing the number of Afghan military and police killed and injured there – Afghan officials apparently now consider the death toll of its military and police forces as “classified.”²¹ The US reported 2,531 Afghan security force personnel killed in action from 1 January to 8 May 2017 and 4,238 wounded in action.²² Worse, United Nations reports document a rising toll in the civilian deaths and injuries over the last several years and the size of contested areas are growing.²³ The US recently moved to double the size of the safe area in Kabul, Afghanistan’s capital, the “Green Zone,” because the city is less safe after 16 years of war.

In February 2017, General John Nicholson, Commander of US forces in Afghanistan, testified before the Senate Armed Services Committee that the war there was at a “stalemate.”²⁴ “Neither the Taliban nor the ANDSF is currently capable of fundamentally altering the operational environment, which leaves the government in control of roughly two thirds of the population, the Taliban in control of approximately ten percent, and the rest

¹⁷ Akmal Dawi, “Despite Massive Taliban Death Toll No Drop in Insurgency,” *Voice of America*, 26 March 2014. <https://www.voanews.com/a/despite-massive-taliban-death-toll-no-drop-in-insurgency/1866009.html>.

¹⁸ General Joseph L. Votel, “Advance Questions for General Joseph L. Votel, U.S. Army Nominee for Commander, U. S. Central Command,” 3/9/2016, p. 6. http://www.armed-services.senate.gov/imo/media/doc/Votel_03-09-16.pdf.

¹⁹ Special Inspector General for Afghanistan Reconstruction (SIGAR), “Quarterly Report to the United States Congress,” 30 July 2017, p. 88. <https://www.sigar.mil/pdf/quarterlyreports/2017-07-30qr.pdf>.

²⁰ The Pentagon had said prior to August 2017 that 8,400 US troops were in Afghanistan, but in late August 2017 they acknowledged that many more were there on a “temporary” basis — less than six months. W.J. Henigan, “U.S. Has More Troops in Afghanistan than Previously Disclosed,” *Los Angeles Times*, 30 August 2017, <http://www.latimes.com/politics/washington/la-na-essential-washington-updates-pentagon-admits-u-s-has-more-troops-in-1504121477-htmistory.html>.

²¹ Helene Cooper and Rod Nordland, “As Trump Rolls Out War Plan, Taliban are Gaining,” *The New York Times*, 21 August 2017, <https://www.nytimes.com/2017/08/21/world/asia/trump-afghanistan-war-taliban.html?mcubz=3>.

²² SIGAR “Quarterly Report,” p. 100.

²³ See United Nations Assistance Mission in Afghanistan, on the Protection of Civilians, <https://unama.unmissions.org/protection-of-civilians-reports>.

²⁴ “We assess the current security situation in Afghanistan as a stalemate where the equilibrium favors the government.” General John W. Nicholson, “Statement for the Record,” Testimony before the Senate Armed Services Committee, 9 February 2017, p. 2. https://www.armed-services.senate.gov/imo/media/doc/Nicholson_02-09-17.pdf.

contested.”²⁵ A decisive and long-term military defeat of opposition forces in Afghanistan is unlikely but the strategy seems to be more of the same, with its terrible toll in life and limb.

Explanation of Estimate of Bottom Lines

War-related spending occurs in several areas of the US Federal budget. First, the special appropriations for war, described as emergency or “overseas contingency operations” (OCO), are direct war appropriations to the Department of Defense and State Department/US Agency for International Development (USAID). Congressional appropriations to the Pentagon from FY2001-2017 for both the wars and base budget have totaled more than \$1.75 trillion in current dollars. The Department of State has appropriated about \$120 billion for OCO operations during this period. The total OCO appropriations is thus more than \$1.8 trillion in current dollars.

The Pentagon’s portion of the OCO spending is over and above the general and continuing funding for the Defense Department, known as the “base budget.” But some of the increase in the Pentagon’s base budget is due to the wars in Afghanistan, Iraq, and the larger war on terror that have been institutionalized. An additional calculation is the portion of the increase to the Pentagon base budget from FY2001-2017 that can be attributed to the wars: about \$800 billion since 2001.²⁶

The full budgetary burden of the wars also includes the costs of providing medical care and disability payments to the many veterans of these wars through the VA and Social Security Administrations. In addition, Homeland Security spending has increased by more than \$500 billion for missions related to preventing and responding to potential terrorist attacks.

Further, any reasonable estimate of the costs of the wars includes the fact that each war entails fulfilling the US obligation for medical care and support for wounded veterans for years to come. These *future obligations* will total *at least* an additional \$1 trillion in medical and disability payments and additional administrative burden through 2056. The longer the US fights, and the greater the number of troops involved in combat, the larger the obligation the US assumes for the future care of its veterans.

There is no end in sight to the US military presence in Afghanistan and the associated operations in Pakistan. Similarly, despite recent gains, there is little clear sense of how long the US will be engaged in Iraq and Syria. After announcing a withdrawal of US forces in Afghanistan for 2017, the Obama administration announced in mid-2016 that a planned

²⁵ John W. Nicholson, “Statement for the Record,” p. 11.

²⁶ This estimate assumes that additions to the Pentagon base budget are in proportion to OCO spending. I calculated additions to the Pentagon base from 2001-2003 as 30% of OCO spending; at 40% of OCO spending from 2004 to 2008; and at 50% of OCO spending from 2009-2017. Note that there is also an incentive to put non-war base spending in the OCO appropriations since they are not subject to the same budget control as regular spending.

reduction of US troops would go more slowly than previously announced.²⁷ The Trump administration announced both an increase in overall military spending and an increased troop commitment to Afghanistan.²⁸ Thus, future military spending on the counterterror wars is likely to rise.

Finally, these wars have been largely paid for by borrowing, part of the reason the US went from budget surplus to deficits after 2001. Even if the US stopped spending on war at the end of this fiscal year, interest costs alone on borrowing to pay for the wars will continue to grow apace. The US has already paid some interest on borrowing, estimated here through the current fiscal year. Future interest costs for overseas contingency operations spending alone are projected to add more than \$1 trillion dollars to the national debt by 2023. By 2056, a conservative estimate is that interest costs will be about \$8 trillion unless the US changes the way that it pays for the wars. Although it is unlikely, Congress could decide to increase taxes or sell large numbers of war bonds rather than continue to pay for the wars through borrowing.

In what follows, these categories and estimates of costs of war are discussed and explained in greater detail. An appendix goes into further detail.

Direct War Appropriations: "Overseas Contingency Operations"

The two largest categories of expenses have been for the wars in Iraq and Afghanistan; spending for these wars peaked, respectively, in 2008 and 2011. The United States started bombing ISIS in Syria in August 2014 and began to appropriate money specifically for that war in FY2014. Although, at the time of this writing, Congress had not yet passed a FY2018 budget, Congress has already appropriated more than \$1.9 trillion for Overseas Contingency Operations to the Department of Defense and the US State Department since late 2001 (Table 2, below).

²⁷ Missy Ryan and Karen DeYoung, "Obama Alters Afghanistan Exit Plan Once More, Will Leave 8,400 Troops," *The Washington Post*, 6 July 2016, https://www.washingtonpost.com/world/national-security/obama-alters-afghanistan-exit-plan-once-more/2016/07/06/466c54f2-4380-11e6-88d0-6adee48be8bc_story.html.

²⁸ Michael D. Shear and Jennifer Steinhauer, "Trump to Seek \$54 Billion Increase in Military Spending," *The New York Times*, 27 February, 2017, <https://www.nytimes.com/2017/02/27/us/politics/trump-budget-military.html?mcubz=3>.

Table 2. Cumulative Direct War Appropriations for DOD and State Department/USAID for "Emergency" or "Overseas Contingency Operations" (Billions of Current Dollars)²⁹

| War Zone/Operation | Cumulative Total FY2001-FY2017 | Request for FY 2018 | Total Through FY2018 |
|--|---------------------------------------|----------------------------|-----------------------------|
| Iraq | \$819.1 | 1 | 820.1 |
| Syria | 28.1 | 13 | 41.1 |
| Afghanistan (incl. Pakistan CSF) ³⁰ | 877.4 | 48.9 | 926.3 |
| Pakistan ³¹ | 9.9 | .9 | 10.8 |
| Operation Noble Eagle (ONE) ³² | 25.1 | - | 25.1 |
| Other OCO missions and the Bipartisan Budget Act ³³ | 118.5 | 5.7 | 124.2 |
| Total | \$1,878 billion | \$69.6 billion | \$1,947.6 billion |

²⁹ Rounded to the nearest \$100 million. Totals may not add due to rounding. Sources: Amy Belasco, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," *Congressional Research Service* (CRS) 8 December 2014; the U.S. Department of Defense Comptroller for recent and future spending, Office of the Under Secretary of Defense, Office (Comptroller) "Fiscal Year 2017 Budget Request: Overview"; Department of Defense, Inspector General, "Overseas Contingency Operations, FY2018 Comprehensive Oversight Plan," October 2017, https://media.defense.gov/2017/Oct/18/2001829251/-1/-1/1/FY2018_LIG_COP_OCO_OCT2017.PDF ;

Susan B. Epstein, Marian Leonardo Lawson and Alex Tiersky, "State, Foreign Operations, and Related Programs: FY2013 Budget and Appropriations," CRS, 23 July 2012, for State Department Spending FY2011-2013; Pakistan, K. Alan Kronstadt and Susan B. Epstein, "Direct Overt U.S. Aid Appropriations for and Military Reimbursements to Pakistan, FY 2002-FY2018," 6 September 2016 and previous CRS reports for Pakistan. Operation Noble Eagle (ONE), begun on 9/11, includes enhanced security for military bases and US airspace provided by the US military in the DOD budget. ONE was transferred to the Base Budget in 2005. This report includes it in the estimate of OCO spending through FY2004.

³⁰ Includes Coalition Support Funds for Pakistan.

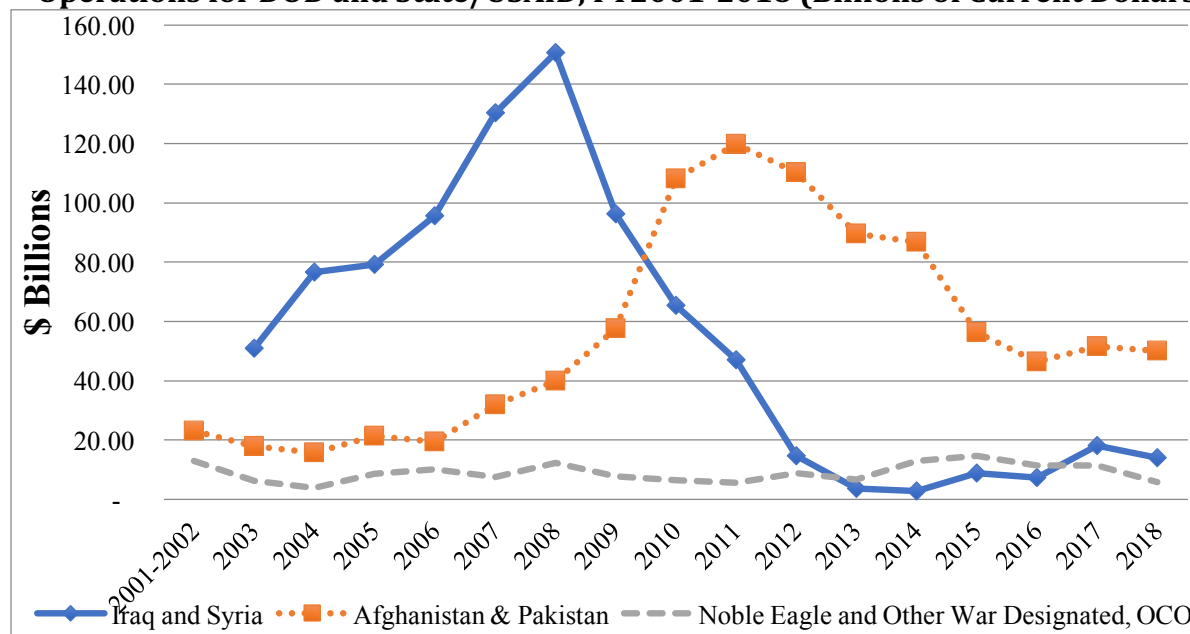
³¹ This figure includes only US security related funding that is *not* for Coalition Support Funds (CSF). Coalition Support Funds for Pakistan are part of the OCO spending for operations in Afghanistan. Both the DOD and State Department receive other OCO funding for Pakistan. For accounting purposes, this report has counted these appropriations under the State Department although this is not entirely accurate. For example, the largest single element of the 8 billion is Foreign Military Financing (FMF) is a State Department appropriation for Foreign Operations that is managed by the Department of Defense. The next largest element of spending is the Pakistan Counterinsurgency Fund and the Pakistan Counterinsurgency Capability Fund; the former is overseen by the Pentagon, and the latter by the State Department. Smaller funds for Counternarcotics are Pentagon appropriations. For a complete breakdown and explanation, see Kronstadt and Epstein, "Direct Overt U.S. Aid Appropriations for and Military Reimbursements to Pakistan, FY 2002-FY2017."

³² Operation Noble Eagle (ONE), begun on 9/11 includes the enhanced security for military bases and US airspace provided by the US military in the DOD budget. ONE was transferred to the Base Budget in 2005. This report includes it in its estimate of OCO spending through FY2004.

³³ Belasco describes, "Other war spending," by DOD and the State Department designated for war but not part of war operations or direct support." Belasco, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," *Congressional Research Service* (CRS) 8 December 2014, p. 7. Other missions include the "DOD European Reassurance Initiative, Operation Odyssey Lightning, the Counter ISIS Train and Equip Fund, the DOD Counter Terrorism Partnership Fund, and so on. See the Office of the Under Secretary of Defense, Office (Comptroller) for Fiscal Years 2017 and 2018, for a discussion.

Figure 1, below, shows the flow of funding OCO since 2001. It consolidates the OCO for the Defense and State Departments and groups the spending for closely related war zones, specifically Afghanistan and Pakistan, and Iraq and Syria. Unless otherwise noted, focus is on the major operations associated with the war zones of Afghanistan/Pakistan and Iraq/Syria. The Other War Designated OCO includes moneys designated as OCO spending.³⁴ Yet another category of spending *not* included here are the overseas contingency operation (OCO) spending funded in the base budget for Africa (in Uganda, Trans-Sahara and the Horn of Africa), the Caribbean, and Central America (as part of Operation Enduring Freedom).³⁵

Figure 1. Annual Appropriations by Major War Zone/Overseas Contingency Operations for DOD and State/USAID, FY2001-2018 (Billions of Current Dollars)³⁶



³⁴ These have included the DoD European Reassurance Initiative, Operation Odyssey Lightning, the Counter ISIS Train and Equip Fund, the DoD Counterterrorism Partnership Fund, and so on as detailed by the Comptroller of the Department of Defense in various years. For a recent example, see chapter 6 of Comptroller's Defense Budget Overview, United States Department of Defense, Fiscal Year 2018 Budget Request.

