

The Credit Crisis: The Greatest Outlay of Money in American History

The cable business network, CNBC has been keeping track of the entire cost of the credit crisis. So far, by their calculations, the credit crisis has cost us \$4.28 trillion dollars. That would be written like this: \$4,284,500,000,000. That is a lot of money to be sure, but just how big is it? I thought it would be interesting to define a number like this by comparing it to other big budget events in American history. **Jim Bianco, of Bianco Research** provided the details on how much other big budget events cost in original terms and then inflation adjusted terms. We thought the results were fascinating and we wanted to share them with you.

The current bailout cost is greater than all of these past American events, combined.

Marshall Plan: Original Cost: 12.7 billion, Inflation Adjusted Cost: \$115.3 billion

The Marshall Plan or the European Recovery Program rebuilt Western Europe right after World War II. By 1951, the economy of every participating country with the exception of Germany had grown to pre-war levels.

Louisiana Purchase: Original Cost: \$15 million, Inflation Adjusted Cost: \$217 billion.

This purchase was America's acquisition of 829,000 square miles of land from the French. This land mass covered territory from the Mississippi River and reached out as far north as Montana and Wyoming and as far south as Texas.

Race to the Moon: Original Cost: \$36.4 billion, Inflation Adjusted Cost: \$237 billion.

This amount covers the entire cost of the Apollo Moon Missions from 1961 through 1972.

S&L Crisis: Original Cost: \$153 billion, Inflation Adjusted Cost: \$256 billion.

Over the 1986-1995 period, 1043 Savings and Loans with assets worth over \$500 billion failed.

Korean War: Original Cost: \$54 billion, Inflation Adjusted Cost: \$454 billion.

Over 2.5 million people lost their lives before the war ended.

The New Deal: Original Cost: \$32 billion (est.), Inflation Adjusted Cost (est.) \$500 billion.

The New Deal was FDR's program to lift the U.S. economy out of The Great Depression.

Gulf War II/ War on Terror: Original Cost: \$551 billion, Inflation Adjusted Cost: \$597 billion.

This amount includes all costs for homeland security, plus both theatres of war operations in Iraq and Afghanistan.

Vietnam War: Original Cost: \$11 billion, Inflation Adjusted Cost: \$698 billion.

The longest war so far in American history, over 58,000 Americans died.

NASA Cumulative Space Program: Original Cost: \$416.7 billion, Inflation Adjusted Cost: \$851.2 billion.

All the money spent on the U.S. Space program just barely exceeds the cost of the TARP program voted into law in early October.

Collectively, all of the above programs cost a grand total of \$3.92 trillion. This cost is \$359 billion less than the cost of the credit crisis so far. But there is still one major historical event we left out, World War II.

World War II: Original Cost: \$288 billion, Inflation Adjusted Cost: \$3.6 trillion.

Even the entire cost of World War II does not match the credit crisis so far.

The credit crisis cost is so big, it is hard to comprehend. A trillion dollars is mind boggling. So let's just look at what a billion is.

- A billion seconds ago it was 1959
- A billion minutes ago, Jesus was alive
- A billion hours ago our ancestors were living in the Stone Age

As Jim Bianco explains, "the credit crisis has always been about numbers so large, no one understands them. The initial outlays in funds, all done this year, 2008 vastly exceed anything seen in American history." The

truth of the matter is that this crisis is becoming too big to handle. It is beyond the realm of just a banking crisis or mortgage crisis. It is growing like a virus, attacking industry after industry. And it feeds on debt. Debt is what is making it grow and because every state and local government, business and household is loaded with debt, all are being affected by it. .

Some are estimating that the federal government will lay out over \$6 trillion dollars before the crisis ends. I once read that if you started at one and counted to one trillion, it would take you 6 trillion seconds. 6 trillion seconds adds up to 190,259 years. That is a lot of time, and a lot of money.

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