



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

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Ranking Republican Member

PRESS RELEASE

For Immediate Release
February 28, 2008

STATEMENT OF RANKING MEMBER JIM SAXTON

Press Release #110-36
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MEASURING THE ECONOMIC COSTS OF THE IRAQ WAR

I would like to join in welcoming the witnesses appearing before the Joint Economic Committee this morning.

The Iraq War obviously has many dimensions including foreign policy, defense policy, and terrorism policy. While debate about past policies in Iraq will continue, the most important question facing policymakers is: What should U.S. policy in Iraq be now and in the future? Since the implementation of the surge strategy in Iraq, the military situation has improved dramatically, as noted by a variety of independent experts from the Brookings Institution to the American Enterprise Institute, and publications such as the *Washington Post*. A recent *Washington Post* editorial urged critics of the war to take the success of the surge into account in setting future policy.

However, another attempt to force a hasty retreat from Iraq is now underway, following the many failures earlier in this Congress. Now that the surge is proving successful, a quick exit from Iraq would be especially costly. The virtually immediate withdrawal advocated by some politicians is not militarily feasible, but even a premature withdrawal could produce immense costs.

For example, if the U.S. withdrew quickly, the biggest winners would include terrorists and the Iranian regime that is a designated state sponsor of terrorism. Iranian influence would further spread in Iraq, potentially expanding Iranian military influence in the Persian Gulf including the Strait of Hormuz, and leading to Iranian control of significant Iraqi oil resources. Iran has already threatened to cut off Western oil supplies, and in such a situation would be well positioned to act on such a threat.

Consider also the scenario that a rapid U.S. pullout could lead to civil war in Iraq, drawing in surrounding nations and leading to a regional conflagration. This unfortunately is not a remote possibility but something that must be considered. The economic and potential military costs of this outcome to the U.S. and its allies would be enormous.

All wars impose costs in terms of life and treasure, and the Iraq War is no exception. These costs must be considered as the U.S. weighs its options in Iraq. We also must consider the fact that there have been no terrorist attacks such as 9/11 following the U.S. intervention in Afghanistan and Iraq that disrupted the Taliban and Al Qaida terrorist networks. The benefits of preventing a second or third attack on the scale of 9/11 are very high in both human and economic terms, and failure to do so would be very costly indeed.

In determining future policy, we have to consider whether the situation in Iraq is improving significantly as well as the costs and benefits of our various policy options. As economic costs and benefits are considered, it is important to keep in mind that estimates will range widely because they are necessarily based on questionable data, a variety of assumptions, and speculation about related events. As Dr. Wallsten has warned, "the data are not of high quality ... and ... each calculation requires several assumptions." He also has pointed out that even meticulous cost estimates "contain a great deal of error," and thus such analysis "cannot determine whether the benefits of the war exceed the costs." I would note that important elements of Dr. Wallsten's work are also incorporated into Dr. Stiglitz's research, which shares the same limitations.

In their 2005 paper, Dr. Wallsten and a coauthor acknowledge the "inherent imprecision" of war cost estimates but provide a significant "analytical framework for the policy debate." It is important to repeat their warning that this "inherent imprecision" makes it impossible to determine the relative costs and benefits of the Iraq War.

In closing, I would note an article in the *Washington Post* last week covers the new attack advertising on the Iraq War sponsored by the Democratic Senatorial Campaign Committee. I would like to think that the timing of this ad campaign, this hearing, and the Iraq pullout vote is a remarkable coincidence, but others may draw different conclusions.

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