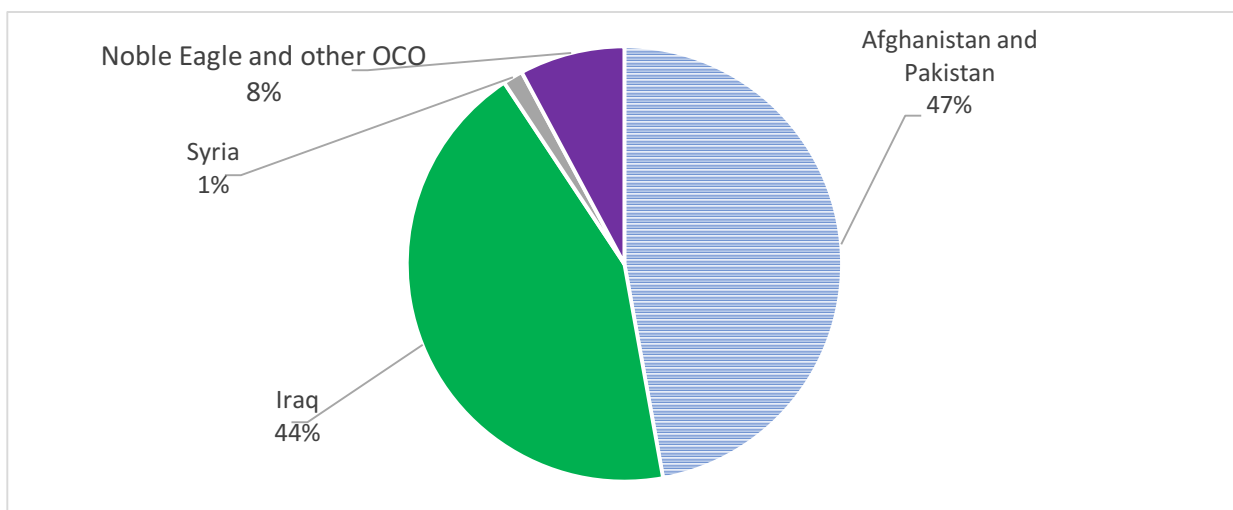
[http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/fy2018 Budget Request Overview Book.pdf](http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/fy2018_Budget_Request_Overview_Book.pdf).

³⁵ For instance, these are called Operation Enduring Freedom Caribbean and Central America (OEF-CCA), Operation Enduring Freedom Trans Sahara (OEF-TS), Operation Enduring Freedom Horn of Africa (OEF-HOA). See for instance, Office of the Secretary of Defense, Fiscal Year 2014, President's Budget, [http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2014/FY2014 Presidents Budget Contingency Operations\(Base Budget\).pdf](http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2014/FY2014_Presidents_Budget_Contingency_Operations(Base_Budget).pdf). And Office of the Secretary of Defense, Fiscal Year (FY) 2018 Justification for Base Funded Contingency Operations and the Overseas Contingency Operations, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/FY2018_OCOTF_Justification_Book_FINAL.pdf.

³⁶ Belasco, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," *Congressional Research Service* (CRS) 8 December 2014; the U.S. Department of Defense Comptroller for recent and future spending, e.g. the Office of the Under Secretary of Defense, Office (Comptroller) "Fiscal Year 2017 Budget Request: Overview" and the "Fiscal Year 2018 Budget Request."

Figure 2, below, illustrates the share of the total OCO budget that has been allocated to the major OCO activities from FY2001 to FY2017. To estimate the proportion of total costs that could be attributed to each war zone, based on the proportion OCO spending through FY2017, one could attribute less than 1% of total costs to the war in Syria, 44% to the Iraq war and about 47% to the war in Afghanistan/Pakistan. Spending on other OCO missions and operations accounts for about 8% of the total OCO spending. “Other” spending includes about \$10 billion spent since FY2015 for a DOD European Reassurance Initiative, meant “to deter Russia and reassure U.S. allies and partners, particularly within Central and Eastern Europe” and money for air strikes against ISIS in Libya, begun in August 2016 known as Operation Odyssey Lightning.³⁷

Figure 2. Shares of Overseas Contingency Operation (OCO) Spending, FY2001-2017



Some of the DOD and State Department appropriations include funding intended to facilitate the physical and political reconstruction of Afghanistan and Iraq, in part on the view that a functioning civil society and government will be less hospitable to opposition forces. Special Inspector General reports on Afghanistan and Iraq have found that reconstruction in both Afghanistan and Iraq has had some successes but are also characterized by rampant corruption and incomplete or shoddy work.³⁸ As Catherine Lutz shows, the reconstruction of Iraq is far from complete and has mainly focused on the security sector.³⁹

³⁷ United States Government Accountability Office, “Overseas Contingency Operations: OMB and DOD Should Revise the Criteria for Determining Eligible Costs and Identify Costs Likely to Endure Long Term,” January 2017. <http://www.gao.gov/assets/690/682158.pdf>, p. 8.

³⁸ See for instance the Special Inspector General Afghanistan Reconstruction reports at <https://www.sigar.mil/>. Special Inspector General Iraq Reconstruction reports can be found in an archive. <http://cybercemetery.unt.edu/archive/sigir/20130930184730/http://www.sigir.mil/>.

³⁹ Catherine Lutz, “Reconstructing Iraq: The Last Year and the Last Decade,” *Costs of War*, February 2013.

Pakistan

The OCO budget for the Departments of Defense and the State Department contain many programs and projects outside of Afghanistan, Iraq, and Syria. The most significant of these zones of operation, due to its centrality to the war in Afghanistan, is Pakistan, regarded as part of the area of operations for Afghanistan Operation Enduring Freedom and its successor, Operation Freedom's Sentinel.

There are three ways the US operates in Pakistan. Since 2001, the US has used Pakistan as an overland route for supplies to Afghanistan. The US reimburses and compensates Pakistan for the use of its ports and overland transportation of food, fuel and military equipment through Pakistan *en route* to Afghanistan with Coalition Support Funds (CSF), which are included in the budget for OCO in Afghanistan. Since the start of the war in Afghanistan, the US has provided about \$14.5 billion in Coalition Support Funds (CSF) to Pakistan. The Department of Defense describes the role of Coalition Support Funds as reimbursement for "expenses Pakistan incurs to conduct operations against al Qaeda and Taliban forces include providing logistical support for its forces, manning observation posts along the Afghanistan border, and conducting maritime interdiction operations and combat air patrols."⁴⁰ As the US has reduced its presence in Pakistan, the importance of this role has declined, as have the associated Coalition Support Funds. In the future, CSF may increase when the additional troops are deployed to Afghanistan, although the timeline for deployments and the extent of Pakistan's involvement is unclear at this time.

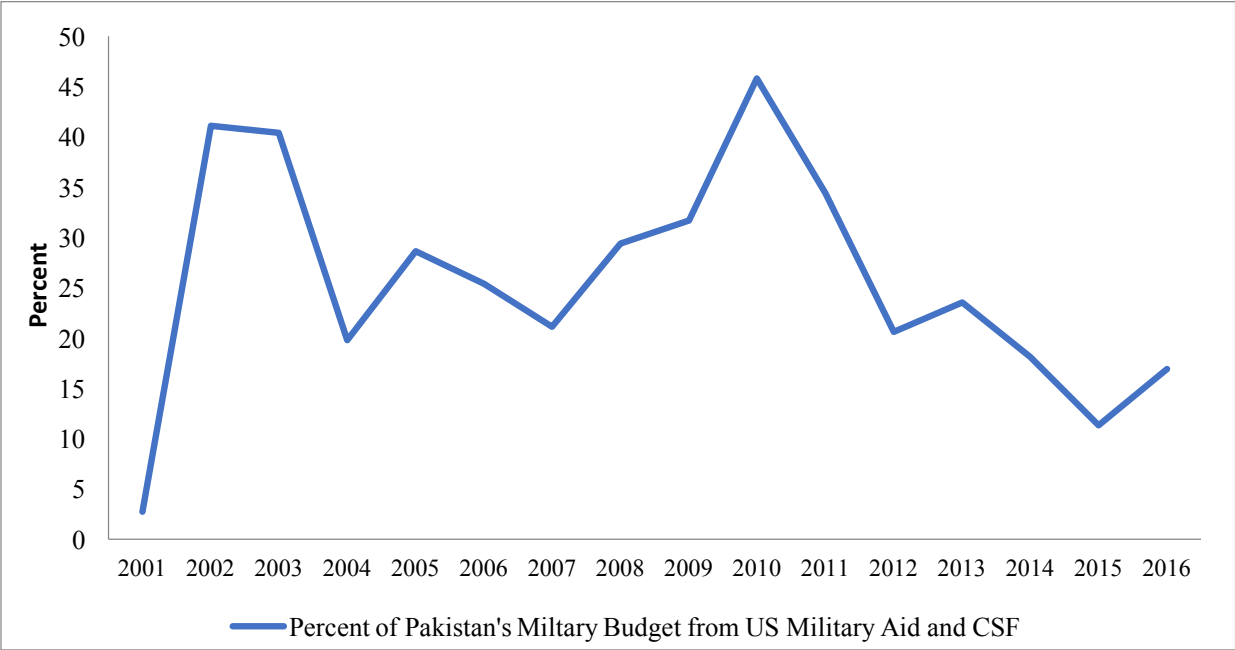
Pakistan is also an important zone of US military operations, including drone strikes and cross-border attacks against Al Qaeda, the Taliban and other opposition forces. Since 2004, when the drone strike program began, the US Central Intelligence Agency has made approximately 400 drone strikes in Pakistan, mostly in the so-called Tribal Areas, near the border with Afghanistan.

Further, the US is also a direct supplier of military assistance, equipment and training for Pakistan's military forces in their operations against opposition forces, including al Qaeda, the Taliban, and the Haqqani network. One sign of the importance of Pakistan to the US is that the US State Department has also hardened its embassy and generally increased the security of US personnel in Pakistan.

In sum, since 2001, including Coalition Support Funds, the US has spent more than \$25 billion for security-related purposes in Pakistan, including the money likely to be spent by the end of FY2017 and the Trump administration's request for FY2018. In some years, as Figure 3 illustrates, US direct security assistance and CSF funding has accounted for a significant share of Pakistan's overall military budget.

⁴⁰ Department of Defense, "Overseas Contingency Operations," http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2016/budget_justification/pdfs/01_Operation_and_Maintenance/O_M_VOL_1_PART_2/DSCA_OCO_OP-5.pdf.

Figure 3. Trends in Percent of Pakistan's Military Budget from US Security Assistance and Coalition Support Funds Reimbursement, 2001-2016⁴¹



These figures for US spending on security assistance to Pakistan do *not* include the value of weapons and other military equipment that the US has donated to Pakistani military forces. For example, from 2007 to 2016, the value of Excess Defense Articles given to Pakistan was more than \$176 million.⁴² The Excess Defense Articles delivered to Pakistan since 2001 include 14 F-16 fighters delivered in 2007 and 2008, 550 armored personnel carriers delivered in 2010, and more than 100,000 rounds of ammunition for helicopters in 2016.⁴³

While the Bush and Obama administrations emphasized the necessity of cooperation with Pakistan for the success of the war in Afghanistan, the Trump administration has said recently that it does not appreciate Pakistan’s role in the war and indicated that it would like Pakistan to be either a better partner or the US would turn elsewhere, notably, India. In

⁴¹ Sources: US spending: "Direct Overt US Aid Appropriations for and Military Reimbursement to Pakistan, FY2000-FY2018," Prepared for by the Congressional Research Service, 24 February 2016 by K. Alan Kronstadt and Susan Epstein. <https://fas.org/sgp/crs/row/pakaid.pdf>. Pakistan's military budget, Pakistani Military Spending, Stockholm International Peace Research Institute, Military Spending by Country, in constant dollars. http://www.sipri.org/research/armaments/milex/milex_database. The table is illustrative: US fiscal years and the Pakistani military budget run on different cycles and SIPRI uses constant dollars. The money the US spends on drone strikes in Pakistan is included in the US DOD budget for Afghanistan and not counted here.

⁴² The articles originally cost the US more than \$879 million to acquire. Calculated from the Excess Defense Articles (EDA) Database, <http://www.dsca.mil/programs/excess-defense-articles-eda>. Accessed 28 September 2017.

⁴³ See K. Alan Kronstadt, "Major U.S. Sales and Grants to Pakistan since 2001," Congressional Research Service, 4 May 2015. <https://fas.org/sgp/crs/row/pakarms.pdf>. Also see Excess Defense Articles (EDA) Database, <http://www.dsca.mil/programs/excess-defense-articles-eda>.

August 2017, President Trump said, "We've been paying Pakistan billions and billions of dollars, at the same time, they are housing the very terrorists we are fighting."⁴⁴ In August 2017, the Trump administration told Congress that it was withholding \$255 million designated for Pakistan in the FY2016 budget unless and until the Pakistani government became more aggressive against the Taliban and Haqqani network sheltering in Pakistan.⁴⁵

The US has also provided Pakistan with economic and humanitarian assistance since 2001, totaling nearly \$11 billion through FY2017. The Trump administration requested that Congress appropriate an additional \$211 million in economic aid for Pakistan for FY2018. Economic assistance is neither specifically security related, nor part of the OCO budget that is used for Pakistan.

While it is arguable that some of that US economic and humanitarian aid is used for security purposes, or is used to deal with the refugees and food insecurity caused by fighting in the border region, this report does not count this assistance as part of the war effort and reports here only the Congressional Research Service numbers for security assistance and CSF.⁴⁶ Despite this, this report notes that, beyond that used for disaster assistance, most of economic assistance money would probably not have gone to Pakistan absent the US war in Afghanistan since the US was giving little or no economic aid to Pakistan prior to the 9/11 attacks. All told, Pakistan has received more than \$33 billion in economic and security assistance (including Coalition Support Funds as part of the Afghanistan operational budget) since 2002.

Other Zones of Operation

Outside the main war zones of Afghanistan/Pakistan and Iraq/Syria, other military assistance programs and coalition members receive funding from the US as part of the OCO budget. Croatia, Georgia, Hungary, Jordan, Poland and Romania receive Coalition Support Funds from the OCO budget, as reimbursements for their work in US wars.⁴⁷ As the Department of Defense argues, "Reimbursing partner nation efforts is critical to enabling forces from eligible foreign countries to remain in theater and support US military operations. Without financial support, many of these nations would not be able to participate

⁴⁴ James Griffiths, "Trump Calls Out Pakistan, India, as he Pledges to 'Fight to Win' in Afghanistan," *CNN*, 24 August 2017 <http://www.cnn.com/2017/08/21/politics/trump-afghanistan-pakistan-india/index.html>.

⁴⁵ Gardiner Harris, "U.S. Gives Military Assistance to Pakistan, With Strings Attached," *The New York Times*, 30 August 2017, <https://www.nytimes.com/2017/08/30/us/politics/us-aid-pakistan-terror.html?mcubz=0>.

⁴⁶ K. Alan Kronstadt and Susan Epstein, "Direct Over U.S. Aid Appropriations for and Military Reimbursements to Pakistan, FY2002-FY2018," 6 September 2017.

