

FIGHT NOW, PAY LATER: THE FUTURE COSTS OF FUNDING THE IRAQ WAR

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE CONGRESS OF THE UNITED STATES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

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THURSDAY, JUNE 12, 2008

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The Committee met at 10:07 a.m. in room 106 of the Dirksen Senate Office Building, the Honorable Charles E. Schumer, Chairman of the Committee and the Honorable Vice Chair Carolyn B. Maloney, presiding.

Senators present: Schumer, Klobuchar, and Tester.

Representatives present: Maloney, Hinchey, Hill, and Brady.

Staff members present: Christina Baumgardner, Heather Boushey, Stephanie Dreyer, Chris Frenze, Tamara Fucile, Rachel Greszler, Colleen Healy, Michael Laskawy, Jeff Schlagenhauf, Marcus Stanley, Annabelle Tamerjan, and Jeff Wrase.

Vice Chair Maloney [presiding]. I'm going to call the meeting to order. Senator Schumer is on his way, and Senator Tester has to get to an important Financial Services Committee meeting, and he has an important introduction to make, and I would grant him the privilege, due to his time constraints, to speak now, and then we will make our opening statements.

STATEMENT OF HON. JON TESTER, A U.S. SENATOR FROM MONTANA

Senator Tester. Congresswoman Maloney, I appreciate the latitude. I appreciate it a bunch, and it's truly an honor to be here for this Joint Economic Committee hearing.

I have the privilege today to introduce to the members of this Committee and to the folks who are in the crowd, the great Governor of the State of Montana, Brian Schweitzer.

Governor Schweitzer was elected in 2004, at a time when more than 1,500 of our State's National Guard were serving in Iraq. That's having more than a third of your State's Guard out there in a country with the difficult situations going on in Iraq. It's a tough situation to inherit.

Governor Schweitzer is a rancher. He sees life, he sees government through the eyes of a rancher. He's also worked all over the world, including several years in Saudi Arabia.

He is a real leader, and I speak to this personally, because I served with him when I was in the State Senate. He is a real leader in pushing forth alternative methods and alternative energy ideas.

He is a real leader in the State, period. Montana is first in his book and it's at the forefront of his work.

I know he hates to leave Montana. When I left Montana on Sunday to come back here, the temperature was about 65 above, and I walked into a wall of humidity here. I'm sure it was very similar when the Governor got in last night.

We share the honor of working for and serving some 958,000 people in the State of Montana. About 10,000 of them have served in Iraq and Afghanistan, and we have about 11 percent of our constituents that are veterans. So, in Montana, we know what it means to send our kids to war.

We know the sacrifices of service members and their families, and we know the sacrifice for Montanans, through the loss of our National Guardsmen and Reservists.

Madam Chairman, Governor Schweitzer is a great speaker and a strong voice for Montana, and what he has to say, will be an important part of this discussion about the true cost of the war in Iraq.

I want to thank you for this chance and for this opportunity to introduce Governor Schweitzer. He truly is a good friend of mine, and I know you'll look forward to what he has to say today. Thank you.

OPENING STATEMENT OF HON. CAROLYN B. MALONEY, VICE CHAIR, A U.S. REPRESENTATIVE FROM NEW YORK

Vice Chair Maloney. Thank you for that great introduction. I look forward to his testimony and that of all of the witnesses today.

First of all, I'd like to thank our Chairman Schumer for holding this hearing to examine the economic cost of the Iraq war, and I want to welcome our distinguished panel and thank the for being here today.

If the current Emergency War Supplemental is passed, Congress will have approved a total of over \$600 billion for direct spending on this war. That's more than ten times the Bush administration's initial estimate of the cost of the war.

But as we learned during our February hearing on this issue, the full economic cost of the Iraq war, go well beyond the hundreds of billions of dollars allocated by Congress.

We heard from witnesses about the economic burdens created by Federal borrowing to fund the war; the impact of the war on oil prices, and the cost in security, due to our overstretched Armed Forces.

Last year, at my request, the Joint Economic Committee prepared a report showing that by the end of 2008, the full economic cost of the war will total \$1.3 trillion, with no clear direction for ending the war and no plan to bring the troops home.

War costs will only grow higher. Nobel Laureate, Joseph Stiglitz, testified before this Committee and estimated that if we continue to remain in Iraq, the total economic price tag for the war, will reach between \$3 trillion to \$5 trillion over the next decade.

Meanwhile, the President continues to balk at supporting measures to boost our economy here at home, such as extending unemployment insurance to those who have been unable to find a job in this economic downturn.

American families are feeling the squeeze of high gasoline prices, high food prices, falling incomes, and declining home values. We can ill afford to add to their burden by asking them to continue funding this war.

To do so means sacrificing other important priorities, such as investing in jobs, healthcare, green technologies and infrastructure.

Our witnesses today will give us more perspective on some of the hidden costs of the war. Governor Schweitzer will tell us how in his great State of Montana, where one in six adults is a veteran, local communities and State resources have been severely strained by long military deployments.

Dr. Eibner will discuss RAND's groundbreaking study which found that hidden health costs and problems caused by the war, are leading to billions of dollars in additional economic costs.

Tom Tarantino will discuss just how hard it is for our veterans who are returning to adjust to civilian life, and the cost this poses for their families and our society.

Looking forward, what concerns me most, is that there is no end in sight to our commitment in Iraq. The cost of the war has mounted each and every year.

We must not repeat the mistakes made at the start of the war, when Congress was not properly informed about the long-term costs of our commitment. A productive discussion of the current and future economic impacts of this war, is long overdue.

It is unfortunate, but no surprise, that this is a debate the Bush administration would rather hide from. I want to join Senator Schumer—I know that he's expressed to me several times, his disappointment at the absence of our invited administration witness, OMB Director Nussle.

This is the third time Director Nussle has refused our invitation to testify before this Committee on these important issues. I would state that since the President is passing the war costs on to the next administration, who we should be inviting, is Senator Obama and Senator McCain, on how they are going to confront these costs.

Maybe at our next hearing, we can have them there.

Even if we do not agree on the direction of the war, we can surely all agree on the need to support the veterans who have suffered its greatest impacts. Congress has moved forward to help veterans cope with the cost of reentering civilian life, by passing the GI Bill, which guarantees veterans the full support they need to attend a 4-year university.

Iraq veterans deserve the same level of assistance received by veterans of earlier wars. As you can clearly see from this chart, they do not have this support today.

[The chart entitled "Current GI Education Benefits Fall Short" appears in the Submissions for the Record on page 54.]

President Bush should sign this bill and guarantee that veterans have the resources they need to get a college degree.

Mr. Chairman, we hope to see you soon, but we really do thank you for this hearing, and I yield to my colleague on the other side of the aisle, my distinguished colleague, Congressman Brady.

[The prepared statements of Representative Maloney and Senator Brownback appear in the Submissions for the Record on pages 34 and 35, respectively]

**OPENING STATEMENT OF HON. KEVIN BRADY, A U.S.
REPRESENTATIVE FROM TEXAS**

Representative Brady. Thank you, Madam Chairwoman. I appreciate it very much. Governor, welcome to Washington, as well. I used to play American Legion Baseball during the summers in Billings and other cities in Montana. You've got a great State.

I also appreciate your leadership on the potential of turning coal into super-clean liquid fuels for our cars and our trucks. We wish you had a vote up here in Washington these days. We think we could do some good with that.

Madam Chairwoman, I question whether it is appropriate to hold this hearing at all. Here we are within 72 hours of running out of the payroll account to fund our Army and Marines who are fighting for us in Iraq and Afghanistan.

On June 15th, that payroll account goes to zero, and those who are fighting and sacrificing for us, will know that this Congress has fiddled around with everything from global warming to, this week, discussing the International Year of Sanitation, rather than stopping what they are doing and funding our men and women who are sacrificing for us.

By the way, the good news is, they won't—Army and Marines will not fight without a paycheck, because Secretary Gates is being forced to rob the payroll accounts of the Navy and the Air Force, in order to pay our Army and Marines.

I know there are urgent matters in Congress, but it seems to me, immoral, that we are spending time in made-for-TV hearings, rather than really supporting the troops who deserve it, and our whole support today.

I would also point out that what is missing today, is the question, what is the price of living in terror? We know from 9/11, that we lost not only many lives, but two million jobs in the aftermath.

I don't know a business in America that wasn't affected in some way. I don't know a person in America who wasn't affected in some way.

Since that day, there have been 417 terrorist attacks across this world, everywhere from subways to hotels and schools and weddings. The U.S., through a lot of hard work, has thwarted attacks against us, but the question is, not just what is the price of this war, but what is the price for this country and future generations of living in fear, in fear of going to work in the morning and your spouse coming home at night; the fear of sending your children to school, hoping that they'll come back off the school bus that afternoon; the fear of going to a football game on a Friday night or a mall on a weekend, and worrying about a bomb going off, because we have been shortsighted in our national security.

It seems clear to me the surge is working, and it's clear we have a great deal at stake. I met with a 20-year-old marine officer here last week, who told me the difference between his first and second tours in Fallujah were dramatic, and that within 24 hours of us withdrawing prematurely, we would lose that city and be in a worse mess than we are today.

So, because of the timing, we have not funded our troops and because we are not contemplating the price of living in terror, while

this hearing will be interesting, it is certainly not the highest urgency for this Congress.

With that, I'll yield back.

Vice Chair Maloney. Congressman Hill?

**OPENING STATEMENT OF HON. BARON P. HILL, A U.S.
REPRESENTATIVE FROM INDIANA**

Representative Hill. Thank you, Madam Chair. I don't have any prepared remarks, but I would like to respond to some of the remarks that have already been made, and I want to begin by thanking all of the panelists for appearing today, and especially you, Governor Schweitzer, for making the long trip across the country to Washington, D.C., to give us your perspective on how this war is affecting the great State of Montana.

We were told at the beginning of this war, that the estimated cost of it would be \$50 to \$60 billion. It's now exceeded \$660 billion.

And the American people are going to be listening to a great debate over whether or not we should continue this war or get out, and the two Presidential candidates could not have more starkly different positions on this war.

But one of the concerns that I hear constantly from my constituents back home, is the cost of this war. My understanding is that it costs about \$2 billion a week.

In November of 2007, in a report to the Joint Economic Committee, it has been estimated that the full economic cost of the war to the United States, would reach \$1.3 trillion by the close of 2008. That's this year.

That's \$1.3 trillion, and potentially \$2.8 trillion through fiscal year 2017.

