



CONGRESS OF THE UNITED STATES

# *JOINT ECONOMIC COMMITTEE*

CHAIRMAN JIM SAXTON

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## PRESS RELEASE

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Contact: Christopher Frenze  
Executive Director  
(202) 224-5171

### **TERRORISM TAKES TOLL ON THE ECONOMY -- SECURITY COSTS CAN BE OFFSET BY TAX RELIEF LEGISLATION --**

**WASHINGTON, D.C.** – The additional security costs following the events of September 11 are creating a drag on the economy that should be offset by tax policy, Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. A new JEC study, *Tax Policy for Economic Growth*, analyzes these additional security costs as analogous to the economic effects of a terrorism or security “tax”.

“The extra security expenses incurred after the terrorist attacks take many forms, but all add to costs without increasing the quantity or quality of production,” Saxton said. “As noted in various media accounts, these expenses to firms involve personnel, high tech equipment, fortification of buildings and facilities, many additional transportation costs and delays, and other costs. The economic effects of these security costs are similar to those of a tax increase.

“The logical policy response is to reduce these additional security taxes with offsetting tax relief. For example, faster write-offs for investments in equipment would reduce the cost of capital for firms and tend to expand production, countering the effects of the security tax.

“Americans will be confronted with a need for higher levels of security for the foreseeable future. While many of the costs will be short-term in nature, the need for higher levels of security equipment, personnel, and building methods has potential long-term implications for productivity and economic growth as well. The current tax system already imposes additional economic costs of about 40 cents for every additional dollar raised in revenue, but now the costs on the economy are even higher.

“Proposals for economic stimulus must address the issue of additional private sector security expenses by offsetting them to some extent through tax reduction. Otherwise, these extra security taxes will continue to burden the economy over the short as well as longer terms,” Saxton concluded.

For a copy of the new study on *Tax Policy for Economic Growth*, please visit our website at [www.house.gov/jec](http://www.house.gov/jec).

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