⁴⁷ The roles of these governments in the wars in Iraq, Syria, and Afghanistan is described in Department of Defense Budget Justification, "Overseas Contingency Operations, Operations and Maintenance, Defense-Wide," FY2016, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2016/budget_justification/pdfs/01_Operation_and_Maintenance/O_M_VOL_1_PART_2/DSCA_OCO_OP-5.pdf.

in US military operations."⁴⁸ As noted above, a small portion of US operations included in the US OCO budget in FY2016 and 2017 were "Operation Odyssey Lightning" which attacked the Islamic State in Libya. These operations were focused on air strikes of ISIS camps.

The US also provides security assistance intended to counter terrorism and provide regime stability to other countries that are *not* part of the OCO budget. Some of the security and economic assistance to European, African and Central American countries that is not charged to the OCO budget appears instead in the base budgets of the Departments of Defense (and State). However, these funds are in service of shoring up the potential of some states to detect threats and combat violent extremism.

In some cases, military and foreign assistance to other countries is comparatively small when compared to other spending for the wars, and this report has not included this spending in this accounting of the costs of war even though some of these activities are quite significant in political or humanitarian terms.⁴⁹ For example, this report does not include spending on Uzbekistan. Like Pakistan, Uzbekistan is not a declared war zone, but the US increased its engagement with that country since the 9/11 attacks.⁵⁰ Uzbekistan, which shares a border with Afghanistan, has supported the US war in Afghanistan and has been considered an important partner to the US.⁵¹ Uzbekistan allowed US military vehicles the use of Uzbekistan Khanabad airbase as part of its transportation network into northern Afghanistan until November 2005 when the US criticized the Uzbek government and ceased operations at the base. Beginning in 2009, some rail and air transit and overflight permissions were negotiated between the US, NATO and Uzbekistan. Overland transit to Afghanistan through Uzbekistan became more important when the US killed two-dozen Pakistani soldiers in late November 2011 and Pakistan halted US transit to Afghanistan for about 7 months. Military aid to Uzbekistan, which is meant to secure military transportation access to roads into Afghanistan (and for a number of years, access to the military base in Karshi-Khanabad), peaked in 2002, and has totaled more than \$200 million through FY2017. The Trump administration requested an additional \$840,000 in security assistance for

⁴⁸ Department of Defense Budget Justification, "Overseas Contingency Operations, Operations and Maintenance, Defense-Wide," FY2018, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/FY18_Green_Book.pdf.

⁴⁹ See Anita Dancs, "International Assistance Spending Due to War on Terror," *Costs of War*, June 2011 and US Department of State Congressional Budget Justifications for Foreign Operations. Also see Jim Nichol, "Uzbekistan: Recent Developments and U.S. Interests," Congressional Research Service, 21 August 2013. <https://www.fas.org/sgp/crs/row/RS21238.pdf>. Also see the U.S. Department of State, Foreign Operations Assistance: Uzbekistan, various years, <http://www.state.gov/p/eur/rls/fs/>.

⁵⁰ Belasco, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," 8 December 2014, p. 90.

⁵¹ See, for instance, United States Department of Defense, Comptroller, *Overview: Overseas Contingency Operations* (June 2014) p. 8. http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2015/amendment/FY2015_Budget_Request_Overview_Book_Amended.pdf

Uzbekistan for FY2018.⁵² In early 2015, the US announced that it would send Uzbekistan military equipment valued at hundreds of millions of dollars, including 308 Mine-Resistant Ambush Protected Vehicles and 20 Armored Recovery Vehicles.⁵³

Similarly, also outside the OCO budget are funds and activities underway in Yemen, arguably an important part of the United States Global War on Terror, where the US plays both a direct and indirect military role.⁵⁴ Specifically, the US conducts drone and other air strikes in Yemen against militant organizations, including Al Qaeda in the Arabian Peninsula (AQAP) and the much smaller branch of ISIS — more than 200 strikes since 2002 — and has supported the government in Yemen against an opposition force, including by supplying the Yemeni government with excess defense articles currently valued at about \$35 million from 2007 to 2012.⁵⁵ From FY2001 to FY2017, the US has given more than \$830 million to Yemen for security assistance, and the Trump administration has requested \$6.5 million in FY2018 to fund non-proliferation and anti-terrorism in Yemen.⁵⁶ More significantly, the US has supported a Saudi Arabia-led coalition, which is playing a direct military role in the war by between the Yemeni government-in-exile and opposition forces by conducting air strikes on behalf of the government. Specifically, the US provided refueling assistance to Saudi Arabia and weapons for this bombing campaign. In December 2016, after the Obama administration became concerned about the Saudi air strikes, that administration had halted the shipment of some weapons to Saudi Arabia intended for the war in Yemen. In April 2017, 55 members of Congress asked President Trump to halt the US refueling of Saudi aircraft.⁵⁷ The Trump administration instead increased its assistance to Saudi Arabia. Only after Saudi Arabia's forces bombed schools and a hospital in Yemen in August 2017, killing civilians, did the US announce it was reconsidering its role.⁵⁸ On September 27, 2017, four members of Congress submitted a bi-partisan bill to end US military assistance to Saudi Arabia's war in Yemen.⁵⁹

⁵² Security Assistance Monitor, Data for Uzbekistan,

<http://securityassistance.org/data/program/military/Uzbekistan/2001/2018/all/Global//>. Accessed 1 October 2017.

⁵³ Navbahor Imamova, "Exclusive: U.S. Gives Uzbekistan Military Equipment Boost," *Voice of America*, 22 January 2015, <http://www.voanews.com/content/exclusive-us-gives-uzbekistan-military-equipment-boost/2609433.html>. Uzbekistan is an authoritarian state that has raised flags in Congress as a notorious human rights violator. In July 2015, Congressman Jim McGovern of Massachusetts asked, "Could somebody explain the rationale for the initiative, given Uzbekistan's human rights record?" Quoted in Casey Michel, "Washington's Military Gift to Uzbekistan Questioned," *The Diplomat*, 9 July 2015, <http://thediplomat.com/2015/07/washingtons-military-gift-to-uzbekistan-questioned/>.

⁵⁴ Yemen received US support through the Counterterrorism Partnership Fund.

⁵⁵ Calculated from the Excess Defense Articles (EDA) Database, <http://www.dsca.mil/programs/excess-defense-articles-eda>.

⁵⁶ Security Assistance Monitor, Data for Yemen,

<http://securityassistance.org/data/program/military/Yemen/2001/2018/all/Global//>. Accessed 1 October 2017.

⁵⁷ Mirren Gidda, "U.S. Considering More Military Assistance for Saudi Arabia in Yemen's Civil War," *Newsweek*, 20 April 2017, <http://www.newsweek.com/yemen-civil-war-us-saudi-arabia-airstrikes-houthi-rebels-587018>.

⁵⁸ Steve Visser, "U.S. Military Distances itself from Saudi-led War in Yemen," *CNN*, 20 August 2016, <http://www.cnn.com/2016/08/20/middleeast/us-military-yemen-saudi-led-coalition/index.html>.

⁵⁹ Dan De Luce, "Lawmakers Demand U.S. Withdrawal From Saudi-Led War in Yemen," *Foreign Policy*, 28 September 2017, <http://foreignpolicy.com/2017/09/28/lawmakers-demand-u-s-withdrawal-from-saudi-led-war-in-yemen/>.

The numbers involved in Yemen are small, compared to spending on the Iraq and Afghan wars. Yet, the United Nations has called the situation in Yemen urgent, documenting an unfolding humanitarian disaster where “an alarming 20.7 million people in Yemen need some kind of humanitarian or protection support, with some 9.8 million in acute need of assistance.”⁶⁰

Additional War-Related Spending in the Department of Defense Base Budget

The Department of Defense “base,” or non-emergency, budget includes spending for the procurement of new weapons, military construction, the health care and pay of active duty soldiers, operations that are not war, and maintenance. Items in the base budget also include personnel pay and benefits for the civilians who work for the Pentagon and funding for military bases. The base budget is thus much larger than the emergency or OCO budget.

Overall US Pentagon spending — the total of the base budget and the war (OCO) budgets — grew after 9/11.⁶¹ In FY2001 the entire US military budget was about \$316 billion. In early 2017, the Trump administration asked Congress for more money for military spending, above the already authorized budget. In FY2017, the military budget including OCO spending of about \$583 billion, down from its peak in FY2010 of \$691 billion.⁶² The Trump administration request for increased base budget spending in 2018 has not yet been voted upon at the time of this writing.

In theory, spending on the wars and the base budget should be distinct from each other: when Congress declares war, and uses the power of the purse, they fund a war as distinct from the on-going operations of the defense department. Why, then, is a portion of base budget military spending in this estimate of the costs of war, even though Congress makes special appropriations for the Afghanistan and Iraq wars and funds the base budget in separate appropriations?

First, while the categories and the items included and excluded from being considered OCO expenses are *ostensibly* clear, as the US Government Accountability Office (GAO) notes, there is some fuzziness around what is rightfully in the base budget and what is in the OCO budget and, in practice, the two categories are related. Specifically, in September 2010, the Office of Management and Budget (OMB) issued a set of criteria for OCO funding requests that the Pentagon should use, defining distinct categories of what can and cannot be included in requests to Congress for OCO funding (see Table 3).

⁶⁰ United Nations Office for the Coordination of Humanitarian Affairs, <http://www.unocha.org/yemen/about-ocha-yemen>. Accessed 29 September 2017.

⁶¹ Winslow T. Wheeler, “Unaccountable: Pentagon Spending on the Post-9/11 Wars,” *Costs of War*, June 2011. And Linda Bilmes, “The Financial Legacy of Iraq and Afghanistan,” *Costs of War*, March 2013, <http://watson.brown.edu/costsofwar/files/cow/imce/papers/2013/The%20Financial%20Legacy%20of%20Iraq%20and%20Afghanistan.pdf>.

⁶² See Department of Defense, FY2017 Budget Proposal. http://www.defense.gov/News/Special-Reports/0217_budget.

Table 3. Examples of Included and Excluded Items, Office of Management and Budget Criteria for Overseas Funding Requests by the DOD, Issued in September 2010 ⁶³

| Category | Inclusion (OCO Budget) | Exclusion (Base Budget) |
|---------------------------------|--|---|
| Equipment | Replacement of losses for items already programed for replacement; repair to original capability; purchase of special, theater-specific equipment | Acceleration of equipment service life extension programs |
| Aircraft | Replacement for Combat Losses, defined as losses by accident or enemy action in the theater of operations | |
| Training Equipment | Training base stocks of specialized, theater-specific equipment that is required to support combat operations | Training vehicles, aircraft, ammunition, and simulators |
| Munitions | Replenishment of munitions expended in the war zone | |
| Military Construction | Facilities and infrastructure in the war zone directly tied to combat operations | Facilities and infrastructure in the war zone that is "enduring" |
| Reset of Supplies and Equipment | In-theater stocks to pre-war levels | Costs for reconfiguring prepositioned stocks |
| Operations: Support Commanders | Within theater, incremental costs to support commanders, including Emergency Response Programs | |
| Operations: Transport | Transport of personnel, equipment, and supplies to, from and within the war zone | |
| Operations: Training | Deployment of specific training and preparation for units and personnel, military and civilian, to assume their direct missions in the theater | |
| Operations: Supplies | Food, fuel, supplies, contracted services and other support | |
| Operations: Coalition Partners | Operational costs of coalition partners supporting US missions as mutually agreed | |
| Personnel: Pay and Benefits | Incremental Pay: special pays and allowances for service members and employees, and allowances for Reserve Component personnel mobilized to support war missions | Recruiting and retention bonuses; Basic pay and the basic allowances for Housing and Subsistence; Family support initiatives, to include construction of childcare facilities, and support for service members' spouse professional development |
| Personnel: Health | Short term care directly related to combat | Long term care of active duty Personnel injured in combat and in non-combat situations |

What can be included in requests for OCO funding are activities in particular geographic areas: "Geographic areas in which combat or direct combat support operations occur: Iraq, Afghanistan, Pakistan, Kazakhstan, Tajikistan, Kyrgyzstan, the Horn of Africa,

⁶³ The OMB criteria are reprinted in Appendix B of Belasco, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," 8 December 2014, pp. 89-92.

Persian Gulf and Gulf nations, Arabian Sea, the Indian Ocean, the Philippines, and other countries on a case-by-case basis.”⁶⁴ The US government's definitions of the threat and the scope of the wars, the size of US commitments to these wars in terms of numbers of troops and equipment, and what counts officially as war related expenditures have shifted over time. Yet there are areas of operation or spending that are not explicitly enumerated in the OMB criteria as OCO “theaters” — e.g. US operations in Yemen or in support of Saudi Arabia's war in Yemen. Further, the DOD has admittedly put some items in the OCO budget that should not be there. At the same time, it is arguable that while some expenses in the base budget are not operational, they are certainly war-related, such as the short-term care of service members who are injured in non-combat duties when deployed, and the long-term care of service members injured in combat or non-combat duties. Thus, the GAO has argued that the Office of Management and Budget (OMB) categories need revision.⁶⁵

Second, and more significantly, the effect of the wars has been to increase overall military spending. Winslow Wheeler has argued that, prior to the 9/11 attacks, the Pentagon's base military budget was not expected to significantly increase, yet after the war it did grow substantially. Military spending might well have increased after 2001 even if the 9/11 attacks had not happened, but we should ask: How much of the unanticipated increase in the base budget is due to the wars in Iraq and Afghanistan and the larger war on terror?

In separate analyses, Linda J. Bilmes and Winslow Wheeler have estimated that tens of billions of dollars in extra spending in the Pentagon's base budget are due to the wars in Afghanistan and Iraq. Wheeler attributes much of the increase to the war climate, namely the desire of the administration and members of Congress to show support for the troops in the form of higher pay and modernization of military equipment. Bilmes suggests that increases to the Pentagon base budget are in part due to military pay increases used to bolster military recruitment when it was lagging during the Iraq War – pay increases which she argues are unlikely to be reduced after the wars' end. Bilmes argues that medical expenses of active duty personnel have grown due to the increasing utilization rates by active duty troops and their families, the expansion of the TRICARE medical insurance program, and the more complicated medical needs of active duty soldiers injured during their deployments. Similarly, short term health care expenses directly related to combat are part of the OCO budget, but longer term needs and the infrastructure to provide for health care of soldiers who have deployed to the war zones are not in the OCO budget.⁶⁶ In FY2001, appropriations for Military Personnel and the Defense Health program totaled \$91 billion; in FY2015, those programs were budgeted to cost \$160 billion.⁶⁷ In addition, the number of civilians employed by the Pentagon is larger than in the past, and has tended to grow even

⁶⁴ Criteria are reprinted in Appendix B of Amy Belasco, “The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11,” *Congressional Research Service* (CRS) 8 December 2014, pp. 89-92.

⁶⁵ United States Government Accountability Office, “Overseas Contingency Operations: OMB and DOD Should Revise the Criteria for Determining Eligible Costs and Identify Costs Likely to Endure Long Term,” January 2017. <http://www.gao.gov/assets/690/682158.pdf>.