In a February 2008 hearing by the Joint Economic Committee, Nobel Prize winning economist Joseph Stiglitz estimated total economic impacts of the war on the U.S., through 2017, that ranged from a low-end estimate of \$2.7 trillion, to a high-end estimate of \$5 trillion.

So, there are those on this Committee that think that this hearing should not be held at all, but I couldn't disagree more. The American people need to know what the cost of this war is.

And as we go through this Presidential race this year, the American people are going to be listening and making their choices, come November, as to whether or not this war is worth it.

And I am especially interested in what you have to say, Governor Schweitzer, as to how this war is impacting the economic conditions in your State, but I'm also interested in a very important issue, as it relates to the condition of our soldiers as they come back from Iraq.

Many members of the Indiana National Guard have served on multiple deployments in Iraq, some as many as four times. I've talked to these soldiers, and they're not very optimistic.

The soldiers on the ground are not very optimistic about what's going on in Iraq. Eric Hall, a former Marine from New Albany, Indiana, suffered PTSD. Several months ago, he experienced an extended flashback, which led him to believe that he was in combat in Iraq.

Mr. Hall was found dead in a drainage pipe, where he found shelter in response to these flashbacks that he was experiencing.

Many of the counties that I represent, have been declared disaster areas, due to flooding.

My concern is that the response could have been aided by the 76th Battalion Combat Team troops. This is the largest deployment of Indiana National Guard troops since World War II.

The National Guard's multiple deployments leave many Hoosiers vulnerable during natural disasters.

So, this war and its cost, is having other consequences, as well. I've talked to Eric Hall's dad, who has told me that he was not getting the kind of treatment that he deserved, that he was basically given a pill and left to his own resources.

It's going to cost money to take care of the Eric Halls of the World, and I'm disturbed that we're not making the kind of financial commitments to take care of our soldiers as they come back from Iraq.

It's going to take money to make sure that we have National Guardsmen that are on the ground when we do have natural disasters like we had just recently back in my home State of Indiana, and, in particular, in my own neighborhood.

And so this hearing is important to address these very important issues. I again, congratulate and thank every panel member for making a contribution to this very important issue. Thank you, Madam Chair.

Vice Chair Maloney. Mr. Hinchey.

OPENING STATEMENT OF HON. MAURICE D. HINCHEY, A U.S. REPRESENTATIVE FROM NEW YORK

Representative Hinchey. Well, thank you, Madam Chairman. I'll be very brief.

First of all, I just want to express my appreciation to all four of you finalists for joining us here today, to address this very important subject, with which this Congress has to deal.

And just to point out how the estimated cost of the illicit and illegal invasion of Iraq, followed by this subsequent disastrous military occupation, was like all the other information put forward to justify that invasion, in that it was based upon completely falsified information, intentionally and purposefully falsified information.

And it's very clear that the cost was also engaged in that way, when, internally, the administration was told that the cost would be at least \$200 billion or \$300 billion, when they insisted it was only going to be, at most, \$50 billion or \$60 billion. We now know, based upon experience, that it is more than ten times what they alleged the cost would be.

And that illicit invasion and the subsequent kind of propaganda situation that we're experiencing, both of which were based upon this culture of fear, which was promulgated by this administration, and continues to be promulgated by Members of the Congress and others, is something that we have to overcome.

We're going to have to deal with this situation in an open, honest and knowledgeable way. Your testimony today, I'm sure, will help us engage in it in just the way it has to be engaged.

So, again, I appreciate your being here, and I anxiously look forward to what you have to say. Thank you very much.

**OPENING STATEMENT OF HON. CHARLES E. SCHUMER,
CHAIRMAN, A U.S. SENATOR FROM NEW YORK**

Chairman Schumer (presiding). Well, thank you. I want to thank everyone for coming and I want to apologize for being late. I was scheduled to speak on the floor at a quarter of 10, but when you're just a regular peon member around here and the leadership decides to debate with one another, you have to wait, so I apologize for being late.

I want to thank everyone for coming, and particularly thank Vice Chair Maloney for taking over in my stead. I will have to say that I'm needed to make a quorum at the Judiciary Committee at certain points this morning, so if I run in and out while you're testifying, I apologize.

But I want to thank everyone for coming to the Joint Economic Committee's second hearing on the costs of the war in Iraq, "Fight Now, Pay Later."

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-winning economist, 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 the 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 hundred years.

I don't think anyone could conceive of the economic toll that that would take on our country.

I want to extend a special thank you to Governor Brian Schweitzer from Montana. He traveled a long way to be here today, but 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.

Now, I wish I could say the same thing for the rest of our country. For the last 6 months, the economy has been stalled; 300,000 jobs have been lost; unemployment jumped to 5.5 percent; and, of course, gasoline prices are over \$4 a gallon. Homeowners who haven't lost their homes have lost billions of dollars in equity.

While average American families are squeezed like never before, our veterans and our military families are dealing with a host of similar problems, and some are especially hard-hit by the housing crisis and the bleak jobs market.

Today, we're going to hear from Mr. Tarantino, who will talk a bit about his personal and very difficult experience looking for a job after he finished serving his country.

But I want to share with you, some new figures that our Joint Economic Committee staff developed with data from Realty-Track, a company that closely monitors filings around the country. Now, if you look at that chart, it says it all.

[The chart entitled "Foreclosure Rates Near Military Bases Surpass the National Average by 37 Percent" appears in the Submissions for the Record on page 55.]

We wanted to know if housing markets in areas where military bases are located 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 foreclosure 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 it's 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 and cost billions of dollars so far.

Our Committee and a Nobel Prizewinning economist has estimated the cost in trillions, and that cost will grow exponentially if we continue to stay the course in the war. We have always been aware of the high cost of this war in lives lost, but the cost in terms of dollars and cents, is also far too high.

The White House suggested the war might cost \$60 to \$100 billion in 2003, and just after the fifth anniversary, we've spent ten times that amount. We've 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, and he declined once again.

Since the OMB has repeatedly denied our requests to appear before our Committee, let me recount some of the truly absurd statements from the Bush administration over the last 6 years, regarding the cost of the war. Here they are:

"The likely economic effects of the war in Iraq, would be relatively small, and, under every plausible scenario, the effect will be quite small, relative to economic benefits." That was Larry Lindsay in 2002.

Kenneth Pollack, in 2002: "It's unimaginable that the United States would have to contribute hundreds of billions of dollars, and highly unlikely we'd have to contribute even tens of billions of dollars."

These people were in Never-Never Land. It's just amazing.

"The United States is committed to helping Iraq recover from the conflict, but Iraq will not require sustained aid." That's from Mitch Daniels, who was the head of OMB, and that was on April 21st, 2003.

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

There's no proof that this prevents a terrorist attack. Many have disputed any relationship to the war on terror.

There is a large price tag, when we don't have healthcare and people are sick or even die, because we don't have that at home, because we're spending it in Iraq, or we don't have schools that are up to snuff and our kids can't compete in jobs.

Of course, there's a price tag. Everything is a tradeoff, and I guess what OMB is saying is, even if we spent the entire budget on the war in Iraq and spent nothing on anything else, that would be OK, because there's no price tag. It's appalling.

I'm going to just submit—is there a price tag on curing serious diseases like diabetes or cancer? Is there a price tag on educating our children or keeping them healthy? Those have price tags, but the war in Iraq doesn't? This is voodoo economics of the highest order.

I'm going to ask unanimous consent that the rest of my statement be added to the record, and just conclude by saying that it's long past time for the administration to come clean and account for the real costs of the war in Iraq. It's their responsibility to be clear about what we've spent, and, for once, to be honest about what we have to spend.

The fact that no one will show—we've asked not just Director Nussle, but anyone from the administration to come, shows that they are afraid to address this question.

[The prepared statement of Senator Schumer appears in the Submissions for the Record on page 32.]

Chairman Schumer. Now I'd like to recognize our witnesses and thank them for their patience here. First, Governor Schweitzer has already been introduced by Senator Tester. It was Governor Schweitzer who introduced me to Senator Tester, who was, then, I think, State Senator Tester, several years ago. It's great to have you here, Governor, and whatever John Tester said, I would echo, and I'm sure it was all very positive.

Our second witness is Christine Eibner. She is an economist at RAND. She was the lead author and study co-leader for the Economic Analysis chapter included in the recent RAND report entitled "Invisible Wounds of War: Psychological and Cognitive Injuries, Their Consequences and Service to Assist Recovery."

Tom Tarantino is a Policy Associate for the Iraq and Afghanistan Veterans of America, IAVA, and an Iraq veteran himself. He enlisted in the U.S. Army Reserves in 1997, served in Bosnia in 2000.

He assisted the repatriation of over 3,000 refugees, and in Iraq in 2005, where he served as both a Cavalry and Mortar Platoon Leader with the 11th Armored Cavalry Regiment. As a Cavalry Platoon Leader, his primary mission was to lead security patrols through North Baghdad, providing stability and support to the Iraqi people trying to rebuild their country, and he conducted over 500 mortar missions in West Baghdad, and was awarded the Bronze Star.

After 10 years of service, he left the Army as a Captain in 2007. Mr. Tarantino, I think we would all like to thank you for your service to our country. You're in the great tradition of Americans who have stepped up to the plate throughout our history.

Finally, William Beach is the Director of the Heritage Foundation Center for Data Analysis. He oversees Heritage's original sta-

tistical research on taxes, trade, and a host of other issues. He's testified before us before, and done a very good job.

Before joining Heritage, he held a variety of posts in the public, private, and academic sectors, including serving as President of the Institute for Humane Studies at George Mason.

Governor Schweitzer, you're first and you may begin. Thank you.

STATEMENT OF HON. BRIAN SCHWEITZER, GOVERNOR OF MONTANA

Governor Schweitzer. Thank you very much, Mr. Chairman and Member of the Committee. I'm, I guess, a little nervous that Jon Tester is gone, because, while he was here, there would have been at least two of us that would have known how to grease a combine, adjust the clutch on a tractor, and brand, vaccinate, and castrate a calf. It looks like I'm kind of on my own right now.

Since I'm only going to be in town for a short period—I just got in last night and I'm leaving today—I can afford to be completely honest here today.

So, I am going to focus on the effects of this war on a rural State. Now, if we were to overlay the map of Montana on the Northeast, it would run from Washington, D.C. to Indianapolis, and yet we only have 950,000 people living there.

