

September 12, 2007

## THE COST OF US OPERATIONS IN IRAQ AND AFGHANISTAN AND FOR THE WAR ON TERRORISM THROUGH FISCAL YEAR 2007 AND BEYOND

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Since 2001, Congress has appropriated about \$610 billion to cover the cost of US operations in Iraq (\$450 billion) and Afghanistan (\$127 billion), and for other operations and activities related to the war on terrorism (\$32 billion).<sup>1</sup> This figure includes \$538 billion for Department of Defense (DoD) military operations, \$30 for training and equipping Afghan and Iraqi security forces, \$39 billion for diplomatic operations and foreign assistance, and \$3 billion for veteran's benefits (see Figure 1). It is impossible to estimate with confidence how much additional funding will be needed to cover the cost of these operations in 2008 and beyond—due not only to uncertainty concerning the size, duration and intensity of the US military operations in Afghanistan and Iraq, but also to significant gaps in cost, funding and related data.

Earlier this year, the Bush Administration requested \$147.5 billion to cover the cost of military operations in fiscal year (FY) 2008.<sup>2</sup> Within the next few months, it reportedly plans to ask for roughly an additional \$50 billion in 2008 funding, in part to help cover the cost extending the surge of US force in Iraq into next year.<sup>3</sup> Adding these two figures to the amount already appropriated would bring the total amount provided for these operations to about \$808 billion by the end of FY 2008.

However, projections of funding requirements for FY 2008 and, especially, beyond are highly speculative. Those costs could vary dramatically, depending primarily on how many troops the United States keeps in Afghanistan and Iraq, and for how long—and views among US policymakers and members of Congress differ significantly concerning these questions. Illustrative estimates derived by the Congressional Budget Office (CBO) indicate that additional costs could range from \$481 billion to as much as \$1.01 trillion over the FY 2008-17 period, depending on

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<sup>1</sup> These estimates are based on Congressional Research Service (CRS), Congressional Budget Office (CBO) and DoD data. See Amy Belasco, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," CRS, June 28, 2007, p. 4; Robert A. Sunshine, Assistant Director for Budget Analysis, CBO, "Estimated Costs of US Operations in Iraq and Afghanistan and of Other Activities Related to the War on Terrorism," statement before the House Budget Committee, July 31, 2007, p. 12; and DoD, "FY 2008 Global War on Terror Request," February 2007, pp. 75-76.

<sup>2</sup> The fiscal year runs from October 1 through September 30. In February, the administration requested \$141.7 billion for military operations in FY 2008. This requested was later amended to \$147.5 billion.

<sup>3</sup> Thomas E. Ricks, "Congress Wants \$50 Billion More for Iraq War," *The Washington Post*, August 29, 2007, p. A1.

how quickly and deeply the United States draws down its forces.<sup>4</sup> Taken together, these estimates suggest that the total cost of ongoing military operations could, ultimately (i.e., by 2017), range from some \$1.09 trillion to \$1.62 trillion, including perhaps \$225-330 billion for the war in Afghanistan and \$835 billion to \$1.26 trillion for the war in Iraq.<sup>5</sup>

This paper provides an estimate of how much funding has been provided for military operations in Iraq, Afghanistan and elsewhere since FY 2001, describes how that funding has been provided and allocated among different programs and activities, provides a range of estimates of how much funding might be required for 2008 and beyond, and compares the cost of these operations to past wars.

**Figure 1: Funding for US Military Operations, FY 2001-07\*  
(in billions of dollars)**

|  |     |
|--|-----|
| <b>Iraq</b>                                  |     |
| DoD Military Operations and Other Activities | 404 |
| Indigenous Security Forces                   | 19  |
| Diplomatic Operations and Foreign Assistance | 25  |
| Veterans' Benefits                           | 3   |
| Subtotal                                     | 450 |
| <b>Afghanistan</b>                           |     |
| DoD Military Operations and Other Activities | 106 |
| Indigenous Security Forces                   | 11  |
| Diplomatic Operations and Foreign Assistance | 10  |
| Veterans' Benefits                           | 1   |
| Subtotal                                     | 127 |
| <b>Homeland Security and Other</b>           |     |
| DoD Military Operations and Other Activities | 28  |
| Diplomatic Operations and Foreign Assistance | 4   |
| Subtotal                                     | 32  |
| <b>All Military Operations</b>               |     |
| DoD Military Operations and Other Activities | 538 |
| Indigenous Security Forces                   | 30  |
| Diplomatic Operations and Foreign Assistance | 39  |
| Veterans' Benefits                           | 3   |
| Subtotal                                     | 610 |

Sources: Based on CRS, CBO and DoD data.