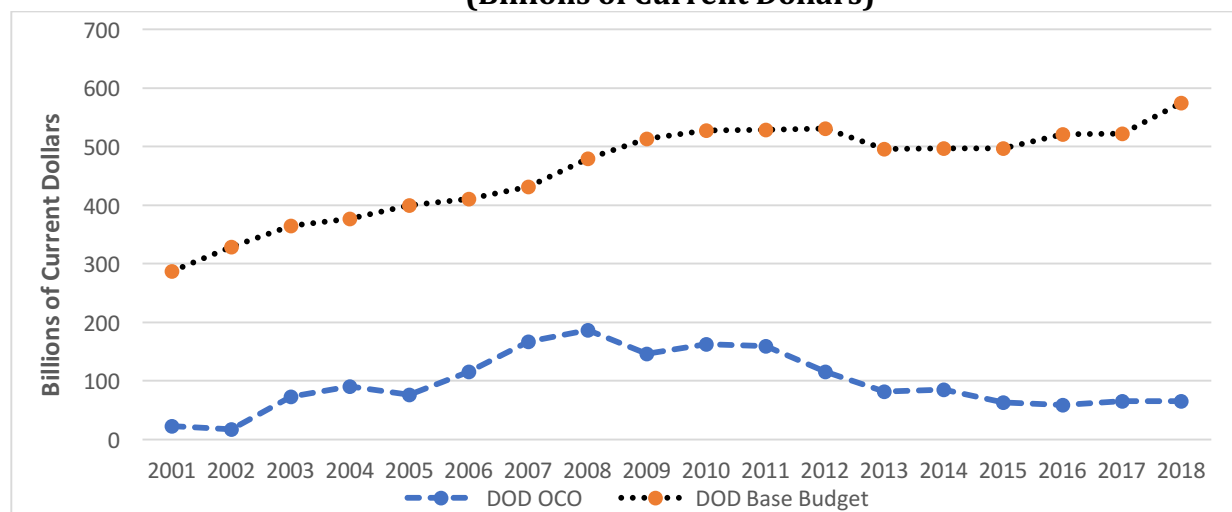
⁶⁶ See Appendix B in Belasco, “The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11,” 2014 pp. 89-92.

⁶⁷ Office of the Undersecretary of Defense, Comptroller, *Defense Budget Overview United States Department of Defense, Fiscal Year 2017 Budget Request*, February 2016, p. 6-2.

as spending on the wars declines. In 2014, the Department of Defense had about 723,400 civilian employees; in 2017, the Department of Defense employed an estimated 730,000 employees and was projected to have 740,000 employees by 2018.⁶⁸

When war spending declines, one would expect base budget spending to decline at about the same rate. While fluctuations in base and war spending do track each other in some years, notably in fiscal years 2004-2008, and 2010, in some years, the two budgets are out of sync. In other words, with a few exceptions, even when war spending declined, for example between FY2011 and FY2016, the annual Department of Defense base budget remained around \$500 billion. While there are other possible explanations for the relative stability of the DOD budget, this report suggests that this reflects both the fact that some War on Terror missions have been normalized into the base budget and that base budget military spending has been inflated by the overall climate of war. Thus, Figures 4 and 5, below, illustrate the trends in war and base budget spending by the DOD, the institutionalization of higher base budget spending, and the failure of the base budget to decline at the same rate as emergency OCO funding, which peaked in 2008.⁶⁹

Figure 4. Trends in Department of Defense (DOD) Authorizations for Overseas Contingency Operations (OCO) and Base Budget, FY2001-2018 (Billions of Current Dollars)⁷⁰

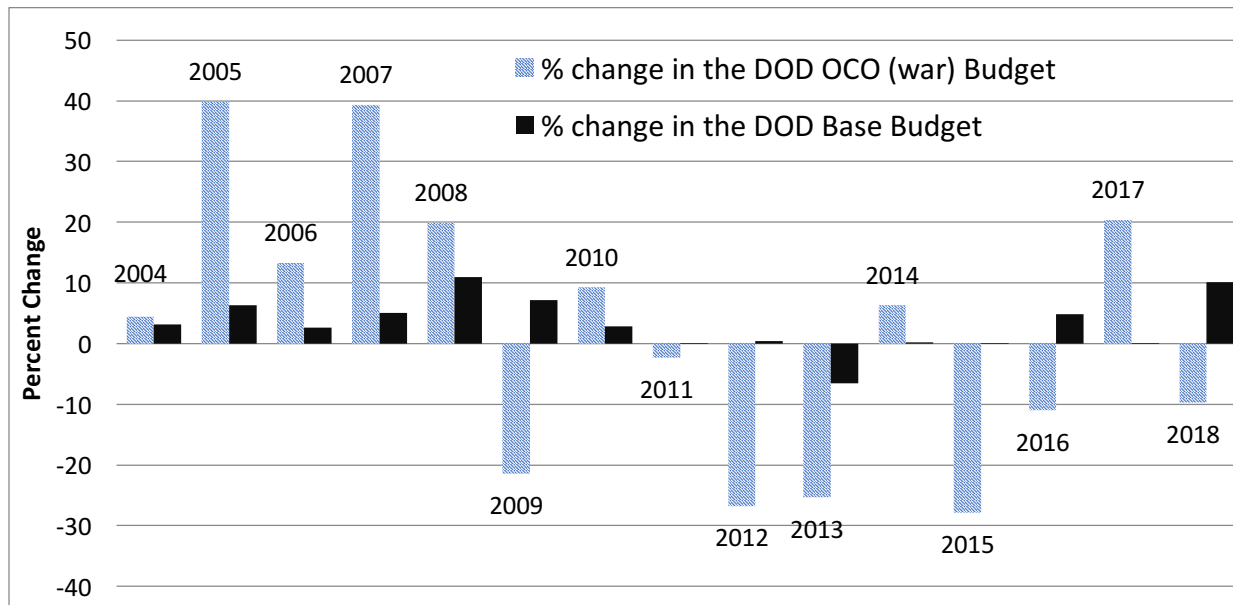


⁶⁸ Office of Management and Budget, *Analytical Perspectives: Budget of the U.S. Government, Fiscal Year 2018* (Washington, DC: U.S. Government Printing Office, 2017)

⁶⁹ Because the Iraq and Afghanistan wars have been, for most of their duration, fought simultaneously, and soldiers frequently served — very often more than once — in both major war zones, it is not possible to disaggregate these additional costs to the base budget by war zone.

⁷⁰ Source: Department of Defense, FY2017 Budget Proposal. http://www.defense.gov/News/Special-Reports/0217_budget; Office of the Under-Secretary of Defense, Office (Comptroller) "Fiscal Year 2017 Budget Request: Overview," p. 1-5. The Department of Defense budget for FY2018 used here is based on their initial request to Congress.

Figure 5. Percent Change in Overseas Contingency Operations (OCO) and the Base Budgets, over the Previous Year's Budget, FY2003 to FY2018⁷¹



Perhaps largely due to the duration and pace of military operations, health care is consuming a large portion of the Pentagon's base budget. This is in part because active duty soldiers have also been wounded in these wars, or have suffered other injuries related to their deployments and these soldiers often require on-going care. For instance, about 16 percent of service members who have suffered major limb amputations in the Iraq and Afghanistan wars have returned to active duty. This is a much higher rate of return to service for these amputees than in previous wars, and these individuals have on-going medical care associated with, for example, fitting new prostheses as they are needed.⁷² Further, there is a higher rate in these wars of what are known as "late" combat related limb amputations — those that occur sometimes many months or several years after a soldier has sustained the initial injury.⁷³ Other, less dramatic, musculoskeletal injuries may also require long term care.⁷⁴ As a consequence of increased spending on active duty soldier's health care, the Pentagon has tried to cut costs of the TRICARE medical insurance program including

⁷¹ Calculated using the numbers in the previous table.

⁷² Daniel J. Stinner, Travic C. Burns, Kevin L. Kurk, and James R. Ficke, "Return to Duty Rate of Amputee Soldiers in the Current Conflicts in Afghanistan and Iraq," *The Journal of Trauma: Injury, Infection and Critical Care*, vol. 68, no. 6 (June 2010), pp. 1476-1479. http://opmarketing.com/storage/Research%20EncycloPedia/Military/OEF%20OIF%20return%20to%20uty%20rates_J%20Trauma.pdf.

⁷³ Daniel J. Stinner, Travic C. Burns, Kevin L. Kurk, Charles R. Scoville, James R. Ficke, Joseph R. Hsu, "Prevalence of Late Amputations During the Current Conflicts in Afghanistan and Iraq," *Military Medicine*, vol. 175, no. 10 (December 2010) pp. 1027-1029. <http://militarymedicine.amsus.org/doi/pdf/10.7205/MILMED-D-10-00102>.

⁷⁴ Brett D. Owens and Kenneth L. Cameron, "The Burden of Musculoskeletal Injuries in the Military," in Kenneth L. Cameron and Brett D. Owens, eds., *Musculoskeletal Injuries in the Military* (New York: Springer, 2017), pp. 3-10.

increasing co-pay amounts.⁷⁵ But the spending for healthcare of active duty soldiers and their dependents will likely remain significant unless the system is completely overhauled. These factors will keep military spending on healthcare high.

The overall war climate affects the willingness of Congress to make cuts in the Pentagon's budget. For instance, Congress has been unwilling to close even those bases that the Pentagon has said it does not need. The Department of Defense, under both Presidents Obama and Trump, has also requested that Congress allow it to close some military bases that it does not need in a new Base Realignment and Closure process. In 2016, Pentagon officials estimated that they had 22 percent excess infrastructure capacity, and that closing excess bases would save more than \$2 billion in annual recurring savings.⁷⁶ As of yet, Congress has not acted on this request.⁷⁷

The US military budget in FY2017 and FY2018 included a Request for Additional Appropriations (RAA) meant to "address immediate warfighting readiness and shortfalls."⁷⁸ Some of the funds requested are intended to "restore key munitions inventories" and other items that are directly and indirectly related to the fact that the US has been at war for 16 years.

In summary, some costs of the post-9/11 wars have become institutionalized in the Pentagon's base budget in the form of increased weapons procurement, health care, and active duty pay. Even though these costs are not part of the official expenses that can be charged to the OCO according to OMB criteria, the perceived need to spend on these items would arguably not have risen as much or as quickly had the US been at peace. Further, there is little willingness in Congress to cut military spending, even on very expensive items that the Pentagon has said it does not want or need, since the 9/11 attacks.⁷⁹ The Pentagon has had little reason to exercise budgetary discipline in a war climate.

Homeland Security Missions

One of the largest ongoing counterterrorism war-related costs that occurs outside the Defense and State Department Overseas Contingency Operations budgets is associated with

⁷⁵ For a summary, see Department of Defense, Comptroller, "Defense Budget Overview," FY 2018 Budget Request, pp. 5-4 -5-5.

http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/fy2018_Budget_Request_Overview_Book.pdf.

⁷⁶ Department of Defense, "Department of Defense Infrastructure Capacity," March 2016. http://democrats-armedservices.house.gov/index.cfm/files/serve?File_id=48FF2A32-DB43-4AB7-92EC-138A6D50C2D7.

⁷⁷ See Joe Gould and Aaron Mehta, "Pentagon to Congress: We Need Base Closures," *Defense News*, 15 April 2016, <http://defensenews.com/story/defense/2016/04/15/pentagon-requests-brac/83082038/>. Scott Maucione, "DoD Tries to Calm Congress Over New BRAC Request," *Federal News Radio*, 8 June 2017, <https://federalnewsradio.com/brac/2017/06/dod-tries-to-calm-congress-over-new-brac-request/>.

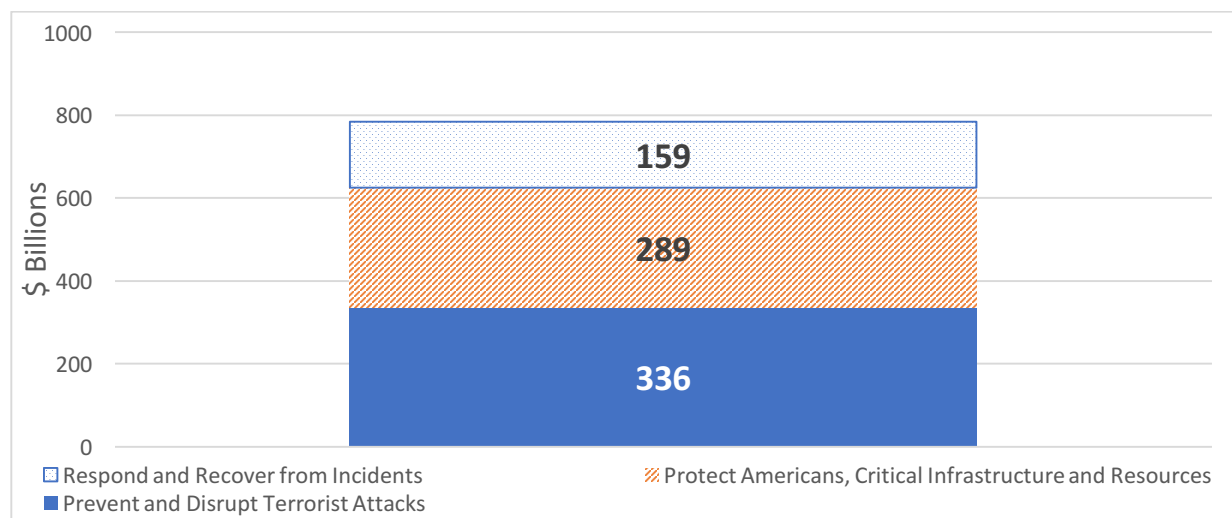
⁷⁸ Department of Defense, Comptroller, "Defense Budget Overview," FY 2018 Budget Request, pp. 1-1 -1-2.

⁷⁹ See Lauren Chadwick and R. Jeffrey Smith, "Congress Funds Problematic Weapons the Pentagon Does Not Want," *Center for Public Integrity*, 5 July 2016, <https://www.publicintegrity.org/2016/07/05/19869/congress-funds-problematic-weapons-pentagon-does-not-want>.

Homeland Security spending dedicated to diminishing the risks and potential effects of terrorism and to responding to acts of terrorism should they occur.

Created in 2002, the Department of Homeland Security (DHS) performs many missions previously undertaken by a diverse array of government agencies. For instance, the Federal Emergency Management Agency, the Coast Guard, Customs and Border Protection, and the Secret Service operate within the DHS. In addition, DHS is in charge of Transportation Safety Administration and Immigration and Customs Enforcement. The DHS has a number of responsibilities, in conjunction with other agencies, that are directly and indirectly war related. These missions include “preventing and disrupting terrorist attacks,” “protecting critical infrastructure,” and “responding and recovering from terrorist incidents.”⁸⁰ These homeland security missions include appropriations to several departments that are not included in the OCO budget, including the Department of Defense, Department of Transportation, and the Department of State. Since 2002, more than \$780 billion has been appropriated for these missions.⁸¹

Figure 6. Spending for Homeland Security Missions Related to War, FY2002-FY2017 (Billions of Current Dollars)⁸²



⁸⁰ The budget for these missions is shared among several agencies, including the Department of Defense, so it is clearer to report on the mission, rather than the DHS budget *per se*.