So when we're trying to find ways of treating our returning heroes, it is much more difficult with these distances. Let me give you a story about what it means for a family in Scobey, trying to find professional help for their son, a veteran of a National Guard Infantry deployment, who suffers from post traumatic stress disorder symptoms.

The family lives in the far northeast part of Montana, 720 miles round trip to Billings, a city of 100,000, Montana's largest; a 440-mile trip to Miles City, a city of 8,500; 260 miles round trip to Sidney, a town of 5,000; 88 miles round trip to Plentywood, a town of 2,000, on a good night, and nearly a thousand-mile round trip from our capital, Helena, where Montana's National Guard is actually headquartered, and where Montana's only Veterans Hospital is located—one thousand miles round trip.

One in six Montanans age 18 and older, is a veteran, a per-capita number second only to Alaska. Montanans are warriors and we have fought in every war, proudly.

Montana's Veterans Affairs Division has seen a 41-percent increase in veterans disability compensation claims for military service connected with disabilities from that veterans population.

The great majority of that increase, is due to the return of combat veterans from Iraq and Afghanistan. The signature characteristics of those claims, includes a higher quantity of disabling and more complex conditions, including PTSD and traumatic brain injury.

The division requested and was authorized three additional service officers in 2003; two in 2007, and will request three more in the coming legislation of 2009. If approved in 2009, the State's investment would then total nearly \$300,000 in personnel service expenditure, due in part to the global war on terror.

Montana's National Guard of over 3,500 members, serve in 22 armories and facilities scattered across this State. They would run from Washington, D.C. to Indianapolis.

In the Army National Guard, our men and women average 31 years old, and just less than half are married, and they have an average of 1.8 dependents. I don't know what the .8 looks like.

Some 412 have bachelor's degrees or higher; 500 are full-time Guard and over 2,100 are traditional citizen soldiers. The Montana National Guard Adjutant General Randy Mosley, has a daunting challenge to ensure that all of his soldiers and airmen scattered across those 147,000 square miles of Montana, are trained and ready to be called for State or Federal service, and ensuring those returning home from any deployment, are fully reintegrated into their family, their community, and their unit.

Our failure at meeting that second challenge, the successful reintegration of the deployed soldiers, resulted in the suicide of a young Montanan named Chris Dana. Let me read the first few lines of a December 2007 news service story.

You can only believe about half of what you read in the newspaper, but I think this one's probably true:

"Chris Dana came home from the war in Iraq in 2005 and slipped into a mental abyss so quietly that neither his family nor the Montana National Guard noticed. He returned to his former job, a job at the Target store, nights in a trailer across the road from his father's ranch house, and when he started to isolate himself, missing family events and football games, his father urged him to get counseling.

"When the National Guard called his father to say that he had missed weekend duty, Gary Dana pushed his son to get back in touch with his unit. 'I can't go back, I can't do it,' Chris Dana responded, and things went downhill from there.

"He blew through all his money, and, last March, alone, he shot himself in the head with a .22 caliber rifle. He was 23 years old.

"As Gary Dana, his father was collecting his son's belongings, he found a letter indicating that the National Guard was discharging his son under what was known as 'other than honorable conditions.' The move was due to his skipping drills, which his family said was brought on by the mental strain of his service in Iraq.

"The letter was in the trash near the Wal-Mart receipt for the .22 caliber rifle shells."

Following the tragic death of his step-brother, Matt Kuntz, a Helena lawyer and graduate of West Point, demanded action to ensure that other Montana soldiers did not suffer and die as Chris had done. He wrote a compelling piece for Montana's newspapers, that generated hundreds of calls from across the State to my office.

The result was the Post Deployment Health Reassessment Task Force (PDHRA) and the subsequent PDHRA Campaign to implement the recommendations of that Task Force and more. So far, the Montana National Guard estimates that their campaign implementation has cost over \$200,000. An outline of that effort is attached in my written testimony.

We can't put a value on the cost of losing Chris Dana, nor can we easily quantify the cost to our families and communities and the economy, of soldiers and airmen unable to return to their jobs

at the fire station, fearful of leading their son's Boy Scout Troop, or attending the 4th of July parade or too depressed to enjoy a normal evening out with their spouse.

As you know, Montana's fire seasons can be brutal. Last year, we burned around a million acres. This year is a little wet and we may get off lucky; we may only lose a few hundred thousand acres.

And we spend millions of dollars a year protecting our families. A key part of Montana's response, is our reliance on the National Guard, both for human resources, equipment, and materiel.

This war on terror has and will continue to impact the ability of the National Guard to meet that commitment to domestic emergency preparedness. Additional information on this issue is also attached, but, in summary, General Mosley states that to bring Montana's National Guard back to equipment readiness, 100 percent, would cost about \$28 million for Montana alone.

With your permission, I will submit the names that appear on the memorial, for the record, of those who have given all in this war, from Montana, and they include Montana's Senior Senator, Max Baucus's nephew.

I'm proud of their service and I simply say, if we believe this war is important enough to fight, then let us be sure that we are paying the full costs of that war today. Thank you very much for this opportunity.

[The prepared statement and attachments of Governor Schweitzer appear in the Submissions for the Record on page 37.]

Chairman Schumer. First, without objection, the list will be submitted to the record. Thank you for your powerful and compelling testimony. Really, you did a fine job and I appreciate your traveling a long distance. I know it's because you care so much about this issue. I think we're all proud of you.

Dr. Eibner?

STATEMENT OF CHRISTINE EIBNER, ECONOMIST, RAND CORPORATION, WASHINGTON, D.C.

Ms. Eibner. Thank you. Chairman Schumer, Vice Chair Maloney, and distinguished Members of the Committee, thank you for inviting me to testify and to discuss our analysis. It is an honor and pleasure to be here.

My testimony will summarize the results of a study quantifying the economic costs of post traumatic stress disorder, or PTSD, depression, and traumatic brain injury, or TBI, among military service members returning from Iraq and Afghanistan.

I will then discuss several recommendations for reducing these costs and for better understanding the magnitude of these costs over time.

The bottom line is, given the mix of treatment that is currently being provided to returning service members, we estimate that the 2-year cost of depression and PTSD, could range from \$6,000 to \$26,000 per case.

Applying these figures to the estimated number of service members returning from Iraq and Afghanistan with PTSD or depression, total cost incurred with in the first 2 years following deployment, could range to \$4 billion to \$6 billion dollars.

We also estimate that 1-year, post-deployment cost for service members returning from Iraq or Afghanistan with TBI. These costs could range from \$590 million to \$910 million.

Let me describe how we went about our study. We developed a mathematical model to estimate 2-year, post-deployment costs associated with PTSD and depression for military service members returning from Iraq and Afghanistan.

The model accounted for mental health treatment costs, the cost of reduced employment and lower wages, and the cost of lives lost due to suicide. We included costs to all members of society, including DoD, the VA, service members, and their families.

Individuals in the model could receive three types of treatment: proven evidence-based care, usual care, or no care. Outcomes in the model such as the probability of recovering from a mental health condition following an episode of treatment were based on published literature.

For our analysis of TBI, we accounted for treatment costs, lost productivity, and premature mortality. We developed cost estimates for returning service members who accessed the health care system and received a formal diagnosis. For this group, 1-year costs could range from \$27,000 to \$33,000 for those with milder injuries, and from \$270,000 to \$410,000 for those with moderate or severe injuries.

Applying these figures to the approximately 2,700 individuals identified as having TBI by the President's Commission on Care for America's Returning Wounded Warriors, we estimate the total 1-year cost for individuals with TBI could range from \$590- to \$910 million.

For all three conditions, lost-productivity and premature mortality were large drivers of cost. For example, lost productivity accounts for about 55 percent of costs related to depression and PTSD. Mental health treatment, in contrast, accounts for only 3 to 5 percent of PTSD and depression costs.

Due to lack of data our estimates omit costs of several important consequences of PTSD, depression, and TBI, including substance abuse, homelessness, domestic violence, and family strain.

Despite these caveats, our research suggests that if we increase the share of individuals in our model who receive evidence-based treatment, total costs fall. Although evidence-based care is more expensive than usual care, providing evidence-based care to all service members returning with PTSD or depression could reduce costs by as much as 27 percent.

These savings come from improved labor market outcomes and fewer suicides.

Because data on TBI are more limited, we were unable to estimate the cost savings associated with providing evidence-based care for TBI.

In our report we outlined several strategies for increasing access to evidence-based care. One recommendation is to change policies to encourage service members to seek needed care.

A survey we conducted found that over 40 percent of service members who might need treatment were deterred by perceived negative career repercussions. In addition, policies could be changed to ensure higher availability of providers and to ensure

that evidence-based care is delivered to all service members who seek treatment regardless of whether this treatment is provided by the DoD, the VA, or the civilian sector.

Our final recommendation calls for investing in research to close information gaps related to the long-term economic consequences of PTSD, depression, and TBI.

A coordinated Federal research agenda could improve our understanding of labor market outcomes and other downstream costs such as substance abuse. Understanding the full magnitude of the cost and consequences of PTSD, depression, and TBI is critical so that we can make fiscally responsible investments in care.

In conclusion, I emphasize that the costs for service members returning from Iraq and Afghanistan with mental health and cognitive conditions are high and far exceed the immediate cost of treatment provision. We as a society can save money by investing in evidence-based treatment for these individuals.

Thank you again for the opportunity to testify and to share our research recommendations and findings.

[The prepared statement of Ms. Eibner appears in the Submissions for the Record on page 40.]

Chairman Schumer. Thank you for your good testimony. You are the first witness who finished exactly when the 5-minute clock went out.

(Laughter.)

Chairman Schumer. You have an exquisite sense of timing.

Mr. Tarantino.

STATEMENT OF TOM TARANTINO, POLICY ASSOCIATE, IRAQ AND AFGHANISTAN VETERANS OF AMERICA (IAVA), WASHINGTON, D.C.

Mr. Tarantino. Mr. Chairman, Ranking Member, and distinguished Members of the Committee:

I thank you for the opportunity to testify today regarding the economic challenges facing our Nation's veterans and the long-term costs of veterans' unemployment.

I began my career in 1997 when I enlisted in the U.S. Army Reserves as a civil affairs specialist. In 2003, I was commissioned a 2nd Lieutenant in the Armor Branch and deployed to Iraq as a platoon leader from 2005 to 2006.

My story serves as a good example of the challenge that many NCOs and officers face when leaving the service. During my tenure as a civil affairs specialist I was trained in populace resource control, disaster and emergency management, civil defense planning, and humanitarian relief operations.

