



JOINT ECONOMIC COMMITTEE
SENATOR CHARLES E. SCHUMER
CHAIRMAN



Statement of Sen. Charles E. Schumer
Chairman, Joint Economic Committee
Hearing: “Fight Now, Pay Later: The Future Costs of Paying for the Iraq War”
June 12, 2008
(as prepared for delivery)

Good morning everyone. Thank you for coming to the Joint Economic Committee’s second hearing on the costs of the war in Iraq – Fight Now, Pay Later: The Future Costs of Paying for the Iraq War. Last year, we issued a report revealing that the economic costs of this war are in the trillions of dollars. Our findings were corroborated and almost doubled by a subsequent study by a Nobel Prize winning economist, Dr. Joseph Stiglitz, who we invited to testify at our first hearing on this subject in February.

Since that time, little has changed in Iraq or in the administration’s posture on changing course there. In fact, the only new information we have about the future costs of Iraq is that the Republican presidential nominee sees no need to bring the troops home and admitted that in his view, American troops could be in Iraq for a 100 years. I don’t think anyone could conceive of the economic toll that would be on our country.

I want to extend a special thank you to Governor Brian Schweitzer from Montana who traveled a long way to be here today. Part of the reason he has been such a successful governor has been his ability to manage the state’s economy. Montana has one of the lowest unemployment rates in the country and has one of the fastest growing state economies as well.

I wish I could say the same thing for the economic fortunes of the rest of our country.

- For the last 6 months, the economy has been stalled;
- Over 300,000 jobs have been lost;
- The unemployment rate has jumped to 5.5 percent from 5.0 percent in just a month;
- Oil and gasoline prices have skyrocketed to over \$130 a barrel and \$4.00 a gallon;
- And homeowners who haven’t lost their homes entirely have lost billions of dollars in equity in their homes.

While average American families are being squeezed like never before, our veterans and military families are dealing with a host of similar problems – some are especially hard hit by the housing crisis and the bleak jobs market. We’ll hear from Mr. Tarantino, who will talk a bit about his personal and very difficult experience looking for a job after he finished his military service.

But I want to share with you some new figures that my Joint Economic Committee staff developed with data from RealtyTrac – a company that closely monitors foreclosure filings around the country.

We wanted to know if the housing markets in areas where military bases exist have been hit harder than expected by the severe downturn in the housing market. By looking at the areas surrounding 24 military bases with the highest personnel populations, we found substantially higher foreclosure rates.

While the national average for the increase in foreclosures was 59 percent, the average for these 24 areas around military bases was over 80 percent from 2007 to 2008. That's a 37 percent higher increase in the rate of foreclosures for areas populated by military families.

Military families are already shouldering heavy burdens to care for and support families while their loved ones are serving abroad or recovering at home. Knowing that so many more are losing their homes to foreclosure is heartbreaking – and its just plain wrong.

This administration, which has manhandled economic policy, has done the same with the war in Iraq. Their mistakes on the Iraq War have cost thousands of lives, have cost taxpayers hundreds of billions of dollars so far, and our committee and a Nobel Prize winning economist has estimated that it has cost our economy trillions already and that number will grow exponentially if we stay the course with the Bush-McCain war plan.

We have always been aware of the high cost of this war in lives lost; but the costs of this war in dollars and cents is also far too high. The White House suggested the war in Iraq might cost \$60-100 billion tops in 2003. Just after the fifth anniversary in March, we've spent nearly *10 times* that amount. Justifying this war from the start, the Bush administration ignored the possibility that this war could cost taxpayers and our economy billions, if not trillions of dollars.

We have asked Jim Nussle, the Director of the Office of Management and Budget, to come to the Joint Economic Committee a number of times, including today's hearing, which he declined. Since the OMB has repeatedly denied our requests to appear before our committee, let me take a moment to recount some of the truly absurd statements from Bush Administration officials over the last six years regarding the costs of the war:

- *"The likely economic effects [of the war in Iraq] would be relatively small... Under every plausible scenario, the negative effect will be quite small relative to the economic benefits."* - Lawrence Lindsey, White House Economic Advisor, 9/16/02
- *"It is unimaginable that the United States would have to contribute hundreds of billions of dollars and highly unlikely that we would have to contribute even tens of billions of dollars."* - Kenneth M. Pollack, former member of the National Security Council, 9/02

- *"The United States is committed to helping Iraq recover from the conflict, but Iraq will not require sustained aid."* - Mitchell Daniels, Director, White House Office of Management and Budget, 4/21/03

And finally, a few weeks ago, Daniels successor at OMB, Director Nussle said in a response to our invitation to testify, *"there is no price tag that can be put on the immeasurable value of preventing terrorist attack..."*

But is there a price tag that can be put on educating our children or keeping them healthy? Is there a price tag on curing serious diseases like Diabetes or Cancer?

The Administration would like to spend more than \$430 million per day on this war; for one week -- \$3 billion; for a month -- more than \$13 billion; and for a year - - over \$160 billion! Let's go over what could be done with those funds here in the U.S.:

- *For ONE DAY of spending in Iraq* – we could enroll an additional 155,350 children in **Head Start** per year; enroll over a million for a week of spending in Iraq; and enroll over 4.7 million for a month in Iraq.
- *For ONE DAY of spending in Iraq* – we could put an additional 9,100 **police officers** on the streets per year; hire more than 64,000 for a week's spending in Iraq; and hire 278,000 for a month in Iraq.
- *For ONE DAY of spending in Iraq* – we could make college more affordable for 152,900 students through **Pell Grants** per year; 1,073,400 more Pell Grants for a week's spending in Iraq; and over 4.5 million for a month's funds spent in Iraq.
- *For ONE DAY of spending in Iraq* – we could help over 155,000 American families to keep their homes with **foreclosure prevention** counseling this year; for a week in Iraq we could help over a million families; and for a month in Iraq, we could probably erase the foreclosure crisis entirely by helping more than 4.7 million families keep their homes.
- *For ONE DAY of spending in Iraq* – we could provide **health insurance** for over 330,000 low-income children through CHIP per year; for a week we could get more than 2.3 million kids into CHIP; and for a month, we could get health care for over 10 million American kids.
- *For ONE DAY of spending in Iraq* – we could hire another 11,000 **Border patrol agents** per year; for a week we could put almost 88,000 new border patrol agents on duty; and for a month's spending in Iraq, we could put more than 337,000 agents on the borders.

It is long past time for the administration to come clean and account for the real costs of the war in Iraq. It is their responsibility to be clear about what we've spent and honest about what we have yet to spend. We have already invited them three times to testify, and they have refused. If they want to disagree with our estimates or with other experts like Dr. Joe Stiglitz, fine – they should come and explain why.

But to simply pretend that the costs of the war don't exist – that's not acceptable to us or the American people.

Today, we are going to take a good look at how some states like Montana are dealing with the spillover and hidden costs of the war and how higher than anticipated injuries and cases of PTSD are impacting the care our veterans are getting. And with that, I would like to introduce our distinguished panel of experts. Let me first turn to Senator Jon Tester of Montana to introduce his friend, Montana Governor, Brian Schweitzer.