⁸¹ See Anita Dancs, "Homeland Security Spending Since 9/11," June 2011, *Costs of War*, <http://watson.brown.edu/costsofwar/files/cow/imce/papers/2011/Homeland%20Security.pdf>; Office of Management and Budget, *Analytical Perspectives: Budget of the U.S. Government, Fiscal Year 2017* (Washington, DC: U.S. Government Printing Office, 2016) and previous years. For instance, https://obamawhitehouse.archives.gov/omb/budget/Analytical_Perspectives. In the FY 2017 *Analytical Perspectives*, see pp. 351-352. In January 2015, Senator Tom Coburn published a review of the Department of Homeland Security. See, Tom Coburn, "A Review of the Department of Homeland Security's Mission and Performance," (January 2015). While it is arguable that other missions directly undertaken by DHS are terrorism related, I have focused on those three missions.

⁸² Sources: Homeland Security Budgets and Office of Management and Budget *Analytical Perspectives*, various years, through FY2017.

This total *does not include* spending for FY2018 for those missions. The White House and the Department of Homeland Security have recently stopped reporting the details of requests and spending on homeland security missions. Specifically, the White House Office of Management and Budget stated in its most recent *Analytical Perspectives* on the budget that, “Previous Analytical Perspectives volumes included a ‘Homeland Security Funding Analysis’ chapter, and provided additional detailed information on the Internet address cited above and on the Budget CD-ROM. P.L. 115-31 that eliminated the statutory requirement for this information. Therefore, this information is not included in this years' Budget and it will not be included in future Budgets.”⁸³ It is unclear why this change was made. However, this lack of transparency will certainly make estimating the costs of Homeland Security specifically dedicated to the GWOT more difficult.⁸⁴

Veterans Care

The number of Global War on Terror service members in the Department of Veterans Affairs (VA) system has grown to nearly two million people. Of these, as of FY2016, more than one million people were receiving compensation for disability. In the VA’s report of May 2014, the VA said that it is currently providing health care to more than 858,000 veterans of the post-9/11 wars (which the VA calls the Global War on Terror (GWOT)).⁸⁵ The VA noted

⁸³ Office of Management and Budget, *Analytical Perspectives: Budget of the U.S. Government, Fiscal Year 2018* (Washington, DC: U.S. Government Printing Office, 2017) p. 4.

https://www.whitehouse.gov/omb/budget/Analytical_Perspectives.

⁸⁴ In the FY2017 *Analytical Perspectives*, which still included a chapter on Homeland Security, the discussion notes several changes in accounting. These changes amount to reductions in what was spent by the Department of Defense for Homeland Security, but not on what was appropriated. Homeland Security spending was recalculated in the Office of Management and Budget, *Analytical Perspectives: Budget of the U.S. Government, Fiscal Year 2017*, p. 347. Specifically:

“As reported in the Fiscal Year 2016 President’s budget, DOD refined its characterization of homeland security- related activities to report its spending for this purpose more accurately. This effort resulted in an approximately \$4 billion reduction in estimated homeland security funding for DOD relative to what was previously estimated for 2014, for example. The majority of this reduction is related to lower estimated Army National Guard and Reserve personnel costs due to a more accurate allocation methodology for estimating National Guardsmen and Reservist assignments. The composition of these assignments changed due to troop withdrawal from Afghanistan and associated reductions in manpower required for pre-deployment training and backfilling troops who were deployed. In addition, DOD previously included some activities focused outside of the continental United States, which have been removed from current homeland security estimates. Examples include overseas activities by the Special Operations Command related to counterterrorism and Marine Corps activities related to countering improvised explosive devices. DOD and OMB worked together to restate past estimates using the refined methodology. The results of this effort are shown in Table 22-10.

During this effort, DOD also identified adjustments necessary to maintain consistency throughout the database. DOD determined that the funding methodology used prior to Fiscal Year 2012 to account for Protecting Infrastructure and Critical Key Assets (PICKA) was different than the current methodology. DOD previously included funding for both domestic and select international activities as PICKA. In this revision, DOD normalized the historical data to reflect the current practice of reporting only the United States-based portion of those activities related to DOD’s homeland security mission. DOD is still reporting the same programs over the Fiscal Year 2004-2017 period; however, this revision provides a better accounting of the estimated homeland security funding within those programs prior to Fiscal Year 2012. Therefore, to allow data comparisons, DOD re- stated PICKA funding data for the Fiscal Year 2004-2011 period, as shown in the other adjustments row.

Further adjustments were also required to correct Prior Year and Budget Year 2012 data entry errors. Net corrections of these errors are shown in the Fiscal Year 2012 column in the other adjustments row.”

⁸⁵ Department of Veterans Affairs, News Release, 23 May 2017.

<https://www.va.gov/budget/docs/summary/fy2018VAsBudgetPressRelease.pdf>. And see: Department of Veteran’s Affairs, Budget, Vol. II, <https://www.va.gov/budget/docs/summary/fy2018VAbudgetVolumeIImedicalProgramsAndInformationTechnology.pdf>, p. 184.

in May 2017 that the “Operation Enduring Freedom, Iraqi Freedom, New Dawn, and Operation Inherent Resolve, Veterans and services are up 215 percent for 2010.”⁸⁶

The Department of Veterans Affairs has been under-capacity to deal with the influx of new veterans who are eligible for services and it has had to grow its staffing levels very quickly — doubling in size since 2001 to an estimated 356,000 workers in 2017 — to manage these veterans' care and to reduce a large backlog in processing claims for disability. The backlog has declined, and the number of VA staff is projected to grow over the next several years. The Department of Veterans Affairs will increase to an estimated approximately 364,000 workers in 2018.

Table 4. Estimated Veterans Spending, FY 2001-2017⁸⁷

| Additional War Related Spending | Cumulative Total \$Billions |
|--|--|
| VA Medical ⁸⁸ | 42.4 |
| Social Security Disability ⁸⁹ | 7.18 |
| VA Disability Compensation ⁹⁰ | 97.8 |
| VA Other Costs Related to Afghanistan and Iraq ⁹¹ | 144 |
| Total | 239.9 |

Spending for the veterans of recent US wars includes care for the more than 52,000 US soldiers who were officially wounded in action in Afghanistan and Iraq, and many who were evacuated from the war zones for disease or non-hostile injuries requiring on-going medical care either by the Department of Veterans Affairs or the Department of Defense if they remain in service. More than 1,600 soldiers who fought in the post-9/11 wars Iraq or Afghanistan have had battle-injury major limb amputations as of late 2015.⁹² In 2016,

⁸⁶ Department of Veterans Affairs, FY2018 President’s Budget Request Briefing, 23 May 2017, <https://www.va.gov/budget/docs/summary/fy2018VAsBudgetRolloutBriefing.pdf>.

⁸⁷ This estimate assumes that reductions spending under the Budget Control Act and increases in demand will yield expenditures that are about the same between FY2013 and FY2018.

⁸⁸ Bilmes, "The Financial Legacy of Iraq and Afghanistan": VA medical including direct outlays for Iraq/Afghanistan veterans + directly related medical costs related to: Traumatic Brain Injury; Spinal injury; Women veterans. And author’s estimates for FY2015-FY2017.

⁸⁹ Bilmes, "The Financial Legacy of Iraq and Afghanistan," Disability Pay for fully disabled veterans (90-100%) service-connected. And author’s estimates for FY2015-FY2017.

⁹⁰ For FY2016 the Department of Veterans Affairs reports on “Compensation” for Service Connected Disability or Death Benefits. <https://www.benefits.va.gov/REPORTS/abr/ABR-Compensation-FY16-0613017.pdf>. The FY2017 is not yet concluded. This report estimates that compensation will be about the same for Fiscal Year 2017 as it was for FY2016, which was \$16.86 billion. That is of course a conservative estimate since the number of veterans deemed for disability compensation will likely grow.

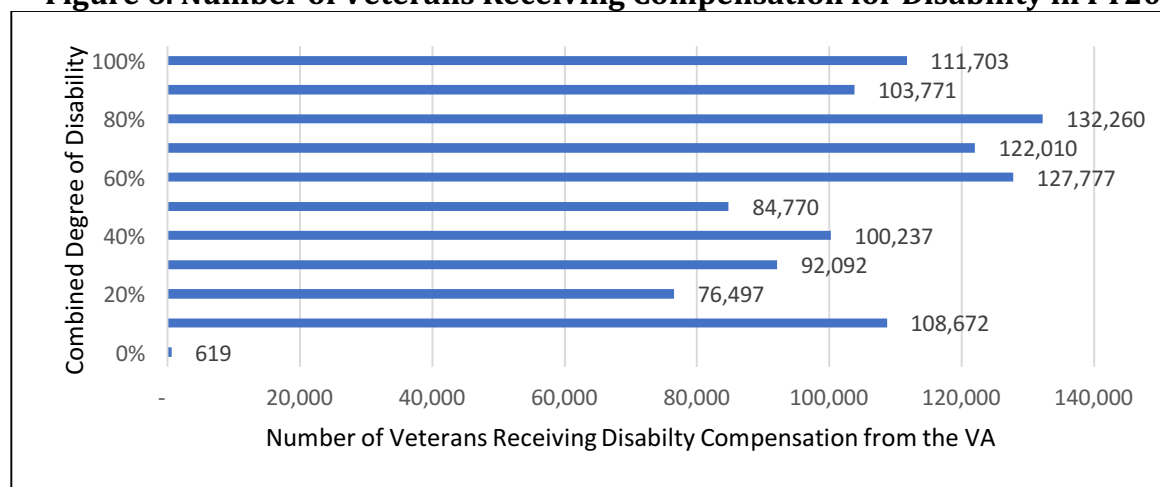
⁹¹ Bilmes, "The Financial Legacy of Iraq and Afghanistan," Other VA costs directly related to Iraq/Afghanistan, including investments in: Claims processing for new claims; Mental health/PTSD; IT investment related to claims; Prosthetics; Readjustment Counseling for new veterans.

⁹² See Hannah Fischer, "A Guide to U.S. Military Casualty Statistics: Operations Freedom's Sentinel, Operation Inherent Resolve, Operation New Dawn, Operation Iraqi Freedom, and Operation Enduring Freedom,"

thankfully, there were no major limb amputations in either war zone.⁹³ The veterans of these wars also suffer from skeletal injury, PTSD, and Traumatic Brain Injury at rates higher than the veterans of other wars. More than 327,000 GWOT veterans have been diagnosed with Traumatic Brain Injury as of August 2017.⁹⁴ And of course, not all injuries are immediately diagnosed – the VA will be offering services to former soldiers for years to come.

The numbers of GWOT veterans receiving disability payments is rapidly growing. In 2016, the most recent year for which there are figures, the VA added 87,669 new disability compensation recipients to their rolls.⁹⁵ Of those veterans of the GWOT whose disability claims had been processed by the VA in 2016, again, the most recent year for which there are figures, more than 1 million GWOT veterans now receive some disability compensation from the VA. Of the total number of Veterans receiving disability compensation payments, more than 874,600 veterans were classified as 30 percent or more disabled.⁹⁶ Some disabled veterans also receive Social Security Disability payments, as noted in Table 3.

Figure 6. Number of Veterans Receiving Compensation for Disability in FY2016⁹⁷



Congressional Research Service, 7 August 2015. <https://www.fas.org/sgp/crs/natsec/RS22452.pdf>. Also see Catherine Lutz, "U.S. and Coalition Casualties in Iraq and Afghanistan," for Costs of War, 21 February 2013.

FOIA requests show 90,000 medivacs. Bilmes, "The Financial Legacy of Iraq and Afghanistan." Costs of War.

⁹³ Military Health System and Defense Health Agency, Armed Forces Health Surveillance Branch, "2016 Marks First Year of Zero Combat Amputations Since the Start of the Afghan, Iraq Wars," 28 March 2017, <https://health.mil/News/Articles/2017/03/28/2016-marks-first-year-of-zero-combat-amputations-since-the-start-of-the-Afghan-Iraq-wars>.

⁹⁴ Fischer, "A Guide to U.S. Military Casualty Statistics," 2015, p. 4.

⁹⁵ Figure based on data from the Department of Veterans Affairs, Veterans Benefits Administration, *Annual Benefits Report*, Fiscal Year 2016, Updated February 2017, "Compensation," p. 21. <https://www.benefits.va.gov/REPORTS/abr/ABR-Compensation-FY16-0613017.pdf>.

⁹⁶ Department of Veterans Affairs, Veterans Benefits Administration, *Annual Benefits Report*, Fiscal Year 2016, Updated February 2017, "Compensation," p. 22. <https://www.benefits.va.gov/REPORTS/abr/ABR-Compensation-FY16-0613017.pdf>.

⁹⁷ Figure based on Data in the Department of Veterans Affairs, Veterans Benefits Administration, *Annual Benefits Report*, Fiscal Year 2016, Updated February 2017, "Compensation," p. 22. <https://www.benefits.va.gov/REPORTS/abr/ABR-Compensation-FY16-0613017.pdf>.

This report has not made estimates for the *total* economic costs and consequences of the harm to soldiers and the admitted state of overwhelm that the Department of Veterans Affairs has faced for more than 15 years. As Michael Baker has argued in *Military Medicine*, “direct costs of treatment are only a fraction of the total costs related to mental health and cognitive conditions. Far higher are the long-term individual and societal costs stemming from lost productivity, reduced quality of life, family disruptions, homelessness, impaired health, substance abuse, and suicide.”⁹⁸

Further, this report has not counted the costs of other VA benefits for which Global War on Terror veterans are eligible. For instance, Global War on Terror veterans are eligible for significant educational and mortgage benefits. The VA's Home Loan Guarantee Program has already served more than 600,000 veterans at a cost of more than \$206 billion as of late 2014.⁹⁹ More than 815,000 GWOT veterans have so far received educational benefits under programs that were already in place or which have been created specifically for post-9/11 veterans.¹⁰⁰

Future Military and Veterans-Related Spending

There are two major categories of future war-related spending included in this estimate — costs for the ongoing care of veterans and continuing appropriations for Overseas Contingency Operations. We cannot say when the wars will end, and thus only the projected costs through FY2018 are included; we can say that the costs for the care of veterans will continue after the wars end.

Total costs for the GWOT veterans will increase over time. For every war, peak spending on veterans' disability and medical care occurs decades after their service ends.¹⁰¹ For instance, the costs for World War I veterans peaked in 1969, and for World War II veterans in 1986. Costs for the care of Vietnam War veterans has not yet peaked.¹⁰² Similarly, the medical costs of veterans of the US post-9/11 wars have not come close to peaking. As Michael Baker has reported in *Military Medicine*, “The costs of caring for veterans appears to peak 30 to 40 years or longer following the conflict because of age-related chronic disease overlying the initial costs of care are likely to escalate exponentially compared to prior wars for a variety of reasons: (1) there is enhanced survival of devastating injuries not seen in previous conflicts; (2) better health care has resulted in longer life spans; and (3) there are

⁹⁸ Michael S. Baker, “Casualties of the Global War on Terror and Their Future Impact,” *Military Medicine*, vol. 179, no. 4 (April 2014) pp. 348-355: 352.