I graduated from the University of California at Santa Barbara with a degree in Global Studies and International Relations. For the next 4 years I served as a combat arms officer holding several jobs across many functional disciplines.

In addition to leading two platoons through combat, I, on a monthly basis, conducted and participated in the most complex training the military has to offer while assigned to the opposition forces of the National Training Center.

As a headquarters executive officer at the National Training Center, I was responsible for the logistics and administration of a company of over 400 soldiers with 3 multi-million dollar budgets.

As a public relations officer, I was the public face of the entire regiment that not only was responsible for training the force but prepared themselves to redeploy. I had a long and honorable service.

I gained skills and accomplished tasks that many of my civilian peers would not face until much later in their careers.

Conventional wisdom and the rhetoric from the Army's Transitional Assistance Programs told me that I should have no problems finding employment in the civilian world.

This however turned out not to be the case. After putting my belongings into storage and returning home after 10 years of service, I began what would be a 10-month journey of shock, disappointment, and education as to the disposition of the civilian work force toward members of our military.

I learned that in the civilian world military achievements and equivalent skills are misunderstood and undervalued. In many positions I had practical experiences that matched or far exceeded any prospective job, yet employers didn't seem to understand or were not interested in learning how experience as an officer and a soldier translates into their particular industry.

Additionally, I found that there was fear attached to hiring a former combat soldier with the stigma surrounding combat stress making employers view me as a potential liability to their company.

My difficult experience in the civilian job market is not unique. According to a recent report prepared for the Department of Veterans Affairs, recently separated service members are more likely to be unemployed and tend to earn lower wages than their non-military peers.

Among veterans who have completed their service in the last one to 3 years, 18 percent were unemployed and a full 25 percent earned less than \$21,840 a year.

College-educated veterans suffer the largest wage gap, earning almost \$10,000 a year less than their nonmilitary peers. I think we can all agree that veterans of Iraq and Afghanistan, as well as veterans everywhere, deserve better.

Over time the lost economic opportunities of this generation of 1.7 million Iraq and Afghanistan vets will have an untold cost, not only for our military and their families but for the economy as a whole.

IAVA has made a number of policy recommendations to help veterans transition to civilian life, and to forestall the dire economic consequences of a generation of under- and unemployed veterans.

These suggestions include, but are not limited to:

Tax credits for patriotic employers who support their deployed Reservists. Meaning, when Reserve component employees are called to duty for over 90 days, the employers who pay the difference from their civilian salary to their military salary deserve tax credits.

Additional tax credits for employers who hire homeless vets;

As well as better protections under the USERA and Service Members Civil Relief Act.

You can see the complete policy recommendations in our Legislative Agenda.

While IAVA believes that these issues present a road map to better the lives for veterans, there is one issue that is immediate and before you now as Members of Congress.

You see, the World War II GI Bill was never designed as a first-rate economic stimulus plan, and it was never designed to be the most effective recruitment tool in military history. These are just welcome side effects.

The GI Bill was and is the single most important readjustment tool to the 1.7 million veterans of this conflict. We are reducing the long-term strain on veterans services while providing them with an opportunity at a first-class future.

It is for these reasons that I would like to discuss the GI Bill. The GI Bill has benefited more than just a handful of America's leaders and luminaries, although they have and many Senators, which I am sure you know, are beneficiaries.

Eight million veterans attended a college or a university on the WWII GI Bill. It was estimated that almost half a million of these veterans would not have been able to go to college at all without it.

An additional 3.5 million veterans went to vocational schools; 1.5 million vets got on-the-job training; and 700,000 more received farm training.

The GI Bill produced 238,000 teachers, 91,000 scientists, 67,000 doctors, 450,000 engineers, and a million assorted lawyers, nurses, businessmen, artists, actors, writers, and pilots. Although the vast majority of the beneficiaries were men, the GI Bill put 64,000 women through college.

This Congress has shown tremendous foresight in passing the new GI Bill as part of the Emergency Supplemental Funding for the war. More than any other single piece of legislation, the GI Bill would make a difference in the economic futures of troops returning every single day from Iraq and Afghanistan.

We look forward to this legislation being quickly passed and signed into law. The battle for the new GI Bill highlights a key gap in our accounting for the Iraq war. All of the care and support for our veterans, including programs to help them reintegrate into civilian life, should be understood and categorized as an unavoidable cost of this war, and yet the cost of the GI Bill is not typically accounted for in the war's budgets.

In the long term, budgeting should reflect all the support that our troops deserve before, during, and after combat. I thank you for your time and for your attention.

[The prepared statement of Mr. Tarantino appears in the Submissions for the Record on page 47.]

Chairman Schumer. Well thank you, Mr. Tarantino, for really excellent, powerful testimony and for your service to your country, to our country.

Mr. Beach.

STATEMENT OF WILLIAM W. BEACH, DIRECTOR, CENTER FOR DATA ANALYSIS, THE HERITAGE FOUNDATION, WASHINGTON, D.C.

Mr. Beach. Mr. Chairman and Members of the Joint Economic Committee, I am very pleased to be here today and thank you for the invitation.

I do not present myself this morning as an expert on the battlefields in the global war on terror. Others are here today—Capt. Tarantino especially—or have testified before you and wear the badges of experts in these wars.

I like most citizens have my own views on these and related conflicts, but those views are not what move me to accept this Committee's invitation to testify today.

Rather, I present myself as an economist who has followed the debate over the cost of the global war on terror, and now is worried that this discussion, like so many others, has become a victim of the increasingly bitter partisanship surrounding this war.

My testimony briefly touches on three topics, though I probably will only do two.

First, the frequent absence of an appropriate cost/benefit analysis when we're looking at costs; and two, the costs of the Iraqi conflict and the tendency of some leading cost analysts to ignore offsetting factors, and to unfortunately exaggerate the long-term, war-related outlays of the Federal Government. And this goes directly to the Veterans Administration costs.

So let me go to cost/benefit analysis briefly and look specifically at the estimates which were produced by Professor Stiglitz. Professor Stiglitz presents two sets of cost estimates in his now-famous book, one called Best Case and one called Realistic and Moderate.

Assuming for the moment that each of these cost estimates is reasonable—which is an assumption I am actually not willing to support, except for this illustration—then the U.S. will spend between \$1.7 trillion and \$2.7 trillion dollars specifically on war fighting operations in Iraq.

This sounds to anyone like a very large amount, especially when we think about how much good these same sums would do to rebuild our highways, provide low-income health insurance, and so forth.

However, these are presented by the authors as accounting costs, the sort of things that we would look for in an accounting exercise and not economic costs.

Economic costs have benefits associated with the costs. It may be Professor Stiglitz's view that there are no benefits, or it may be that they are large, but citizens have to know what the benefits are in order to make choices between how the same amount of money would be spent in two or three or more different directions.

For example, if Professor Stiglitz had presented economic costs to the people who read his book, one way of doing this would have been to take the 9/11 episode and to suggest perhaps we would have had an additional 9/11 episode for every subsequent year except for the fighting in Iraq and Afghanistan.

I think that is an extreme view of the benefits, but it nevertheless allows people then to quantify what those benefits would be.

However the authors would have done this would have been a good service to the citizens who are relatively untrained in making these kinds of decisions except if they have the benefits in front of them.

Now let me go to the war and the actual costs involved with that war.

As of March of this year, Congress had appropriated somewhere in the neighborhood of about \$850 billion for military operations, reconstruction, embassy costs, enhanced security at U.S. bases, and foreign aid programs in the global war on terror specifically, and mostly in Iran—Iraq and Afghanistan.

Due to the increase in military personnel and operations since the surge, the burn rate in Iraq has increased from \$4.4 billion in 2003 to \$12 billion or so today.

However, the benefits of the current increase in activity are present across a wide spectrum of metrics, particularly in the decline of battle-related casualties.

Some critics, such as Professor Stiglitz and others, expand their war-fighting estimates by ignoring the improvements of 2007 and 2008.

Pre-surge cost ratios are extended into the distant future. Casualty rates continue at pre-surge levels, and long-term outlays for Veterans Administration programs blossom by the expansion of the base.

For example, the monthly average casualty rate in 2007 stood at 75. But that rate fell during the last 3 months of the year to an average of 33. During the early months of 2008 the monthly casualty rate was half that of 2007 at 40 per month. Professor Stiglitz, however, assumes that “the rate of death and injuries per soldier continues unchanged into the future over this forecast period.”

These higher than supportable estimates of casualties produce a large base of VA outlays than it appears will be the case.

Furthermore, Professor Stiglitz assumes that the utilization rates for Veterans of Iraqi Freedom will be the same as that by Veterans of Desert Storm.

Obviously that assumption has very little evidence to support it since utilization levels have yet to be fully established for Operation Iraqi Freedom.

Moreover, one wonders whether the special circumstances that afflicted Desert Storm Troops make their utilization profiles unique. We have yet to fully trace the full medical effects of exposure to burning petroleum that so famously confronted our military during the first gulf war.

The strong views surrounding—and I will conclude—the strong views surrounding the war in Iraq, and particularly its future, color the analysis of costs. Perhaps that is unavoidable. After all, forecast requires assumptions, and assumptions frequently spring out of beliefs and not science.

Even so, the citizens of this country have before them one of the most important questions that have faced them in several generations: Whether to declare this war a mistake from the start that deserves a swift and certain conclusion; or to persist in the Middle East by continuing to bring the global war on terror to the enemy’s territory.

However one feels about this justification for the war, its costs play a role in making this decision. The importance of this question means that those who do the work of accounting for the conflict's fiscal and economic effects must treat the public with respect and prepare their analysis with the highest professional standards fully in view.

Thank you.

[The prepared statement of Mr. Beach appears in the Submissions for the Record on page 49.]

Chairman Schumer. Thank you, Mr. Beach. I would just start my questions, I would say I am not going to ask you a question, but I would say it is a profound method of cost/benefit analysis to say, as Director Nussle did: There is no price tag that can be put on immeasurable value of preventing terrorist attacks.

Mr. Beach. You are absolutely right about that, Mr. Chairman. That is a strong statement indeed.

Chairman Schumer. First, Governor Schweitzer. And I want to thank the witnesses. I thought the testimony was great, just great, and will help us in measuring the costs.

We are not here to measure cost/benefit analysis. That is the job of ourselves and our constituents: do you spend a dollar here? Do you spend a dollar here? What we are trying to do is just get at the costs and a real measure of the costs.

