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CHAIRMAN JIM SAXTON

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ECONOMIC BURDEN OF ADDED SECURITY SEEN SLOWING REBOUND

-- Extra Security Costs Will Undermine Economic Growth --

WASHINGTON, D.C. – The disruption and extra security costs arising from the terrorist attacks will delay the prospect of an economic rebound and lead to a long-term burden akin to a security tax, according to a new analysis of the economy released by Joint Economic Committee (JEC) Chairman Jim Saxton today. According to the JEC paper, *Current Economic Conditions and Outlook*, in the aftermath of the terrorist attacks, heightened uncertainty and apprehension in the economy have had negative effects on “consumption and investment as consumer and business confidence deteriorate.”

“The terrorist attacks will impose additional costs on the economy for the foreseeable future that will have a negative impact on growth in the short, medium, and long terms,” Saxton said. “In addition to the sizable costs imposed on industries directly affected by the attacks in the short run, additional intelligence, defense, and security costs must be borne by the economy over the longer run.

“While these expenditures are absolutely necessary, they will draw additional resources out of the private sector of the economy. These and other related expenditures will have economic effects similar to a security or terrorism tax. Fortunately, our \$10 trillion economy will be able to bear this burden, but it will not help an economy already in a slowdown for over a year. Some of the “peace dividend” will be taxed away and lost through additional and necessary security expenditures.

“Unfortunately, as a result of the terrorist attacks, the prospects of an economic rebound in the near term have become less favorable. As a result, policymakers should consider additional changes in monetary and tax policy to address the deteriorating economic situation and enhance the potential for economic recovery. For example, tax reduction would work to offset some of the increased security taxes,” Saxton concluded.

For more information on current economic conditions, including the new study, *Current Economic Conditions and Outlook*, please visit our website at www.house.gov/jec.

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