⁹⁹ While these mortgages are short term costs, over the long run, most of those mortgages will be paid back, with interest. Veterans may also be eligible for Specially Adapted Housing (SAH) and Special Housing Adaptation (SHA) grants so that they may modify their home to take account of their service connected disabilities including loss of or loss of use of limbs.

¹⁰⁰ As of mid 2014. Department of Veterans Affairs, “VA Benefits Activity, Veterans Deployed to the Global War on Terror, VBA Data Through Jun 2014, DMDC Data Through May 2014,” pp. 7-8.

¹⁰¹ Institute of Medicine of the National Academies (hereafter, Institute of Medicine), *Returning Home from Iraq and Afghanistan: Assessment of Readjustment Needs of Veterans, Service Members, and their Families* (Washington, DC: The National Academies Press, 2013) p. 3.

¹⁰² Bilmes, “The Financial Legacy of Iraq and Afghanistan.”

more expensive diagnostic and therapeutic tools, treatments, and prosthetics that did not exist for veterans of previous conflicts.”¹⁰³

The costs for veterans of the post-9/11 wars will be comparatively greater than for past wars. One reason is because the veterans of the wars in Iraq and Afghanistan often return with multiple traumas as well as respiratory and cardiac trouble which may take some years after deployment to emerge.¹⁰⁴ This makes it difficult to estimate the future costs of veteran's care and disability benefits based on past wars; GWOT veterans have been making more claims for injury and illness than the veterans of previous wars, and they have higher rates of service connected disability than the veterans of previous US wars.¹⁰⁵ Further, as each veteran ages, their health care needs will become more complex and expensive. A 2015 survey of all post-9/11 veterans found that about 74 percent were under the age of 45.¹⁰⁶

In 2013, Linda Bilmes estimated that of those veterans who have been discharged, to that point, their care over the next forty years would cost approximately \$836 billion through 2053.

**Table 5. Bilmes’ 2013 Estimate of Future Obligations for Veterans’ Care
FY2014-2053¹⁰⁷**

| Categories of Veterans' Care | Present Value 2014-2053 |
|---|--------------------------------|
| Department of Veterans Affairs Medical | 287.6 |
| Social Security Disability | 42.3 |
| Department of Veterans Affairs Disability | 419.7 |
| VA Related | 86.6 |
| Total | 836.2 |

In June 2014, Bilmes updated her estimate of future spending on veterans care and projected that through 2054 Net Present Value costs for veterans disability, medical, and associated costs of administration for care of veterans will be more than \$1 trillion because the rate and complexity of medical and disability claims had been higher than Bilmes originally predicted.¹⁰⁸ "In addition, a significant number of veteran's claims are now being

¹⁰³ Baker, "Casualties of the Global War on Terror and Their Future Impact," p. 352.

¹⁰⁴ Commission on Care, *Final Report of the Commission on Care* (Washington, DC: 30 June 2016), p. 166.

¹⁰⁵ Department of Veterans Affairs, National Center for Veterans Analysis and Statistics, "Profile of Post-/11 Veterans: 2014," May 2016, p. 10.

http://www.va.gov/vetdata/docs/SpecialReports/Post_911_Veterans_Profile_2014.pdf.

¹⁰⁶ Source: US Census Bureau, American Community Survey, cited in the United States Department of Veterans Affairs, "Profile of Post-9/11 Veterans: 2015," March 2017,

https://www.va.gov/vetdata/docs/SpecialReports/Post_911_Veterans_Profile_2015.pdf. p. 6.

¹⁰⁷ Long Term Present Value of Medical Care, Social Security, and Disability Claims already submitted through 2014-2053. Bilmes, "The Financial Legacy of Iraq and Afghanistan."

¹⁰⁸ Bilmes in email communication with the author, 25 June 2014. Also see Bilmes, "A Trust Fund for Veterans."

appealed, adding to the cost of the process and in most cases, resulting in higher awards for veterans."¹⁰⁹ As the US continues to fight in Iraq and Afghanistan, service members' deployments have been extended far beyond what was projected. This will increase the numbers of veterans with service in those wars who are eligible for VA services. In 2015, the VA noted that it expected the post-9/11 veteran population to increase 33 percent between 2015 and 2020.¹¹⁰

In 2016 alone, more than 87,000 GWOT veterans became new disability compensation recipients. Also in 2016, the Department of Defense diagnosed more than 18,000 service members "worldwide" with Traumatic Brain Injuries. Of those, the majority were mild TBI. But there were 88 Penetrating, 171 Severe, and 2,546 Moderate traumatic brain injuries.¹¹¹ Similarly, in the first two quarters of 2017, 8,924 service members were diagnosed with TBI. Of those, 23 were classed as Penetrating, 55 Severe, and 1,159 Moderate.¹¹² These statistics include soldiers who were not deployed; however, the incidence rate of soldiers who were deployed, or within 30 days of return, was 1.5 times higher over the 16 years from 2001 to 2016 than for those never deployed to a war zone.¹¹³ Most of those soldiers with TBI will likely become patients treated by the Department of Veterans Affairs and some number of them will be eligible for disability compensation. Thus, nearly all estimates of the future costs of caring for veterans are probably low.

As Bilmes reminds us, even though the Department of Veterans Affairs has "the fastest-growing budget in the federal government," the department "still lacks sufficient funding to fill thousands of vacancies for doctors and nurses and to finance badly needed repairs to its hospitals and clinics."¹¹⁴ Long wait times for services have been a persistent barrier for veterans' access to health care, and ultimately may increase the costs of care.¹¹⁵

In sum, this report's estimate of the costs of caring for veterans in the future takes into account the growing number of veterans entering the system due to the longer duration of the wars. It is likely an underestimate of the final costs because more Iraq and Afghan soldiers will enter the VA system over the next several years as the wars continue, and the

¹⁰⁹ Bilmes in email communication with the author, 17 August 2016.

¹¹⁰ United States Department of Veterans Affairs, "Profile of Post-9/11 Veterans: 2015," p. 12.

¹¹¹ DOD Numbers for Traumatic Brain Injury: World Wide Totals, Department of Defense and Veterans Brain Injury Center, as of 10 August 2017. <http://dvbic.dcoe.mil/files/tbi-numbers/worldwide-totals-2016-aug-10-2017-v1.09-2017-09-18.pdf>.

¹¹² DOD Numbers for Traumatic Brain Injury: World Wide Totals, Department of Defense and Veterans Brain Injury Center, as of 10 August 2017, <http://dvbic.dcoe.mil/files/tbi-numbers/worldwide-totals-2017-Q1-Q2-aug-10-2017-v1.0-2017-09-21.pdf>. The Defense and Veterans Brain Injury Center archives their statistics at <http://dvbic.dcoe.mil/dod-worldwide-numbers-tbi>. Note, the DVBIC only counts patients once, from their first encounter, and according to the most severe diagnosis. E.g. if someone is diagnosed in 2015 with mild TBI, but they sustain another injury or are later diagnosed, say in 2017 with moderate TBI, the diagnosis date remains 2015, but the diagnosis is classed moderate.

¹¹³ Military Health System and the Defense Health Agency, "Demographic and Military Traits of Service Members Diagnosed as Traumatic Brain Injury Cases," Fact Sheet, 20 March 2017, <https://health.mil/Military-Health-Topics/Health-Readiness/Armed-Forces-Health-Surveillance-Branch/Reports-and-Publications/Medical-Surveillance-Monthly-Report>.

¹¹⁴ Bilmes, "A Trust Fund for Veterans."

¹¹⁵ Institute of Medicine, *Returning Home from Iraq and Afghanistan*, p. 9-10.

costs of administration and services for the veterans of the wars in Afghanistan and Iraq will grow accordingly. The estimate of \$1 trillion in costs for veterans' medical care and disability through 2056 is thus conservative.

Macroeconomic, Non-Budgetary and Externalized Costs

Macro-economic Costs

Earlier Costs of War Project analysis by Heidi Garrett-Peltier, James Heintz, and Ryan Edwards showed that the wars likely cost tens of thousands of jobs, affected the ability of the US to invest in infrastructure, and probably led to increased interest costs on borrowing, not to mention greater overall federal indebtedness.¹¹⁶ Military spending is much less productive of jobs than spending on other sectors of the economy. As Garret-Peltier writes, "each \$1 million of spending on defense creates 5.8 jobs directly in defense industries and 1.1 jobs in the supply chain, for a total of 6.9 jobs per \$1 million of federal defense spending. In comparison, spending that same amount in wind or solar energy creates a total of 8.4 or 9.5 jobs, respectively. Energy efficiency retrofits create 10.6 jobs per \$1 million, which is more than 50 percent above the level of job creation supported by military spending. General infrastructure, which here includes street/highway/tunnel/bridge construction as well as new and repair construction of schools and other non-residential buildings, creates over 40 percent more jobs than the military, with a total multiplier of 9.8 jobs per \$1 million spending."¹¹⁷ She concludes that "If we look at the average job creation potential of healthcare, education, clean energy, and infrastructure, \$230 billion could have created about 2.8 million jobs instead of the 1.5 million created through war spending, thus the average opportunity cost is about 1.3 million jobs annually."¹¹⁸

Most worrisome, perhaps, is that, unlike past wars, the post-9/11 wars have been funded, from the beginning, primarily by borrowing. In simple terms, the US started FY2001 with a budget surplus. The US went into deficit spending in 2002 and has not balanced a budget since then. No additional taxes have been raised for these wars; indeed, taxes were cut in many categories for most of the war years, and they recently rose only for households with incomes over \$400,000 and only in recent years. Using a standard macroeconomic model of the US economy, Ryan Edwards estimates that as of 2017, the US has already incurred an additional approximately \$534 billion in interest on borrowing to pay for the wars.¹¹⁹ Over the next several decades, assuming (in theory) no more military spending on these wars, but also no additional tax increases or spending cuts, **cumulated interest costs on borrowing to pay for the wars will ultimately rise to dwarf the \$1.5 trillion of direct military spending from 2001-2013, adding more than \$7.9 trillion to the national**

¹¹⁶ See respectively, research briefs by Heidi Garrett-Peltier, "The Job Opportunity Costs of War," Costs of War, 24 May 2017; James Heintz, "Military Assets and Public Investment," Costs of War June 2011, and Ryan D. Edwards, "Post-9/11 War Spending, Debt, and the Macroeconomy," Costs of War, June 2011.

¹¹⁷ Garrett-Peltier, "The Job Opportunity Costs of War," p. 3.

¹¹⁸ Garrett-Peltier, "The Job Opportunity Costs of War," p. 5.

¹¹⁹ Edwards calibrates a standard Solow model to model feedbacks from deficit-financed government defense spending into current GDP, the capital stock, and interest rates. See Edwards, "Post-9/11 War Spending, Debt, and the Macroeconomy."

debt.¹²⁰ Thus, even if military spending plateaus, interest costs will far surpass total war costs unless Congress devises another plan to pay for the wars.

The severity of the burden of war-related interest payments will depend on many factors, not least, the overall future health of the US economy, interest rates, government fiscal policy, and national savings. But in the past, unfinanced war spending has played a significant role in raising the US national debt, and it has few of the benefits associated with other sources of debt, such as reductions in taxes and increases in spending intended to combat the recession of 2008-2009 that have also raised the debt.

Externalized Costs

Some of the costs of the wars in Iraq and Afghanistan have been externalized and therefore do not appear in this accounting focused on US federal outlays and obligations. There are many costs for veterans' care borne by families, state and local governments, and nongovernmental associations. Specifically, as Zoe Wool's 2013 Costs of War paper shows, the externalized costs include the social costs of care for disabled veterans borne by their families.¹²¹ Americans have generously helped each other and many family members take on the burden of care. Linda Bilmes estimated in 2011 that the costs to US military families of the uncompensated expenses of caring for injured family members may be as much as \$300-400 billion over the next several decades.¹²² More recently, a 2014 RAND Corporation Study, *Hidden Heroes*, estimated that post-9/11 caregivers were providing a "yearly value" of \$3 billion in care, suggesting that Bilmes' estimate was quite conservative.¹²³ The RAND study also found that many caregiver's mental and physical health were directly affected by the burden of caregiving; in fact, post-9/11 caregivers suffered at higher rates than the caregivers of other veterans.¹²⁴

Further, state and local governments assume some of the costs of veterans care and benefits.¹²⁵ In addition, other costs of caring for Afghan and Iraq war veterans has been taken up by non-governmental organizations. For example, as of September 2017, more than

¹²⁰ Edward's calculation is based on only the direct war appropriations noted in table 2 for DoD and State Department.

¹²¹ Zoë H. Wool, "The War Comes Home: Institutionalizing Informal Care and the Family Consequences of Combat Injuries," *Costs of War*, February 2013.

¹²² Linda J. Bilmes, "Current and Projected Future Costs of Caring for Veterans of the Iraq and Afghanistan Wars," *Costs of War* June 2011. Alison Howell and Zoë H. Wool, "The War Comes Home: The Toll of War and The Shifting Burden of Care," *Costs of War* June 2011 and Zoë H. Wool, "The War Comes Home: Institutionalizing Informal Care and the Family Sequelae of Combat Injuries," *Costs of War* February 2013.

¹²³ Rajeev Ramchand, Terri Tenielian, et al, *Hidden Heroes: America's Military Caregivers* (Santa Monica: RAND Corporation, 2014), p. 122.

¹²⁴ Rajeev Ramchand, Terri Tenielian, et al, *Hidden Heroes*.

¹²⁵ See Brian Smith, "The Cost of Iraq and Afghanistan Veterans' Care to Texas," 3 January 2015, <http://watson.brown.edu/costsofwar/files/cow/imce/papers/2015/The%20Cost%20of%20Iraq%20and%20Afghanistan%20Veterans%27%20Care%20to%20Texas.pdf>; Luke Lattanzi-Silveus, "Costs of the Wars in Afghanistan and Iraq for the State of Rhode Island," 1 January 2015, <http://watson.brown.edu/costsofwar/files/cow/imce/papers/2015/Costs%20of%20the%20Wars%20in%20Afghanistan%20and%20Iraq%20for%20the%20State%20of%20Rhode%20Island.pdf>.

100,000 post-9/11 veterans and service members have been helped by the Wounded Warrior Project, which provides support for veterans' physical and mental health.¹²⁶

Each one of the nearly 7,000 US soldiers killed by wars in Iraq and Afghanistan could be assigned a statistical value of human life — a dollar value to their deaths. The Costs of War Project has not estimated the economic impact on the United States economy — the loss of economic productivity — of the deaths and injuries of US service members due to the wars.

The economic costs of the war for other countries are also not included in this accounting. The costs incurred outside the US by its allies and by the people and governments of Afghanistan, Pakistan, and Iraq total in the many billions of dollars. For example, the disruption caused by war to Iraq's health care and economic infrastructure has led to continued adverse health effects and a devastating economic burden for the people of Iraq and the region. The same can be said of the wars in Afghanistan and Pakistan. There are millions of refugees created by the wars, the burden of whose care has fallen to international humanitarian organizations and host countries.