The first question I have is for Governor Schweitzer. It is clear that this war in Iraq has had tremendous opportunity costs, forcing us to spend billions of dollars on military operations rather than using those limited funds for important priorities such as health care, education, or housing. In your opinion, Governor, how would Montana use its resources differently if it did not have to allocate some of its budget to cover the expenses you outlined associated with the war in Iraq?

Governor Schweitzer. Thank you very much. I've got to tell you, I was trying to understand. Of course I am not an economist, but now I know why old Harry Truman said he liked his economists with just one arm; because every time they would come in they would say: On the one hand; on the other hand. And then you would just get one opinion.

But let me say this. Opportunity costs: After 9/11, it was an interesting response. It was kind of like in Montana if you run a bunch of sheep, and a couple of coyotes get in and they start killing some of your lambs, and you wake up the next morning and you say: My God, we've got to do something about it!

So you drive 150 miles away, get your rifle out and shoot somebody else's wolf.

Now that is kind of what we did in Iraq. I mean, my God, we were already in Kuwait keeping an eye on things. You could not back a pickup out of a garage without us having an eye in the sky. For the last 30 years, the whole time I lived in Saudi Arabia in the 1980s, we had AWACs in the air. We're flying the whole region. We knew what was going on, who was coming, who was going. We have had military in the Middle East, and they will be there as long as we are depending on that foreign oil.

Right after 9/11, had we here in Washington, D.C., said we are going to fix this problem; said we are not going to drive 150 miles

away and shoot some dang wolf. We've got a problem with coyotes. And the problem is our addiction to this oil.

If we would have said at that time: We will invest. We will do what we have done in the past. When we were attacked at Pearl Harbor, in less than 4 years—that is less time than we have been in Iraq—we designed, we built, and we deployed the largest military industrial complex in the history of mankind and we defeated the tyrants in both Asia and Europe.

When we decided we wanted to split the atom, we didn't know splitting an atom from Adam and Eve, and yet we knew it was important. We invested, and we did it.

When President Kennedy challenged us to go to the Moon, we did not know how we would get to the Moon and how we would get back, but all Americans worked together and we achieved that goal.

On 9/11, if we had had leadership that said we will not import oil; we will no longer send money to these dictators who would like to destroy our way of life; we would be well on our way to energy independence with coal gasification in Montana, with wind power all across the prairie, with electric plug-in hybrids, with solar cars, with hydrogen power.

We have now lost six or 7 years worth of investment. I don't know whether it is \$12 billion a month, or it is \$1.3 trillion, or up to \$5 trillion we've spent on this war, but I can tell you this: If you had spent \$1 trillion on alternative energy in this country, we would right now be within 10 years of energy independence.

So those are the real opportunity costs. We had a problem with some coyotes killing sheep, and we went over and shot some wolves that were killing calves. Thank you.

Chairman Schumer. Governor, it is not the way we would put it in Brooklyn, but it is extremely well put.

(Laughter.)

Chairman Schumer. I just want to ask Mr. Tarantino a question and we will move on. Thanks for your eloquent testimony about the GI Bill of rights, or the GI Bill that we have. There are some who say, the argument the administration has been making is, that this will encourage people to leave and increase de-enlistment. All the powerful arguments you make in its favor I think we agree with.

Tell me what your answer is to that argument. I think that's the number one thing holding us up right now, in terms of argument, not in terms of politics.

Mr. Tarantino. Well, Senator, there are a few things wrong with that argument, the least of which being that the current GI Bill system and the alternatives that have been proposed, would encourage people to leave service much earlier than the GI Bill that is going through Congress, simply because it is not tied to the cost of education.

When you give someone a benefit that is tied to an index that does not rise with the cost of education, they'll figure out that their benefit loses value the longer they wait. Soldiers aren't stupid. They understand that if I leave the service now, I will get more money for college, than if I leave in 10 years.

Why? Because my GI Bill is tied to the CPI, not to the cost of education. The cost of education rises dramatically higher than CPI almost every year.

Second, when you talk about soldiers that are leaving after their first term, when we talk about retention, that's what we're talking about, the first term. We're talking about that two to 6 years of your initial enlistment.

You're talking about a projected 16-percent reduction. You're also talking about a 16-percent increase in recruitment.

Now, those numbers aren't equal, because that's 16 percent of a much higher population of recruits entering service. So, when you hear people talking about the GI bill encouraging service members to leave the military, remember that in reality, there is a net gain in numbers.

I think, but I don't know, but off the top of my head, it's a 20-percent net gain of soldiers, sailors, airmen, and marines in that first term. So I don't know whether the argument was made up, or they're doing selective math, but it just don't hold true and it doesn't stay with the facts.

Chairman Schumer. Thank you. Congressman Brady?

Representative Brady. Thank you, Mr. Chairman. Dr. Eibner, thank you for your testimony. Clearly, with this war, we're seeing far more concussive injuries and mental health issues that we have to dramatically ramp up funding for. Thank you for your testimony, and, Captain, for your service, we all thank you. I like your ideas on job training and incentives for hiring veterans. It's excellent.

Mr. Beach, I think you illustrate how difficult it is to do cost/benefit analysis, even the basis of this hearing on the price of the war; it is just tough to measure it in dollars and cents, and I appreciate you at least struggling to put your arms around it and identify sources for that.

And, Governor, thank you very much. I understand you're being considered as a potential nominee for this ticket, a Vice Presidential nominee, and I know you love Montana most of all, but I wish you the best with that.

Recently, I met with a group of veterans in Montgomery County, Texas, from all walks of life and all the services. We were doing a sort of 6-month checkup with them on our local VA healthcare clinic that I worked to obtain.

And they had two major concerns: One of them was that they could not believe this Congress continued to play politics instead of funding our troops.

Then it was 2 weeks ago, around Memorial Day—before we would run out of funding for payroll for our Army and Marines, and they just could not understand how Democrats and Republicans, together, couldn't call a timeout from all this foolishness and whether they believe in the war or not, and provide funding to our troops in Afghanistan and Iraq.

Their second concern was that traveling to and from that veterans clinic—we have one local and we have one down in Houston that's about an 80-mile round trip—they were just saying the hardship, because of the cost of fuel has risen so much, both for them and their families, and they're worried, too, about our troops or

families back home, who don't have high salaries or paychecks, trying to afford gas.

When Speaker Pelosi took office, she said that she and her Democrat colleagues had a common-sense plan to lower gas prices. Gas then was \$2.33 a gallon. Today, we know it's over \$4 and diesel is near \$5.

And so my question to you, Governor, is, you are a strong advocate of turning coal into super-clean liquid fuels, the technology that's been around an awful long time. Some countries use it for as much as a third of their entire vehicle fuels.

What advice would you give? We are focused, instead of on real sources of affordable sources like that, things like suing OPEC up here. That's apparently our answer to fuel prices.

What advice do you have to this Congress, about the need to move and use coal as a liquid fuel for our Nation?

Governor Schweitzer. Dang, I like that question. All right, look, let's just do a little math here.

Montana alone has 120 billion tons of coal. We have about 30 percent of the coal in America, about 10 percent of the coal on the planet.

If we were to covert just Montana's coal to various energy sources—electrons through coal gasification, syngas, through the gasification process, or liquid fuels, we could fuel all of the energy needs for this entire country for 60 years.

But I'll tell you, during the last hundred years, the development of coal has consisted of some basic old technology. You did that coal, you crush it, you light a match to it, you burn it, you super-heat some water, you put that stream of steam on a turbine, you turn the turbine, and you generate electricity.

That's the way we've been doing it for a hundred years, haven't changed much of the technology. Then the master problem of the whole system, is, you've got a great big smokestack. And it runs high enough so that all the bad stuff runs over to somebody else's backyard.

Well, the problem is, we ran out of backyards in this world. In fact, now in California, about half of the non-naturally occurring mercury, comes from China, because they learned to build these coal-fired plants, from us.

We're not suggesting developing coal in that way; we're suggesting you put coal in a pressurized chamber, and, under high pressure and high temperature, you will get CO₂ gas and methane gas to come off. You peel the CO₂ off and you either build an industrial product with it, or you pump it right back into the earth, or you use it for enhanced oil recovery.

We can develop more oil in the West, if we just have more CO₂ and then that syngas, as I say, can produce electricity that would run electric cars in this country, or it can produce a liquid fuel that we can run our jets with.

And if we were to invest in wind power, in the grid system, in plug-in hybrids, if we were to invest in coal gasification and hydrogen, 10 years from now, we could let the dictators boil in their own oil.

But we're not. We continue to be dependent on these dang dictators, and we're funding both sides of this war. It's got to stop.

Now, you asked me, what can Congress do? We don't ask you to do much, out in the States, you know. We know you've got a lot of speechifying to do back here and everything.

Representative Brady. And we meet your expectations.

Governor Schweitzer. Well, we're seldom disappointed.

Here's what I'd ask you to do: Just pass us two pieces of legislation. Here's the first one: Now, you're going to get in trouble with a bunch of the skunks that run around here. The lobbyists aren't going to like some of this stuff, but just do two things. If you want to change the world, here's the first:

You give a 15-percent tax credit to anybody in America that buys a plug-in hybrid, one that gets the first 40 miles on battery storage, and then with that transportation fleet, the light trucks, the SUVs and the cars in this country, we could replace 83 percent of the oil that we use, because, you know, 93 percent of the cars in America, including most of the cars you drive, drive less than 40 miles every day.

So now we're going to replace 83 percent of the fuel, and that means all of the imported oil.

Second—now, this is where you get in trouble with the lobbyists. I want you to pass legislation that tells the utilities that they must buy energy from anybody on their system they sell energy to, so those of us who have these plug-in hybrids, once I've stored up some energy in that battery, if I don't need to drive 40 miles in the middle of the day, at 10 in the morning, when the grid needs electricity, I'm going to sell that electricity back into the market at a real-time capitalist price.

And I'll make every consumer in America, a better capitalist. I'll get consumers saying, boy, I'm going to be a big shot utility guy, because I'm going to keep my car in the garage tomorrow and sell electricity right back into the grid, and it's worth three or four times as much in the middle of the day, as it was in the middle of the night.

Now, you pass me those two pieces of legislation, you'll change the world and we'll be energy independent in 15 years. Thank you.

Representative Brady. Governor, thank you for being here. By the way, you said it would cost \$28 million to replenish the Montana National Guard?

Governor Schweitzer. To get the equipment back into Montana that's been deployed in Iraq.