\* Totals may not add due to rounding.

<sup>4</sup> Sunshine, p. 11.

<sup>5</sup> These estimates assume that, as in recent years, over the FY 2008-17 period, military operations in Iraq and Afghanistan would account for, about 80 percent and 20 percent, respectively, of the costs incurred. Different assumptions could, of course, result in substantially different estimates of the relative cost of these two operations.

## FUNDING FOR OPERATIONS IN AFGHANISTAN AND IRAQ, AND RELATED ACTIVITIES TO DATE

Since the terrorist attacks of 9/11, the Congress has appropriated about \$610 billion for US operations in Iraq and Afghanistan, and certain homeland security-related missions (i.e., Operation Noble Eagle) and other activities. Most of this funding has been provided through a series of supplemental appropriations. However, over the past several years, Congress has also provided some funding in advance, through so-called “bridge funds” intended to cover the initial cost of military operations for the coming fiscal year. In addition, a small amount of funding has been provided through other appropriations measures.

This funding has been allocated among four major categories:

- **DoD Military Operations and Other Activities (\$538 billion):** This category consists primarily of military personnel, operations and maintenance, procurement and other programs and activities related to conducting military operations in Iraq and Afghanistan. Funding provided in this category is intended to cover costs above and beyond those that would normally be incurred by DoD in peacetime. On average, over the past four years, about 75 percent of this funding has been allocated to two DoD accounts—military personnel, and operations and maintenance (O&M). The cost of activating Reserve and National Guard personnel has accounted for the largest share of military personnel funding. O&M functions funded through the various war-related measures include, for example, costs associated with operating equipment more intensively than would normally be the case in peacetime; the cost of transporting personnel, equipment and supplies into, around and out of the region; and a variety of other logistics and other activities. Most of the remaining 25 percent of funding provided in this category has been allocated to DoD’s procurement accounts to cover the cost of replacing munitions consumed in the operations, buying replacement weapon systems, purchasing special equipment needed to carry out effectively the operations in Iraq and Afghanistan, and upgrading some equipment. This category includes funding for some programs and activities, such as the Army’s modularity initiative, that are only indirectly linked to these military operations.
- **Indigenous Security Forces (\$30 billion):** This category includes activities related to training and equipping indigenous security forces in Iraq and Afghanistan. Since FY 2005, this funding has been provided through DoD appropriations. Prior to that, it was provided through foreign assistance appropriations.<sup>6</sup>
- **Diplomatic Operations and Foreign Assistance (\$39 billion):** Funding for programs and activities related to the conduct of US diplomacy (e.g., State Department diplomatic and consular operations, and embassy

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<sup>6</sup> Of the \$30 billion provided for these activities through FY 2007, about \$25 billion has been provided through DoD appropriations and \$5 billion through foreign assistance.

construction) and foreign assistance (e.g., reconstruction and economic assistance) to Iraq and Afghanistan is included in this category.<sup>7</sup>

- **Veterans' Benefits (\$3 billion):** This includes medical care, disability compensation, survivors' benefits and other assistance provided by the Department of Veterans Affairs (VA) for military personnel deployed in Iraq and Afghanistan, and in other operations related to the war on terrorism.

#### FUNDING REQUIREMENTS IN FUTURE YEARS

Given the substantial uncertainty surrounding estimates of the costs incurred in Afghanistan and Iraq to date, not surprisingly funding requirements for military operations in FY 2008 and beyond can at best be only very roughly and tentatively estimated. Considerable uncertainty surrounds the number of troops the United States will have deployed in Iraq and Afghanistan in future years, as well as how intensively those forces will be operated. Uncertainty over those factors, by definition, creates uncertainty concerning future funding requirements.

Earlier this year, for the first time, the Bush Administration requested \$147.5 billion to cover the full cost of military operations for the coming fiscal year (FY 2008). However, it no longer expects the amount of funding included in this request to be sufficient and, as noted earlier, will (within the next few months) reportedly request an additional \$50 billion in supplemental appropriations for military operations in FY 2008. This implies total costs for FY 2008 of some \$198 billion.

