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NEW JEC REPORT REVEALS TOTAL ECONOMIC COSTS OF WAR COULD EXCEED \$3.5 TRILLION IF U.S. STAYS THE COURSE

Joint Economic Committee Details High Hidden Costs to U.S. Economy of Borrowing Funds to Pay for War, Foregone Investments, Veterans' Post-War Care, and Oil Market Disruptions

Leaders Show that Other Spending Priorities like Health Care and College Aid Are Being Shortchanged; Economic Costs Per U.S. Family Could Reach \$46,400

Washington, D.C. – Senate Majority Leader Harry Reid (D-NV) along with Joint Economic Committee (JEC) Chairman Sen. Charles E. Schumer, JEC Vice-Chair Rep. Carolyn Maloney, and House Majority Leader Steny Hoyer released a new report exposing the hidden costs of the war in Iraq. The Joint Economic Committee report entitled, “**War at Any Price? The Total Economic Costs of the War**” details the high hidden economic costs of the war in Iraq beyond the direct budgetary appropriations, including interest costs of borrowing these funds, lost investment, long term veteran’s health care, and oil market disruptions. The JEC estimates these costs could total \$3.5 trillion depending on how long President Bush pursues the same course of action in Iraq.

The JEC estimates the total costs of the war to the American economy and the key findings are:

- **The total economic costs of the wars in Iraq and Afghanistan so far have been approximately double the total amounts directly requested by the Administration.**
- **Even assuming a moderate drawdown in troop levels, total economic costs of the wars in Iraq and Afghanistan** (with the vast majority of funds going to the war in Iraq) **would amount to \$3.5 trillion between 2003 and 2017.** This is over \$1 trillion higher than the recent Congressional Budget Office (CBO) federal cost forecast for the same scenario, which counted only direct spending and interest paid on war-related debt.
- **The total economic cost of the war in Iraq to a family of four is \$16,500 from 2002 to 2008. When the war in Afghanistan is included, the burden to the American family is \$20,900.** The potential future impact on the family of four skyrockets to \$36,900 for Iraq and \$46,400 for Iraq and Afghanistan from 2002 to 2017.

Reid stated, "Today's report by the Joint Economic Committee is jarring. It is yet another reminder of how President Bush's stubborn refusals to change course in Iraq – and Congressional Republicans' willingness to rubberstamp his failed strategy – has real consequences at home for all Americans. The full costs of this war to our economy are manifested in ways that have never been accounted for by this Administration – we are funding this war with borrowed money, Americans are paying more at the gas pump and it will take years for our military to recover from the damage of the President's failed war strategy. And if President Bush gets his way and we do not significantly drawdown our troops, the total costs of this war will reach astronomical heights. Democrats are committed to ensuring this does not happen."

"I would like to thank the Joint Economic Committee, especially Chairman Schumer and Vice Chair Maloney, for compiling this important report," said Hoyer. "This report is more evidence that the war in Iraq has extracted a tremendous price on our nation while not making us safer. It shows the American people again why it is so important that we responsibly redeploy our troops and refocus our strength and resources."

Schumer said, "The backbreaking costs of this war to American families, the federal budget, and the entire economy are beyond measure in many ways. While we in Congress have been fighting for a significant change of course in the President's Iraq policy, the JEC report estimates that we are already set to incur economic costs double what the Administration has spent on this Iraq war – nearly \$1.3 trillion through 2008. And if the President's stay-the-course strategy prevails through 2017, the total economic costs for the war will top \$3.5 trillion. What this report makes crystal clear is that the cost to our country in lives lost and dollars spent is tragically unacceptable."

"The cost of this war has been too great, and the human toll too high. We know that a rapid redeployment will save countless American lives. The Joint Economic Committee estimates that a sharp drawdown in U.S. forces, much like the plan the House is advancing, could also save the American economy up to \$2 trillion dollars over the next ten years. Democrats in Congress are committed to bringing our troops home and charting a new, more responsible direction in Iraq," said Maloney.

The key costs beyond the direct fiscal spending include the following:

- **Borrowed money to finance the Iraq War has displaced productive investment.** Since taxes have been cut and other spending has increased since the beginning of the Iraq war, it seems clear that the war has been and continues to be funded using borrowed money. The increase in government borrowing displaces substantial amounts of productive investment by U.S. businesses, thus reducing productivity in the economy over many future years. Interest costs paid by taxpayers are only a subset of these costs.
- **Substantial Iraq-related costs have been borrowed from foreigners.** The interest payments on this debt constitute a flow of funds from Americans to those foreigners who have bought our tremendous debt.
- **The war in Iraq has disrupted world oil markets leading to increased prices.** The Iraq war has occurred in a context of greatly increasing world demand for oil, as well as declining excess production capacity. Both the direct effect of the war in reducing Iraqi oil production,

and the indirect effect of creating greater instability in the Middle East can act to increase oil prices. Moreover, relatively small increases in oil prices can have substantial economic effects.

- **Other economic and budgetary costs have grown due to the Iraq war.** These expenditures include the costs of treating the wounded and disabled, lost productivity from those injured, potential future expansions in the size of the military made necessary by the war, the costs of repair and refit for military equipment, increases in recruitment and retention costs of the military, and economic disruptions created by the deployment of the Reserves. **The sum of the costs listed above raises the economic costs of the war from \$607 billion in direct funding for the Iraq war to \$1.3 trillion and could reach \$1.6 trillion by the close of FY 2008 if spending in Afghanistan is included.**

<i>Total Economic Costs 2002-08 (if President's supplemental is passed):</i>	
\$1.3 trillion for Iraq alone	\$1.6 trillion for Iraq and Afghanistan

True Cost of the War has been Double the Administration's Spending (through 2008):

- To date, the President has requested \$607 billion for the Iraq war alone since 2003, and a combined \$804 billion including Afghanistan.
- This is over ten times higher than the \$50 to \$60 billion estimated by the Administration prior to the start of the war and costs have increased every year since 2003.
- The funds requested for these wars through 2008 would have been sufficient to provide health insurance coverage to all of America's uninsured for the 2003-2008 period. (There were approximately 45 million uninsured Americans at the start of the war and this number rose to 47 million by 2006, which is the latest figure available).

<i>Total Economic Costs 2002-2017 (CBO's considerable drawdown scenario)</i>	
\$2.8 trillion for Iraq alone	\$3.5 trillion for Iraq and Afghanistan

The Cost of the War Could Balloon to \$3.5 Trillion or More

The report forecasts a scenario, using the same CBO, 10-year window, corresponding to the recent statement by Secretary of Defense Robert Gates that a protracted "Korea-like" presence would be required in Iraq. This scenario involves a considerable drawdown in Iraq troop levels of 66 percent by the year 2013, and a smaller drawdown of 33 percent in Afghanistan forces. The scenario also assumes that some active conflict with insurgents continues over the period. These CBO estimates of \$2.4 trillion are used as a base for the analysis in this report. The total economic cost of the wars in Iraq and Afghanistan rise by over \$1 trillion to \$3.5 trillion.

Costs could far exceed these projections if the significant drawdown assumed in this scenario does not materialize. This CBO budgetary scenario projects that appropriations for the Iraq war will begin to drop in 2009, and by FY 2013 Iraq appropriations are projected to be less than half FY 2007 levels. But historically appropriations for the Iraq war have increased every year since the invasion, by between 12 and 40 percent annually.

Maintaining post-surge troop levels in Iraq over the next ten years would result in costs of \$4.5 trillion. If a rapid withdrawal takes place, future costs of these wars to the U.S. economy over the next decade could be reduced by almost \$2 trillion.