Representative Brady. Let me just tell you where we can find that money. Two weeks ago, the U.S. House of Representatives passed a bill, a new Federal program to protect exotic cats and dogs in foreign countries, a \$20 million new Federal program.

The next day, we passed a nearly identical bill to protect six species of cranes in foreign countries, so I've got \$40 million from Washington that can help replenish the Montana National Guard.

We don't have tradeoffs between the war and what we need; we have foolish spending tradeoffs against our real priorities, which is our Veterans and our Guard. I yield back.

Chairman Schumer. Thank you again, Congressman Brady and Governor Schweitzer. Vice Chair Maloney?

Vice Chair Maloney. I join the Chairman in thanking all of you for your really insightful testimony.

Governor, you mentioned in your opening statement, that your State was having difficulty coping with the large absence of Reservists and National Guard, and I wish you would elaborate a little more.

I understand that they help with the forest fires and other natural disasters, and how is your State dealing with this? Are you hiring more civilians to help with these kinds of emergencies? Or is the State potentially unprepared to cope with a crisis with this drain on personnel?

Governor Schweitzer. Well, we've got about 90 million acres in Montana and about 25 million of it owned by the Federal Government; five million by the State of Montana, and a good part of the Federal Government's land is forest land. So we usually fight fires and send you the bill and you pay about half of it and you still owe us a little bit.

But let me tell you a little history on this thing. Back in about February of 2005, I got to looking around, and I thought, my gosh, you know, I am the Governor of this dang State, and if something goes wrong, I'm ultimately responsible in an emergency.

What can go wrong? Well, we don't have hurricanes, or not recently; we seldom have tornadoes. Well, every once in awhile, we get an earthquake, so we've got to be concerned about our dams.

But almost every year, we've got forest fires. And when our private resources are exhausted, we turn to our National Guard.

We look to those Blackhawk helicopters to haul 660 gallons of water and dump it on those fires. We've got those CH-47s that can haul up to 2,000 gallons of water on those fires.

And so we were having a real tough winter, just about no snow, real dry, and I'm kind of anticipating that when we get out to about August or September, the whole dang State might be on fire.

So I sent a letter up to the Secretary of Defense, and I said to him, you've got about 40 percent of Montana's National Guard deployed and you've got all my Blackhawk helicopters and you've got all the crews, except for one, that can fly the CH-47s, and so in February, I made a proposition: Why don't you redeploy a little larger number of the Montana National Guard, back to Montana during August and September, when I can already anticipate I'm going to need their help, and then, of course, we'll redeploy them back to Iraq, and, I don't know, maybe some other Governors have got hurricanes or tornadoes or something where they can anticipate they need their National Guard at home for.

So I sent that letter off, and, of course, when you're a Governor and you send a letter off to Washington, D.C., you seldom hear back, and I didn't. But what we did get is, by the time we got to August and September, when our fires were burning, they had actually deployed more of our National Guard to Iraq, not less, and we still didn't have our Blackhawks home and we didn't have our crews to fly the CH-47s.

So, what I would suggest to the administration is consider the Governors as your partners. The National Guard has a dual role. They are responsible for homeland security, and, when called, they will be ready to defend this country.

But please be prepared to work with us as partners; don't just come out there take our equipment away so we can't train our Na-

tional Guard, and deploy our National Guard in times that we can already anticipate that we're going to have an emergency. Kind of listen every once in awhile to the Governors, because we're kind of on the ground and we have to deal with these things on a day-to-day basis. Thank you.

Vice Chair Maloney. Thank you very much. Mr. Tarantino, your testimony was very moving, about the obstacles that returning veterans face, and even though they are very highly qualified and highly trained and have great experience, why are employers unwilling to offer good jobs to veterans? Why do you think that is, when they have the skills that could complete the jobs?

Mr. Tarantino. Well I think there is a general lack of understanding between how military skills translate. I found through my own job search, with the exception of my current position, every job that I looked for on my own I did not have any access to. I never heard back from corporate America.

The only way I was able to interview with corporate America was to go to one of the military recruiting companies—the Bradley Morris's, the Lucas groups, the Soar Consultings—where they provide an access to corporate America.

Now they get you in the door, but trying to convince companies that my service as an officer translates very well into their high-tech manufacturing industry, or their bottling plant, or their homeland security contracting company, was almost like you are speaking French to someone who does not speak French.

They kind of understand it. They can read your resume. They almost think they know what you are saying. Especially when you have people who have never been in the military. They do not understand what being an executive officer of a headquarters company of an armor battalion means. And it is very difficult to try to get them to pull the relevant skill sets out of the military occupation.

And so I think there needs to be built into the Transition Assistance Programs better tools for senior NCOs and officers to be able to translate their skills. There are a lot of those for young enlisted men, and young service members. There are a lot of those where you can type in your MOS and it will tell you exactly what civilian jobs qualify, but for officers and for NCOs there really isn't that.

These are programs that need to be developed. The transition assistance programs offered by the military are all right. They are good programs. But they are geared toward the largest population of people leaving service, which are people in those first terms, and that is not wrong. That is not wrong at all.

But there is a huge population of senior managers and senior leaders that are leaving the service that are pretty much on their own once they drive off that post. And those are the programs that we need to start building. Especially if we want to start transitioning from combat service to civilian service without seeing a lot of the post-combat service problems that we have seen in generations past.

Vice Chair Maloney. My time has expired. Thank you.

Chairman Schumer. Senator Klobuchar.

Senator Klobuchar. Thank you, Chairman Schumer.

Thank you to all of you for being here, and Governor Schweitzer welcome. You have welcomed me into Montana a few times recently, and I enjoyed that very much. So now I want to thank you for your leadership on the energy issue, not only with the clean coal but also some of the renewable and climate change work.

I also liked how you were able to make that bridge to this war, and how by developing some of these alternatives and going into a new direction we could actually save some of the money that we are talking about here.

But I wanted to follow up on your moving story about the young man who committed suicide. Montana, like Minnesota, has a huge number of Guard and Reserve. We have the longest serving Unit, the Red Bulls, of the National Guard in Iraq. Many of them were supposed to go for 3 months; they went for a year, then 2 years. Then they came home and found out they were going to be denied their full education benefits, Mr. Tarantino, because of some paperwork problems.

So we saw firsthand some of the problems that they encounter. I wonder if you could just—and then I am going to have Mr. Tarantino follow this up—talk about some of the unique problems for our soldiers in rural areas.

What we have found is, because we don't have—we have a few bases, but no big base in Minnesota—all of our Guard and Reserve go home to little towns, like Thief River Falls, Minnesota, and Lanesboro, and they don't have that kind of support system. And so what we have set up is this Beyond The Yellow Ribbon Program, which has allowed them to—in fact our General Shallato makes them come in, and he has sort of gotten around the rules, to check in every few months after they come home.

We are now going to expand that program nationally, But could you talk about some of the issues with the rural part of Montana?

Governor Schweitzer. First of all, it is a great deal of outreach. In Montana we have the largest percentage in the country of our employees who work for an employer with 10 or fewer employees. Montana is a place of small businesses.

If you have got 1,000 employees and 1 or 2 of them go off to war, well you can hold that slot open for 1 or 2. But if you have got 3 employees and 1 goes off to war, it is a little tough.

So we work with those employers. We do whatever we can as the State of Montana to help them backfill. We help them when the soldier is being trained. We help them when they are gone. And the other thing we do is we spend a great deal of time, emotional time, with the families before they are deployed.

In this country we do not send a warrior to war, we send a warrior and a family that is backing up that warrior. And for every warrior that is in Iraq or Afghanistan, there is a wife, there is a child, there is a mother, there is a brother that is a support mechanism.

So in this country we support our warriors, and that support system starts with the family. So before they deploy, we talk to them about some of the feelings that they are likely to encounter while they are gone, both in the family and that individual.

We talk about some of the dreams, some of the sleep loss, some of the ideas that will be in both the family and that warrior's mind

while they're separated. While the warrior is gone, we counsel the warrior before he returns home that now you have been in a war zone; you have encountered this adrenalin rush 24 hours a day 7 days a week for 6 solid months; and when you get back the food does not taste as good, you do not have that adrenalin rush. So you will have an urge to ride a motorcycle too fast without a helmet, you will have an urge to drink too much, you will have an urge to get in a bar and take a poke at somebody.

So we counsel them before they return. And then after they return, we reach out to the families. We reach out to the communities. Because those returning warriors that come back to a military base, all the spouses are living next door to one another. They are serving with other military people. But when you go back to being a teacher, it is a little tougher.

We are the greatest country in the world of converting citizens to warriors, but we have not figured out how to convert a warrior to a citizen yet, and we are working on that in Montana.

Distance is a little bit of a problem, but it starts very early and, like I say, you counsel the family because they are the support system for the warrior.

Senator Klobuchar. Thank you. That is one of the things about this war. The average age in Vietnam was 19 of our soldiers over there, and the average age of the Minnesota National Guard over there is 33. And at any one point we have had something like 40 percent of the soldiers serving in Iraq and Afghanistan, Guard and Reserve.

So it is a very different situation, and I think it is really important to have Governors like you that come out from these rural States to explain that as we look at the GI Bill and the things that we need to do.

Mr. Tarantino, I was just struck by the unemployment statistics you had. We had a hearing on this with this Committee about a month ago, and I had a chart that showed these numbers. And I have to tell you, as I looked at the chart I was shocked myself, as I'm describing it to people.

Could you describe that a little? And one other thing I wanted to know, too, we have a bill. One of our guys that came back wanted to be a paramedic. He had been a paramedic in Iraq, and he came back to Ortonville, Minnesota, and he found out he would have to start the whole program again for 2 years, despite his on-the-job training that he had had, and he would have to move away from his town and his family to do that.

So we actually have a bill to start developing curriculum with Senator Enzi around the country so that they can get credit for some of the service. And I wonder if you could talk about the reasons for the unemployment that you see, and then second this kind of idea of giving credit not necessarily just for the paramedic training but in other areas so that our soldiers when they signed up there wasn't a waiting line, and when they come back here and they need a job they should not be shunted to the end of the line.

Mr. Tarantino. Thank you, Senator.

Well first of all, the unemployment statistics I talked about were from the VA's employment histories of recently separated service members that was prepared for the VA on September 28, 2007.

What we find with soldiers who recently separate, and the Governor really hit the nail on the head. After combat the volume gets turned down on everything. The volume on life becomes much, much lower. And so you find it hard to reassimilate into regular society.