The United Kingdom spent about \$14 billion in Iraq from 2003-2011 and was projected to spend about \$30 billion in Afghanistan by the time of its complete withdrawal.¹²⁷ By one estimate published in 2011, the budgetary costs of German military involvement in Afghanistan is more than \$15 billion (12 billion Euros), at the low end, and this number does not include medical costs, or the interest costs of financing the German participation in the war.¹²⁸

While the US has assisted the governments of Afghanistan, Pakistan, and Iraq, there are still likely hundreds of billions of dollars worth of reconstruction and military costs borne by those governments. Further, there is also increased military spending in Pakistan (beyond what the US has given in military aid). While the US does provide some money to the victims of war in Pakistan through USAID Civilian Victim Support Program grants, local governments in Pakistan, especially in Balochistan and Kyber Paktunkhwa, provide assistance to civilian victims of conflict and terrorism.¹²⁹

In addition, there is a budgetary burden to international organizations' involvement in humanitarian assistance in the war zones which is shared broadly by many of the world's governments. This burden includes the costs of work by UN agencies, nongovernmental

¹²⁶ Wounded Warrior Project, <https://www.woundedwarriorproject.org/mission/who-we-serve>

¹²⁷ BBC, "Iraq War in Figures," 14 December 2011, <http://www.bbc.co.uk/news/world-middle-east-11107739>. James Kirkup, "Afghan War Will Cost British Taxpayers £20 billion by Time Mission is Complete," *The Telegraph* 19 May 2012, <http://www.telegraph.co.uk/news/worldnews/asia/afghanistan/9275712/Afghan-war-will-cost-British-taxpayers-20-billion-by-time-mission-is-complete.html>.

¹²⁸ Tilman Brück, Olaf J. de Groot, and Friedrich Schneider, "The Economic Costs of the German Participation in the Afghanistan War," *Journal of Peace Research*, (November 2011) vo. 48, no. 6, pp. 793-805.

¹²⁹ See Open Society Foundations, "After the Dead are Counted: U.S. and Pakistani Responsibilities for Victims of Drone Strikes," 2014, pp. 22-23. <https://www.opensocietyfoundations.org/sites/default/files/after-dead-are-counted-20141120.pdf>.

organizations, humanitarian organizations such as the International Committee for the Red Cross and Handicap International, and regional governments that care for refugees and displaced people in the war zones.

Conclusion

By this comprehensive yet conservative estimate, the wars in Iraq and Afghanistan have cost and will cost more than \$5 trillion for the US, including for future veterans' care and for the President's request for FY2018 Overseas Contingency Operations. *It does not include all future interest on debt associated with the wars*, which will likely be many trillions of dollars. Table 6 is a more detailed a breakdown of the categories of costs, with potential future interest costs in the last line as a separate entry.

Table 6. Detailed Summary Estimate of Costs to Date and Future Costs of Wars, Rounded to the Nearest \$Billion¹³⁰

| Appropriations and Expenditures FY2001-FY2017 Costs | \$Billion |
|--|--------------------|
| 1. Total Department of Defense, all OCO | 1,758 |
| 2. Total State Department and US/AID, all OCO | 120 |
| 3. Estimated additions to the Pentagon "base" budget | 879 |
| 4. Veterans total medical and disability | 277 |
| 5. Additions to Homeland Security | 783 |
| 6. Interest on Pentagon War Appropriations ¹³¹ | 534 |
| Subtotal FY2001-FY2017 Costs | \$4,351 |
| Estimates of Future Spending | |
| Department of Defense, all OCO, request for FY2018 ¹³² | 67 |
| Estimated increases to Pentagon base budget due to war | 33 |
| State Department/USAID, all OCO, request for FY2018 | 3 |
| Homeland Security for prevention and response to terrorism, request for FY2018 | 70 |
| Veterans' costs for medical and disability, FY2018 | 20 |
| Estimated Interest on borrowing to pay for wars, FY2018 | 88 |
| Future Veterans' costs for medical and disability, FY2019-2056 | >1,000 |
| Subtotal Future War-related Spending | 1,281 |
| Total Costs to Date and Estimated Future Federal Budget Costs | \$5,632 |
| Cumulative Interest through 2056 on war appropriations through FY2013¹³³ | >\$7,900 |

¹³⁰ In current dollars. Italics indicates the figure is based on a budget request or the previous year's budget authority or the likely future obligation, in the case of veterans' costs.

¹³¹ As estimated by Ryan Edwards, and rounded to the nearest \$100 billion. See Edwards, "Post-9/11 War Spending, Debt, and the Macroeconomy."

¹³² Congress has on occasion appropriated more than requested for OCOs.

¹³³ As estimated by Ryan Edwards, and rounded to the nearest \$100 billion. See Edwards, "Post-9/11 War Spending, Debt, and the Macroeconomy." As noted above, war appropriations for Iraq and Afghanistan were not funded with new taxes, but by borrowing. This adds interest costs war to spending, specifically, the interest costs already paid, and future interest costs. The severity of the burden of war-related interest

As explained earlier, this estimate does not include all the costs of the war for which it is difficult to come to a reasonable estimate or which are smaller and/or scattered in various federal and state budgets. For example, as noted above, this report has not included the various costs of veterans' care that have fallen to state and local governments, or costs externalized to military families and Americans more generally. Nor has this report included an estimate of the larger and longer-term macro-economic consequences of the wars.

This paper's estimate of current and future costs of war demonstrates, once again, that the actual costs of these wars *greatly* exceeds pre-war and early projections of the costs of the Iraq and Afghanistan wars. Indeed, optimistic assumptions and a tendency to underestimate and undercount war costs have, from the beginning, been characteristic of most estimates of the budgetary costs and the fiscal consequences of these wars.

Nowhere is the optimism of those who argued that the wars would be relatively inexpensive clearer than in the estimates of the budgetary costs of the Iraq war. In mid-September 2002 Lawrence Lindsey, then President Bush's chief economic adviser, estimated that the "upper bound" costs of war against Iraq would be \$100 to \$200 billion. Overall, Lindsey suggested however that, "The successful prosecution of the war would be good for the economy."¹³⁴ On December 31, 2002, Mitch Daniels, then the director of the Office of Management and Budget, estimated that the costs of war with Iraq would be \$50 to 60 billion.¹³⁵ Daniels suggested that Lindsay's estimates were much too high, although neither official provided details for the basis of their estimates. There were other pre-war estimates for the costs of war in Iraq. For instance, in September 2002, US House of Representatives Budget Committee Democratic staff estimated costs of \$48 to 60 billion, assuming 30 to 60 days of combat and a 2½ month occupation.¹³⁶ The headline in *The Wall Street Journal* covering the Congressional estimate read, "Lindsey Overestimated Costs of Iraq War, Democrats Say."¹³⁷ Later in 2002, Yale economist William Nordhaus suggested a nearly \$2 Trillion cost for the Iraq war if the war were to be protracted and difficult. He argued that while the main component of costs could be higher oil prices (\$778 billion), a long war could cost \$140 billion in direct military spending and another \$615 billion to pay for occupation, peacekeeping, reconstruction and nation-building, and humanitarian assistance.¹³⁸ To this, Nordhaus added an estimated \$391 billion in negative macroeconomic consequences. The most comprehensive estimate of the long-term budgetary costs of both wars — including direct and indirect spending and other economic effects — is *The Three Trillion Dollar War*

payments will depend on many factors, not least, the overall future health of the US economy, interest rates, government fiscal policy, and national saving.

¹³⁴ Lindsey, quoted in *Wall Street Journal*, 15 September 2002.

¹³⁵ Elizabeth Bumiller, "Threats and Responses: The Cost; White House Cuts Estimates of Cost of War with Iraq," *The New York Times*, 31 December 2002.

¹³⁶ *Assessing the Costs of Military Action Against Iraq: Using Desert Shield/Desert Storm as Basis for Estimates*, An Analysis by the House Budget Committee. September 2002.

¹³⁷ Bob Davis, "Lindsey Overestimated Costs of Iraq War, Democrats Say," *The Wall Street Journal*, 24 September 2002.

¹³⁸ William D. Nordhaus, "The Economic Consequences of a War with Iraq," in American Academy of Arts and Sciences, *War With Iraq, Costs, Consequences, and Alternatives* (Cambridge: American Academy, 2002) pp. 51-86.

by Joseph E. Stiglitz and Linda J. Bilmes.¹³⁹ The Stiglitz-Bilmes estimate was conservative in many respects. Not including the increased burden to our national debt, the costs of war have exceeded even their cautious estimates.

¹³⁹ Stiglitz and Bilmes, *The Three Trillion Dollar War*.

Appendix: Differences in Estimates of US War Spending

This appendix details how this accounting of the costs of war is the same or different from other counts.

Much less comprehensive accounts of US war spending are available, for example, from the US Department of Defense, which counts only its Overseas Contingency Operations spending.¹⁴⁰ In its FY2018 “National Defense Budget Estimates,” the Department of Defense Comptroller listed OCO spending for FY2001-FY2018 totaling \$1.75 Trillion.¹⁴¹ This report’s figures essentially agree with this accounting of Department of Defense OCO spending for the wars.

As mentioned at the beginning of this paper, the Pentagon also publishes an “Estimated Cost to Each Taxpayer for the Wars in Afghanistan, Iraq and Syria.” In the July 2017 report, the Pentagon estimated a total for Afghanistan, Iraq, and Syria of \$1.52 trillion. The Department of Defense estimated a total cost to the single individual taxpayer of \$7,740 from FY2001-FY2018.¹⁴² If this report only counted DOD spending, the estimate of annual bill per taxpayer would be essentially the same as the Pentagon’s. But, as this report has argued, the counterterror wars have cost more when we consider the role of government departments and wars’ effects on the Pentagon base budget. Using this more comprehensive estimate of all the global war on terror costs since 2001, and using the same number of taxpayers that the DOD uses, this report estimates that the costs of war over this period, FY2001-FY2018, is \$23,386 per taxpayer. Yet, since the wars are essentially paid for by borrowing, neither number is reflective of the true costs of war.

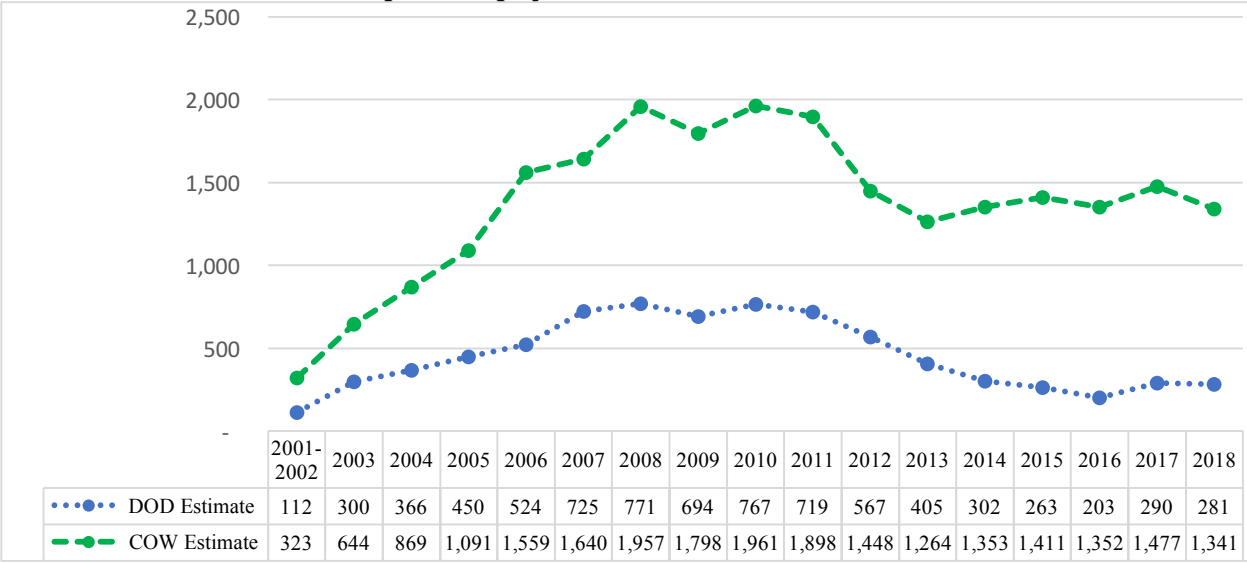
Figure 7, below, compares the annual bill per taxpayer using the two different ledgers, the more comprehensive accounting this report uses with the Department of Defense accounting released in July 2017.

¹⁴⁰ For example, an unclassified Pentagon accounting of “Costs of War through November 30, 2012” reports different figures from the Belasco CRS report of 2011 — in some years lower, perhaps due to rounding, and in some years higher for reasons that are sometimes explained. Further, this DOD report does not include related State Department spending, and omits “non-DOD classified programs.” The DOD report puts “total costs” of war at 1,206.6 billion from 9/11/2001 through 30 November 2012. Office of the Assistant Secretary of Defense for Public Affairs, unclassified, “Costs of War Update as of November 30, 2012,” Generated January 2, 2013.

¹⁴¹ “National Defense Budget Estimates for FY 2018” Office of the Undersecretary of Defense (Comptroller) Revised August 2017, Table 2-1, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/FY18_Green_Book.pdf.

¹⁴² Department of Defense, “Estimated Cost to Each Taxpayer for the Wars in Afghanistan, Iraq and Syria.” July 2017, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/Section_1090_FY17_NDAA_Cost_of_Wars_to_Per_Taxpayer-July_2017.pdf.

Figure 7. Comparison of DOD and Costs of War Project Estimates of Annual War Costs per Taxpayer, FY2001-FY2018¹⁴³



Other experts tallying the costs of these wars have included spending for other war-related activities, such as by the Department of Veterans Affairs, increases in Homeland Security spending due to war, and future costs that are obligations, such as veterans’ benefits. The most recent Congressional Research Service (CRS) report on the costs of the wars and other related expenses of December 2014 by Amy Belasco, CRS specialist in Defense Policy and Budget, takes this view of the costs of the wars.¹⁴⁴ Belasco’s CRS report includes some of the costs of veterans’ care, but does not include disability compensation costs.

Belasco is admittedly circumscribed by accounting practices in the Pentagon, which she diplomatically notes that others describe as having "limited transparency."¹⁴⁵ Despite these and other difficulties, Belasco's outstanding work remains an authoritative accounting

¹⁴³ Rounded to the nearest dollar. FY2018 numbers are based on the DOD projections. For FY2001 and 2002, I have added the total spending for both years and used the number of taxpayers for FY2002. Sources: Total individual filers from DOD and DOD estimate, Department of Defense, “Estimated Cost to Each Taxpayer for the Wars in Afghanistan, Iraq and Syria.” July 2017. Costs of War Project Estimate of total war spending, not including future spending on veterans’ medical care and disability from Neta C. Crawford, United States Budgetary Costs of Post-9/11 Wars Through FY2018: A Summary of the \$5.6 Trillion in Costs for the US Wars in Iraq, Syria, Afghanistan and Pakistan, and Post-9/11 Veterans Care and Homeland Security” October 2017.