In July 2007, CBO released an estimate of the cost of military operations in Iraq and Afghanistan and for the war on terrorism for the FY 2008-17 period under two illustrative scenarios.<sup>8</sup> Under the first scenario it assumed that the United States would withdraw most or all of its troops from Iraq by 2010, and keep only a relatively small number of troops (30,000) in Iraq and/or Afghanistan thereafter. In this case, CBO estimated that an additional \$481-603 billion might be required over the FY 2008-17 period.<sup>9</sup> This includes some \$406-528 billion for DoD military operations and other activities,<sup>10</sup> \$50 billion for indigenous security forces, \$16 billion for diplomatic operations and foreign assistance, and \$9 billion for veterans' benefits.<sup>11</sup>

Under the second scenario, CBO assumed that the United States would draw down its forces from Iraq more slowly and less deeply. Under this scenario, the US military would reduce the number of troops in Iraq and/or Afghanistan to 75,000 by 2013, and would maintain a force of that size in those countries thereafter. According to CBO, covering the cost of these operations would require an additional \$924 billion to \$1.01 trillion in funding over the FY 2008-17 period.<sup>12</sup> This includes about \$845-

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<sup>7</sup> The \$4 billion included in Figure 1 under "Homeland Security and Other" includes foreign assistance related to ongoing military operations and the war on terrorism provided to countries other than Iraq and Afghanistan.

<sup>8</sup> Sunshine, pp. 6-16.

<sup>9</sup> Ibid, p. 11.

<sup>10</sup> This range reflects different assumptions about how long the existing surge in US forces will be sustained, with the lower figure assuming 4 months and the higher figure 24 months.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

931 billion for DoD military operations and other activities, \$50 billion for indigenous security forces, \$16 billion for diplomatic operations and foreign assistance, and \$13 billion for veterans' benefits.<sup>13</sup>

Taken together, these two scenarios suggest that the total cost to DoD of these military operations could, ultimately (i.e., by 2017), range from some \$1.09 trillion to \$1.62 trillion, including perhaps \$225-330 billion for the war in Afghanistan and \$835 billion to \$1.26 trillion for the war in Iraq.<sup>14</sup> While reasonable, these estimates are, of course, highly speculative. It is possible that costs could be substantially lower if, as has been proposed by some Democratic congressional leaders and others, US combat forces were to be withdrawn from Iraq more quickly than assumed even in CBO's first scenario.<sup>15</sup> Conversely, costs could be higher if, for example, the withdrawal of US forces from Iraq were to occur even more slowly than projected in CBO's second scenario.

#### **COSTS COMPARED TO PAST WARS**

Whatever the merits—on strategic and political grounds—of the US military operations in Iraq and Afghanistan, the direct financial costs will be high. The war in Iraq, alone, has already cost the US more in real (inflation-adjusted dollars) than the 1991 Gulf War and the Korean War, and it will almost certainly surpass the cost of the Vietnam War by the end of next year. The 1991 Gulf War cost about \$88 billion (FY 2008 dollars) and was paid for largely through contributions from US friends and allies (altogether these contributions offset nearly 90 percent of US costs), while the Korean and Vietnam Wars cost the United States some \$456 billion and \$518 billion, respectively.<sup>16</sup> Combined, the wars in Iraq and Afghanistan have already cost more than any of these three previous wars. On the other hand, the financial burden posed by these ongoing military operations is substantially lower when measured as a share of the economy—since today's economy is much larger than that existing at the time of the Korean or Vietnam Wars. For 2008, funding for national defense is projected to absorb about 4.2 percent of gross domestic product (GDP). By comparison, at the peaks of the Korean and Vietnam Wars, defense absorbed, respectively, some 14.2 percent and 9.4 percent of GDP.

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<sup>13</sup> Ibid.

<sup>14</sup> These estimates assume that military operations in Iraq and Afghanistan would account for, about 80 percent and 20 percent, respectively, of the costs incurred.

<sup>15</sup> A proposed amendment to the FY 2008 defense authorization act authored by Sens. Carl Levin (Chair, Senate Armed Services Committee) and Jack Reed, for example, would require the President to begin withdrawing most US forces from Iraq within 120 days of the bill's enactment and, by April 30, 2008, allow for the maintenance in that country of only a "limited presence" to train Iraqi security forces, protect US personnel and facilities, and conduct counter-terrorism operations. Pat Towell, Stephen Daggett, and Amy Belasco, "Defense: FY 2008 Authorization and Appropriations," CRS, July 30, 2007, p. 6.

<sup>16</sup> These estimates of the cost of past wars were converted from current to FY 2008 dollars using the US gross domestic product (GDP) deflator. The costs of these past wars would appear higher if, instead, DoD's specialized deflators were used. However, those deflators provide a misleading picture of historical cost trends because of the way they measure changes in military and DoD civilian pay.

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