In the active duty component, the greatest tool we have are those junior NCOs and lieutenants because we live with our soldiers. We live with each other. We're best friends. We're comrades. And we can see when people are having problems. When you have guys in the National Guard and the Reserves, and speaking from a former Reservist, once you are out of that formation it is pretty much see 'ya next month. And that is about all you get. Which is why Minnesota's Beyond the Yellow Ribbon Program is so critical.

I think the experiences of Reservists and National Guardsmen, as well as the experience of veterans leaving the service and going into the job market, are very similar. Because you are suddenly going from a job where you had a mission in life, it was not a paycheck, it was a lifestyle. To go from working at a job with such an important mission to running something like Joe's pencil factory is a huge perspective shift that is very difficult to assimilate.

Additionally there is the stigma of combat stress. Why these numbers are so much higher now, is that there is a stigma in the American public and in the zeitgeist that combat stress is dangerous. There is a fear that you've got crazy guys out there who could snap at any moment. That is not true.

Combat stress is a wound. It's like getting shot on the battlefield. You go to a medic when you get shot. You need to go get treatment.

So I think the thing that we can really do to stem all these inflations in statistics across the board, is to de-stigmatize combat stress and make it OK for people to seek medical treatment.

If I can speak for a moment about the issue of rural veterans. One thing that we can do, is make outreach go beyond the VA.

I was lucky, because my family home is a 15-minute drive from the San Francisco VA Medical Center, an outstanding VA Hospital. I live within five blocks of a Medical Center in Columbia Heights. I'm cool, I'm taken care of.

But when you have soldiers, sailors, marines, and airmen who have to drive hours, just to get a prescription filled, it's debilitating.

We should let the VA outsource their mental health care. I get calls every day from mental health professionals, asking to volunteer for the VA, and the VA doesn't accept volunteers.

I know that there are medical professionals who are willing to partner and provide care to local soldiers. All it takes, is a program, and we can do it. It's like the Governor said; we went to the moon in the 1960s; we administered eight million people in the GI Bill in the 1940s, without computers.

We can take care of this. It's all a matter of coverage, will and foresight, and that's really what we need.

Senator Klobuchar. Thank you very much, and thank you to all four of you.

Chairman Schumer. Thank you, Senator Klobuchar, for your, as usual, excellent questions.

I have just a couple more, and this is for Dr. Eibner. Dr. Eibner, in your testimony, you mentioned that you were only able to examine economic costs resulting from psychological and brain disorders for the first one or 2 years following a veteran's release from the service.

But given the nature of these types of injuries, isn't it likely that many of the veterans will require sustained care in a serious way, for more than 2 years, and wouldn't that mean that your study underestimates the costs?

Ms. Eibner. Absolutely, I agree with that. We believe that they would probably require care for beyond the 2-year period, and there are also other downstream costs that we couldn't include in our model, including the cost of substance abuse treatment that may be required for people who develop that following their mental health illness, as well as other downstream costs.

Chairman Schumer. And, Mr. Beach, you focused on cost/benefit. This hearing is not on the benefit side, that's probably the Armed Services Committee's jurisdiction. Cost is something here, and, obviously, every Government expenditure is supposed to have a benefit.

Do you have serious disagreement with—your main thrust has been that the benefits weren't included in these studies. I don't think that was their intent.

Do you have serious disagreement with, say, Dr. Stiglitz's characterization of the cost, per se?

Mr. Beach. Well, yes. I think there are a number of points of which the assumptions that Dr. Stiglitz has been making, are not as supportable as he says they are or believes they are, or are simply just not supportable.

Now, the main core of his estimates, the war fighting costs, seem very solid, and in my written testimony, Senator, which you may not have seen yet, I supply my own estimates of what I think the war fighting costs are.

While they are smaller than Dr. Stiglitz's, they are in the same range of magnitude. I mentioned benefits because of this: If you're going to present to the citizens of this country, an argument that the war is costing too much, then it's too much relative to what?

And that's what we always have to do when we talk about costs. Too much, because we're not as safe or safer? Too much because we could have spent the money doing something much better for their security and safety?

I don't know what the benefit side is, but I am struck repeatedly, as this debate has gone forward, that the cost side is not being properly connected to the other part, which is central for the citizens to make decisions about the sustainability of the conflict.

Chairman Schumer. Right. OK, well, I want to thank all four witnesses. You all did an excellent job.

This is clearly an important issue. Again, I want to reiterate that it's appalling to me that the Administration doesn't want to send somebody here, but sort of indicative.

I particularly want to thank Governor Schweitzer for coming the long distance that he did, and for bringing his homespun wisdom to a little less homespun place, Washington, D.C., and I want to

thank Captain Tarantino for his service and his persistence in trying to make it better for others, given the tough time he had.

Thank you all. Dr. Eibner, Mr. Beach, your testimonies were excellent, as well. The hearing is adjourned.

(Whereupon, at 11:34 a.m., the hearing was adjourned.)

Submissions for the Record



JOINT ECONOMIC COMMITTEE
 SENATOR CHARLES E. SCHUMER, CHAIRMAN
 REPRESENTATIVE CAROLYN B. MALONEY, VICE CHAIR



STATEMENT OF HON. CHARLES E. SCHUMER, CHAIRMAN, A U.S. SENATOR FROM NEW YORK

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 anniver-

sary 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 6 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 1 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.



JOINT ECONOMIC COMMITTEE
 SENATOR CHARLES E. SCHUMER, CHAIRMAN
 REPRESENTATIVE CAROLYN B. MALONEY, VICE CHAIR



STATEMENT OF CAROLYN MALONEY, VICE CHAIR, A U.S. REPRESENTATIVE FROM NEW YORK

Good morning. I would like to thank Chairman Schumer for holding this hearing to examine the economic costs of the Iraq war. I want to welcome our distinguished panel and thank them for testifying here today.

If the current emergency war supplemental is passed, Congress will have approved a total of over \$600 billion for direct spending on this war. That's more than ten times the Bush Administration's initial estimate of the costs of the war.

But as we learned during our February hearing on this issue, the full economic costs of the Iraq war go well beyond the hundreds of billions of dollars allocated by Congress. We heard from witnesses about the economic burdens created by Federal borrowing to fund the war, the impact of the war on oil prices, and the costs in security due to our overstretched armed forces.

Last year, at my request, the Joint Economic Committee prepared a report showing that by the end of 2008, the full economic cost of the war will total \$1.3 trillion. With no clear direction for ending the war and no plan to bring the troops home, war costs will only grow higher. Nobel Laureate Joseph Stiglitz estimates that if we remain in Iraq, the total economic price tag for the war will reach between three to five trillion dollars over the next decade.

Meanwhile, the President continues to balk at supporting measures to boost our economy here at home, such as extending unemployment insurance to those who have been unable to find a new job.

American families are feeling the squeeze of high gasoline prices, high food prices, falling incomes, and declining home values. We can ill-afford to add to their burden by asking them to continue funding this war. To do so means sacrificing other important priorities, such as investing in jobs, health care, green technologies, and infrastructure.

Our witnesses today will give us more perspective on some of the hidden costs of the war.

Governor Schweitzer will tell us how in his state of Montana, where one-in-six adults is a veteran, local communities and state resources have been severely strained by long military deployments.

Dr. Eibner will discuss RAND's groundbreaking study, which found that hidden health problems caused by the war are leading to billions of dollars in additional economic costs.

Tom Tarantino will discuss just how hard it is for returning veterans to readjust to civilian life and the costs this poses for families.


Looking forward, what concerns me most is that there is no end in sight to our commitment in Iraq. The cost of the war has mounted each and every year. We must not repeat the mistakes made at the start of the war, when Congress was not properly informed about the long-term costs of our commitment. A productive discussion of the current and future economic impacts of this war is long overdue.

It's unfortunately no surprise that this is a debate the Bush administration would rather hide from. I want to join the Chairman in expressing my disappointment at the absence of our invited Administration witness, OMB Director Nussle. This is the third time Director Nussle has refused our invitation to testify before this Committee on these issues.

Even if we do not agree on the direction of the war, we can surely all agree on the need to support the veterans who have suffered its greatest impact. Congress has moved forward to help veterans cope with the costs of reentering civilian life by passing the GI Bill, which guarantees veterans the full support they need to attend a 4-year university. Iraq veterans deserve the same level of assistance received by veterans of earlier wars. As you can clearly see from this chart, they do not have this support today.

President Bush should sign this bill and guarantee veterans have the resources they need to get a college degree.

Mr. Chairman, thank you for holding this important hearing.


 JOINT ECONOMIC COMMITTEE
 SENATE REPUBLICANS

SENATOR SAM BROWNBACK SENATOR REPUBLICAN SENATOR

PREPARED STATEMENT OF SENATOR SAM BROWNBACK

Thank you, Mr. Chairman, and welcome and thank you to all of the witnesses and for their work dedicated to helping ensure that we continue to fortify our efforts to support the men and women who put themselves on the line for our country, both while they are in service and afterward.

Some of the testimony that we will hear today involves support for members of the Armed Forces and veterans in the area of mental health care. We know that post-traumatic stress disorder is real and that war efforts unfortunately also lead to traumatic brain injuries. I support efforts to improve mental health care and other benefits available to members of the Armed Forces and to veterans, as is evident from my support of "The HONOR Warriors Act (S. 3008)" introduced in the Senate by my colleague, Senator Bond.

Some of the testimony that we will hear today involves research by Dr. Eibner on post-traumatic stress disorder, depression, and traumatic brain injuries that, unlike physical wounds of war, are often difficult to detect and remain tragically hidden from other service members, family, and society in general. I am anxious to learn what we know about how extensive these conditions are and how we can best address the conditions with proper treatments.

Some of the testimony that we will hear today involves support for members of the Armed Forces and veterans in the area of education benefits, in the form of what has been referred to by many as a "new GI Bill" for those who serve and have served in Iraq, Afghanistan, and elsewhere. We know that the "Servicemen's Readjustment Act," signed into law in 1944 and best known as the "GI Bill" made higher education affordable for roughly eight million Americans and provided great benefits in the form of a productive work force for our Nation. There is no reason not to provide solid education benefits to service members today, given the tremendous sacrifices that they make for our country and our security.

