



The Daily Dish

Pricing Greenland

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At AAF we wake up each day asking three central questions: Is this policy good or bad; is this policy large or small; did Doug get his coffee yet? So, when President-elect and dealmaker-in-chief Trump restarted his campaign to acquire Greenland, I got more coffee, but Fred Ashton and Jacob Jensen [broke out their spreadsheets](#).

To be clear, they did not attempt answer the question of whether this is good policy. As we shall see, Greenland is attractive because of its mineral resources and other natural blessings. It is in a strategic location that has implications for the military and national security, and also for emerging trade routes made possible by the receding Arctic ice cap. How valuable are these? That is in the eye of the beholder, as are the rights of Greenland to self-determination, the implications for U.S. democracy, and the place of the United States in the global order. Everyone has to decide for themselves whether this is a good idea.

But it is usually informative to address the other question: How big an issue is this? Ashton and Jensen try to get a handle on the order of magnitude in two ways. The first is to assess what one gets in such a transaction: “One way to estimate the price of Greenland is to assess the market value of its most important mineral reserves to determine the potential long-term economic value of the island’s resources.” Using market prices and estimates of the total minerals yields an impressively large number: \$4.4 trillion.

But this is probably too big in two ways. First, Greenland has already stopped exploration of oil and gas, cutting the total to \$2.7 trillion. Second, the recovery of a lot of those minerals is not economically feasible. Focusing on the subset that can be profitably recovered lowers the ballpark to the vicinity of \$200 billion.

Another way to think about the question is to ask how much it would cost to get that strategic location. As it turns out, Iceland is the closest neighbor in the area, so one can use it as a proxy for the value of location: “If the United States were to purchase all the

commercial and residential real estate on Iceland it would come with a price tag of \$131 billion, or \$1.28 million per square kilometer. Extrapolating this estimate to the size of Greenland would result in an estimated value of \$2.76 trillion."

The authors go on to explore previous offers - in 1868 and 1946 - the United States made to Denmark for Greenland, as well as other land purchases in the nation's history. But what jumped out to me is that Thomas Jefferson managed to get the Louisiana Purchase for the equivalent of \$890 billion today. So even if Mr. Art-of-the-Deal manages to cajole Denmark into the low-ball price of, say, \$2 trillion, he will still have gotten his clock cleaned by the Man from Monticello.