¹⁴⁴ Amy Belasco, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," *Congressional Research Service* (CRS) 8 December 2014. This is an update of her previous reports, including Amy Belasco, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," *Congressional Research Service*, 29 March 2011. More recent numbers on appropriations are found in Pat Towell and Amy Belasco, "Defense: FY2014 Authorization and Appropriations," *Congressional Research Service*, R43323, 8 January 2014. Towell and Belasco's paper recounts the uncertainty over budgeting due to the Budget Control Act, sequester and continuing resolutions in late 2013.

¹⁴⁵ Belasco, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," *Congressional Research Service*, 29 March 2011, p. 42.

of major expenses and this report has relied on her reporting of DOD and State Department/USAID spending through FY2014.

While such focused accounts are useful for some purposes, they understate the wider budgetary impact of the wars and their long-term implications for US government spending. Thus, Belasco's CRS report does not include everything that seems relevant to an accounting of the costs of the post-9/11 US wars. For instance, the CRS Belasco report does not include the Homeland Security budget related to terrorism. Further, while Belasco does count appropriations for VA medical expenses, she does not consider the costs of future obligations to veterans nor estimate the costs of interests on borrowing to pay for the wars. Belasco notes that, "Other observers and analysts define war costs more broadly than congressional appropriations and include estimates of the life-time costs of caring for OEF/OIF/OND veterans, imputed interest costs on the deficit, or increases in DOD's base budget deemed to be a consequence of support for the war." Belasco goes on to say that "Such costs are difficult to compute, subject to extensive caveats, and often based on methodologies that may not be appropriate."¹⁴⁶

Belasco is correct. The approach taken by the Costs of War Project, and by Bilmes and Stiglitz, is more inclusive.¹⁴⁷ As a result, and some of the estimates, especially of likely increases to the Pentagon base budget and future costs, *are* subject to important caveats, which are discussed in what follows. Further, Belasco had a somewhat different aim — to tell Congress how much it had appropriated for war related purposes. Similarly, the Department of Defense was tasked with reporting only its spending on the defined OCO missions. There are many ways to think about the costs of the US war depending on one's assumptions about the scope of the wars, how emergency costs differ from and are related to the costs that have been institutionalized in the Pentagon's base budget, and how to estimate the future obligations for the care of veterans as a cost of the ongoing wars. The aim in this report is to give an accounting of what has been appropriated for the major war zones *and in war related* spending. The Department of Defense and Belasco's CRS numbers are thus the tip of the iceberg.

From the beginning, keeping track of war and war-related spending has not been easy for the average citizen or journalist. The Brookings Institution, Anthony Cordesman at the Center for Strategic and International Studies, and the National Priorities Project, have also tried to clarify the funding and other metrics associated with America's longest wars.¹⁴⁸ But, this is no easy task for any war, and these wars have been particularly challenging.

Specifically, Congress has not funded these wars as it has funded past wars, by enacting a war tax or selling large numbers of war bonds, which would have made these "pay as

¹⁴⁶ Belasco, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," 2011, p. 3.

¹⁴⁷ Joseph E. Stiglitz and Linda J. Bilmes, *The Three Trillion Dollar War: The True Costs of the Iraq Conflict* (New York: Norton, 2008).

¹⁴⁸ See for instance, Anthony H. Cordesman, "U.S. Military Spending: The Cost of Wars," CSIS, 10 July 2017, https://csis-prod.s3.amazonaws.com/s3fs-public/publication/170710_Cost_War_AHC.pdf?am9DzafqgSHdhfNj2mvflnZUyM5j4L8M.

you go" wars.¹⁴⁹ Hence DOD and State Department OCO spending are considered here as borrowed. This report has dealt with this layer of complexity by including the costs of borrowing as an expense in each fiscal year, just as individuals would include the costs of borrowing on a home or a car when they calculate their expenses. The cost of *future* interest on the borrowing entailed by deficit spending for these wars is suggested as a separate category — the US could change the way we pay for these wars, much the same way that someone paying back a car loan or home mortgage might accelerate their payments or refinance.

This gets to the general problem of the difficulty in estimating future costs. The Congressional Budget Office projects that that costs of executing the Pentagon's plans in future years will be higher than the Pentagon has suggested in its own projections.¹⁵⁰ For instance, US slowed the pace of its withdrawal from Afghanistan, only to announce an increase in troops in August 2017. And, as this report emphasized above, because these wars are ongoing, it is uncertain how many more service members will be wounded and need care over time.

Another complication is that some of what is included in the White House's Office of Management and Budget and Pentagon criteria for OCO spending is in need of updating, as discussed above. Specifically, though the scope of the war in Afghanistan widened into Pakistan in 2002 and is included in the OMB criteria, later expansions are not included in the OMB criteria. These include when the US expanded its war into Syria in August 2014 and when the US began operations in Libya against ISIS in 2016.

Furthermore, the US federal budgeting process is itself complicated, and spending on the post- 9/11 wars has never been part of regular appropriations processes. While Congressional appropriations were initially described as "emergency" war spending, the Congress and the Executive Branch currently describe the wars in Afghanistan, Pakistan, Iraq, and Syria as Overseas Contingency Operations (OCO).

Adding a layer of uncertainty, the budget can change during a fiscal year. Specifically, while a President might request a certain amount, adjustments may be made in the middle of a fiscal year, such as when the Trump administration announced that it wanted to increase US military spending overall, as well as spending on the ongoing wars. During the Bush, Obama, and now the Trump administrations, Congress has consistently authorized more money than requested by the administrations. Recently, for instance, while President Trump requested a \$603 billion total Defense budget, members of Congress proposed adding another \$18.5 billion to that total; Trump had requested \$64.6 billion for OCO, but the House Armed Service Committee proposed a budget of \$75 billion.¹⁵¹

¹⁴⁹ The Treasury Department did sell a small number of Patriot Savings bonds from December 2001 to December 2011. See

https://www.treasurydirect.gov/indiv/research/indepth/ebonds/res_e_bonds_eepatriotbond.htm.

¹⁵⁰ Congressional Budget Office, "Long-Term Implications of the 2016 Future Years Defense Program," (CBO, January 2016).

¹⁵¹ Department of Defense, "Defense Budget Overview: United States Department of Defense Fiscal Year 2018,"

As if this were not complicated enough, there are two additional wrinkles — flexible funding and the Budget Control Act of 2011. Flexible funding has been used by the Pentagon since the start of the wars. As the Congressional Research Service’s Amy Belasco reported, “Flexible funds have played an important role in war funding, making up a significant share of total funding ranging from a high of 100% in FY2001 immediately after the 9/11 attacks to a low of 7% in FY2003. Between FY2005 and FY2014, flexible war funding fluctuated between 15% and 23% of total DOD war funding. After FY2008, the share of flexible funding enacted declined, presumably reflecting less uncertainty as war needs decline. The FY2015 DOD request reverses this trend, rising to 26% of war funding.”¹⁵² While flexible funding makes it possible for the Pentagon to move resources quickly, without having to wait for specific Congressional authorization, there is decreased transparency.

Further, reporting for previous spending is not always accurate. For instance, in June 2016, the Inspector General of the Department of Defense published a report showing that the Air Force has underreported the costs of its air war in Syria. A few years earlier, the Inspector General reported that the Marine Corp had produced unreliable data that included inaccuracies totaling more than \$1 billion in FY2008.¹⁵³

Another factor making the total costs of the war difficult to track has been the effect of the Budget Control Act of 2011 and sequestration (automatic across-the-board spending cuts) applied to the Pentagon’s base military budget. OCO spending is not capped by the Budget Control Act. As a consequence, the Obama administration began to put items that would normally have been in the base Pentagon budget into the OCO request. The US Government Accountability Office (GAO) has argued that instead, certain activities currently covered in the Pentagon’s OCO budget should go into the base budget to reflect the fact that some OCO spending is not included in activities recognized by Congress as statutory costs of war. Further, the GAO argues that the costs the Pentagon has identified as those which will “endure” following the end of the specific wars should be transferred into the base budget.¹⁵⁴ Todd Harrison at the Center for Strategic and International Studies argues that, “since the BCA was enacted, OCO funding has become a convenient tool for Congress and DoD to

http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/fy2018_Budget_Request_Overview_Book.pdf. Mike Stone, “House Committee Eyes \$18.5 Billion Increase to Trump Defense Budget,” *Reuters*, 26 June 2017. <http://www.reuters.com/article/us-usa-defense-budget-idUSKBN19H2QB>.

¹⁵² Amy Belasco, “The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11,” *Congressional Research Service* (CRS) 8 December 2014, p. 50.

¹⁵³ The Pentagon provides limited visibility in its accountability. See the Government Accountability Office, “Global War on Terrorism: DOD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs,” GAO-05-882, September 2005. Inspector General, US Department of Defense, “Additional Controls Needed to Issue Reliable Cost of War Reports that Accurately Reflect the Status of Air Force Operation Inherent Resolve Funds,” DOD, 23 June 2016, <http://www.dodig.mil/pubs/documents/DODIG-2016-102.pdf>. Accessed 30 July 2016. Inspector General, US Department of Defense, “Cost of War Data for Marine Corps Contingency Operations were not Reliable,” 22 July 2011. <http://www.dodig.mil/pubs/documents/D-2011-090.pdf>.

¹⁵⁴ United States Government Accountability Office, “Overseas Contingency Operations: OMB and DOD Should Revise the Criteria for Determining Eligible Costs and Identify Costs Likely to Endure Long Term,” January 2017. <http://www.gao.gov/assets/690/682158.pdf>.

negotiate around the budget caps.”¹⁵⁵ Harrison argues that while President Bush did the same with the OCO budget, the practice of slipping base budget items into the OCO greatly expanded in the request for FY2014. Harrison suggests that \$20-30 billion of the current OCO budget is actually properly seen as spending for the base budget and that the Pentagon has essentially acknowledged that this is the case.¹⁵⁶

In its estimates for the Costs of War Project, this report has deliberately taken a comprehensive approach to the budgetary costs of these wars. For example, as discussed above, this report has included a portion of the base military budget that supports the ongoing wars – the wartime environment has led to increases in the Pentagon’s base budget that would likely not have occurred had the US not been at war, such as significant increases in pay and benefits for soldiers, and ongoing health care costs. This report argues that these additions to the Pentagon’s base budget, while somewhat normalized in the generally higher overall Pentagon budget, should be considered war related. If one accepts this assumption, the question then becomes, how much of the larger base budget can be accounted for by the wars. This report used the DOD OCO budget as its guide, calculating additions to the DOD base budget at 30 percent of OCO spending from 2001-2003; 40 percent of OCO from 2004-2008; and 50 percent from 2009-2018.

But this estimate is also conservative. To underscore what this report noted in the main body of the paper, this report has not included here state and local government expenses related to medical care of veterans and homeland security. Nor does this report calculate the macro-economic costs of war for the US economy. And while this report discusses some of the ways that families bear the burden of caring for seriously veterans, I have not added a value for the costs of their uncompensated care. The United States Congress has used a definition of emergency funding for the wars as spending that is "unanticipated" — "sudden," "urgent," unforeseen" and "temporary."¹⁵⁷ But some costs of the wars do not fall into the category of emergency spending; these expenses have been institutionalized, for example, into the spending of the Departments of Veterans Affairs and Homeland Security. Some elements of the Global War on Terror have been normalized in the budget of the Department of Homeland Security (e.g. border control). This report does not count such costs in its estimate of total war costs, even though they could be seen as costs of what has become a very long war on terror. This report does not do this because, for example, it is difficult to disentangle the costs of border control for economic migrants versus the expenses on border control that are focused solely on keeping out potential terrorists. In sum, while the Costs of War Project estimate is more comprehensive than many accounts, it still does not include *all* the budgetary and economic costs for the US associated with the wars in Iraq and Syria and Afghanistan and Pakistan and the larger war on terror.

This paper has made methods and choices explicit so that readers can make their own

¹⁵⁵ Todd Harrison, “The Enduring Dilemma of Overseas Contingency Operations Funding,” *Transition 45*, January 2017 <http://defense360.csis.org/wp-content/uploads/2017/01/Transition45-Harrison-OCO-1.pdf>, p. 2.

¹⁵⁶ Harrison, “The Enduring Dilemma of Overseas Contingency Operations Funding,” p. 3.

¹⁵⁷ Budget Control Act of 2011, <https://www.congress.gov/bill/112th-congress/senate-bill/365/text>.

judgments about the information. When, for various reasons, numbers were not available, this report makes estimates based on previous year's funding. But there are areas of uncertainty, as already acknowledged. For instance, this paper's estimates for future costs of interest on the debt associated with war could be high if the US chooses to change the way it pays for the wars. Or these projections could be low if the US continues its wars over many more years. Additionally, as these wars, the longest in US history, have been institutionalized, it will become increasingly difficult to disentangle the parts of the base Pentagon budget that are actually war-related costs, and what parts of the special OCO appropriations are better considered to be base budget costs.

Finally, the Costs of War Project is often asked to break down the costs for each of the war zones. The previous version of this paper assumed that 65 percent of the costs of veterans' care and disability expenses could be attributed to the Iraq war.¹⁵⁸ This is a crude estimate for several reasons. Specifically, the long duration of these wars, the fact that they occur simultaneously, involving many of the same personnel and equipment, has meant that their expenses and future costs related to personnel are increasingly difficult to disaggregate. In addition, Overseas Contingency Operations are essentially global in scope — occurring in Africa, the Americas, Europe and Asian and the Pacific — in addition to the major designated war zones. Thus, while more soldiers served in Iraq, many soldiers served multiple deployments in both war zones as well as in shorter term operations in Syria and Libya. Further, the trauma and injury soldiers experience is cumulative and the VA does not track injuries by war zone, but by time of service.¹⁵⁹ Similarly, equipment was often used in both major war zones, so the costs to repair and replace equipment may not be separable by war zone at the aggregate level. Further, soldier's pay, death gratuity benefits and health care costs rose for the entire military, regardless of whether they were deployed to a war zone.¹⁶⁰ This year's report thus does not break down the costs by war zone.

¹⁵⁸ The peak number of troops deployed in Iraq was 170,000 soldiers in 2007. US troop levels in Afghanistan peaked at about 101,000 in 2011. As of September 2017 more than 20,200 have been wounded in action in Afghanistan and more than 32,000 were reported as wounded in action in Iraq, including Operation Inherent Resolve. See Department of Defense Casualty Statistics. <https://www.defense.gov/casualty.pdf>. See Catherine Lutz, "U.S. and Coalition Casualties in Iraq and Afghanistan" and Fischer, "A Guide to U.S. Military Casualty Statistics," p. 1.

¹⁵⁹ Linda Bilmes also argues that there is no "reasonable way to divide costs." Email communication, 20 June 2014.

¹⁶⁰ For instance, Congress increased the Death Gratuity from \$12,000 to 100,000 for all active duty military personnel in 2005, effective in FY2006. See, <http://militarypay.defense.gov/Benefits/Death-Gratuity/>. Death gratuities that occur as a result of specific operations are charged to that OCO account.