We have recently, both in the House and in the Senate, taken actions toward providing a new GI Bill to continue our commitment to improving the economic futures of our service members and our veterans. There has been debate about elements of the educational provisions in the new GI Bill, such as whether eligibility for a full set of benefits should be granted to anyone who served a certain amount of time or more, as in legislation sponsored by my colleague on this Committee, Senator Webb, or whether those benefits should be granted on a sliding scale, as in legislation sponsored by Senators Graham and McCain which I support. Under the McCain and Graham bill, benefits would correspond to length of service to eliminate some of the adverse retention effects found Senator Webb's Bill. There has also been debate about whether education benefits should be transferable from service members to their family members, as in the Graham-McCain bill, or not, as in Senator Webb's bill. I personally support extending these educational benefits to family members who play a crucial role in supporting our service members. I hope that we resolve these matters soon and adopt a new GI Bill.

Finally, we will hear testimony today concerning the costs of the war in Iraq, and perhaps the cost of the war in Afghanistan as well. This is not the first time this Committee has addressed the costs of the Iraq war. The JEC held a hearing on precisely that topic on February 28, just before the release of a book by Linda Bilmes and Joseph Stiglitz containing what most analysts view as exaggerated and inflated cost estimates.

As was the case back in February, I'd like to again note that the reports on war costs examined by those on the other side of the aisle totally ignore what might have been the state of the world had we not invaded Iraq. That is, what is considered are costs alone, normally exaggerations of costs, with no accounting for any possible benefits.

It is not hard to imagine economic savings and benefits resulting from possible prevention of attacks or disruptions that may have arisen from our efforts in Iraq and Afghanistan. Note that, according to some estimates, the economic costs to the U.S. associated with the tragic attacks on 9-11 amounted to loss of life, well over half a trillion dollars of economic activity, and millions of lost jobs. The loss of economic activity alone is more than the costs of direct spending in Iraq and Afghani-

stan to date. If our war efforts prevent another tragedy like 9-11, tremendous benefits are obtained.

While it is not hard to imagine possible economic savings or benefits associated with efforts in Iraq and Afghanistan, and it is possible to look at those savings or benefits by weighting them according to likelihoods or probabilities, the war cost analyses brought before this Committee have not done so. It is difficult to imagine that Professor Stiglitz cannot calculate probabilistic benefits. Rather, his loose analysis seems geared mostly at making political points against an administration that he has abhorred from day one.

I look forward to hearing from our witnesses and again thank the Chairman.

OFFICE OF THE GOVERNOR
STATE OF MONTANA

BRIAN SCHWEITZER
GOVERNOR



JOHN BOHLINGER
LT GOVERNOR

STATEMENT OF HON. BRIAN SCHWEITZER, GOVERNOR OF MONTANA

Mr. Chairman and Members of the Committee:

Fight Now, Pay Later? I'll say. It is my belief we are only now seeing the tip of an iceberg, "The Future Costs of Funding the Iraq War" and unless we collectively deal with that iceberg, it will indeed sink us.

I'm going to focus today on some of the often unseen costs in my very rural state. Montana's land mass of 147,000 square miles is an enormous gift, and a bigger challenge. If we were to overlay Montana's map on a map of this area of the country, Montanans live in an area stretching from this table in Washington, DC to the kitchen table of a family in Bangor, Maine.

Let me tell you what that means for a family in Scobey trying to find professional help for their son, a veteran of a National Guard infantry deployment who suffers severe Post-traumatic Stress Disorder symptoms. The family lives in far North East Montana:

720 miles round trip to Billings, a city of 100,000—Montana's largest

440 miles round trip to Miles City, a city of 8,500

260 miles round trip to Sidney, a town of 5,000

88 miles round trip to Plentywood, a town of 2,000

... and nearly a thousand mile round trip from our capital, Helena, where Montana's National Guard is headquartered and where Montana's only Veterans Administration Hospital is located.

Outside of Billings, Eastern Montana is served by one psychiatrist, who does not accept Medicare, Medicaid or VA patients. There are no psychologists in far eastern Montana, just a few dedicated and over worked mental health counselors. The travel to see these professionals presents the additional burden of time away from work and expensive gasoline, food and motel rooms.

These are the "Costs of Funding the Iraq War" that won't appear on any government spreadsheet or in any of your budget documents.

One in six Montanans age 18 and older is a veteran, a per capita number second only to Alaska. Since late 2002, Montana's Veterans Affairs Division has seen a 41 percent increase in veteran's disability compensation claims for military service connected disabilities from that veteran's population. The great majority of that increase is due to the return of combat veterans from Iraq and Afghanistan. The signature characteristics of those claims include a higher quantity of disabling and more complex conditions including Post-Traumatic Stress Disorder and Traumatic Brain Injury. The Division requested and was authorized three additional service officers in 2003, two in 2007 and will request three more in the coming legislative session in 2009. If approved in 2009, the state's investment would then total nearly \$300,000 in personnel service expenditure due, in very large part, to the Global War on Terror.

Montana's National Guard of over 3500 members, serve in 22 armories and facilities scattered across the state. In the Army National Guard our men and women average 31 years of age, just less than half are married, and have an average of 1.8 dependents. Some 412 have a Bachelors' Degree or higher, over 500 are full time Guard, and over 2100 are traditional citizen soldiers. Montana now records 1954 Army deployments and 724 Air tours.

Montana National Guard Adjutant General Randy Mosley has a daunting challenge: to ensure all his soldiers and airmen scattered across those 147,000 square miles of Montana are trained and ready prior to being called for state or Federal service, and ensuring those returning home from any deployment are fully re-integrated into their family, their community and their unit.

Our failure at meeting that second challenge, the successful reintegration of deployed soldiers resulted in the suicide of a young Montanan Chris Dana. Let me read the first few lines of a December 2007 McClatchy News Service story:

HELENA, Mont.—Chris Dana came home from the war in Iraq in 2005 and slipped into a mental abyss so quietly that neither his family nor the Montana Army National Guard noticed.

He returned to his former life: a job at a Target store, nights in a trailer across the road from his father's house.

When he started to isolate himself, missing family events and football games, his father urged him to get counseling. When the National Guard called his father to say that he'd missed weekend duty, Gary Dana pushed his son to get in touch with his unit.

"I can't go back. I can't do it," Chris Dana responded.

Things went downhill from there. He blew through all his money, and last March 4, he shot himself in the head with a .22-caliber rifle. He was 23 years old.

As Gary Dana was collecting his dead son's belongings, he found a letter indicating that the National Guard was discharging his son under what are known as other-than-honorable conditions. The move was due to his skipping drills, which his family said was brought on by the mental strain of his service in Iraq.

The letter was in the trash, near a Wal-Mart receipt for .22-caliber rifle shells.

Following the tragic death of his step-brother, Matt Kuntz, a Helena lawyer and graduate of West Point, demanded action to ensure other Montana soldiers did not suffer and die as Chris had done. He wrote compelling pieces for Montana newspapers that generated hundreds of calls from across the state to my office.

The result was a Post Deployment Health Reassessment Task Force and subsequent PDHRA Campaign Plan to implement the recommendations of that Task Force. . . .and more.

So far, the Montana National Guard estimates their Campaign Plan implementation has cost over \$200,000. An outline of that effort is attached (Attachment 1) in my written testimony for your review.

We can't put a value on the cost of losing Chris Dana. Nor can we easily quantify the cost to our families, communities and economy of soldiers and airmen unable to return to their job at the fire station, fearful of leading their son's Boy Scout Troop or attending the Fourth of July parade, or too depressed to enjoy a normal evening out with their spouse.

As you know, Montana's fire seasons can be brutal; the state and Federal Government spend millions of dollars protecting homes, families and resources every summer. A key part of Montana's response is our reliance on the National Guard, both for human resource and equipment and material. The Global War on Terror has and will continue to impact the ability of the National Guard to meet that commitment to domestic emergency preparedness.

Additional information on this issue is also attached, but in summary, General Mosley states that to bring the Montana Army National Guard equipment readiness to 100 percent would require nearly \$28 million.

The greatest cost to Montana from the Global War on Terror, is, of course the immeasurable loss of soldiers, marines and sailors. Chief, National Guard Bureau, Lt. General Steven Blum was recently in Montana and helped us dedicate a memorial to those young men who lost their lives. The inspirational memorial was created by the step-father of one of the casualties. With your permission, I submit the names that appear on that memorial for the record. They represent Montana's finest, among them the nephew of your colleague, Montana's Senator Max Baucus. They died as young as 18, as old as 42. I am proud to remember them all here today.

MONTANA CASUALTIES—OPERATION IRAQI FREEDOM, OPERATION ENDURING FREEDOM

US Army 1 LT Edward Saltz, 27, Big Fork, MT who died December 22, 2003 when an improvised explosive device struck his convoy in Baghdad, Iraq.

US Army PFC Owen D. Witt, 20, Sand Springs, MT who died May 24, 2004 in Ad Dwar, Iraq.

US Marine Corps CPL Dean Pratt, 22, Stevensville, MT who died August 2, 2004 due to an enemy action in Al Anbar Province, Iraq.

US Marine Corps LCPL Kane Funke, 20, Kalispell, MT died August 13, 2004 from hostile action in Anbar Province.

US Army SSG Aaron Holleyman, 26, Glasgow, MT who died August 30, 2004 in Iraq when his vehicle hit an improvised explosive device.

US Marine Corps CPL Raleigh Smith, 21, Troy, MT who died December 23, 2004 in Fallujah, Iraq.

MT Army National Guard MSG Robbie McNary, 42, Lewistown, MT who died March 31, 2005 during combat operations in Hewijah, Iraq.

US Marine Corps LCPL Nicholas Bloem, 20, Belgrade, MT who died August 3, 2005 while conducting combat operations in Iraq.

US Army 1 LT Josh Hyland, 31, Missoula, MT who died August 21, 2005 when a bomb detonated near his Humvee.

MT Army National Guard SGT Travis Arndt, 23, of Great Falls, MT who died September 21, 2005 in Kirkuk, Iraq.

US Marine Corps LCPL Andrew Bedard, 19, of Missoula, MT who died October 4, 2005 while conducting combat operations against enemy forces in Iraq.

US Army CPT Michael McKinnon, 30, of Helena, MT who died October 27, 2005 in Baghdad, Iraq when an improvised explosive device detonated near his Hummvee.

US Marine Corps CPL Philip E. Baucus, 28, of Wolf Creek, MT who died July 29, 2006 while conducting combat operations in Anbar Province.

US Marine Corps LCPL Jeremy Sandvick Monroe, 20, of Chinook, MT who died October 8, 2006 while conducting combat operations against enemy forces in Anbar Province.

US Navy PO2 Charles Komppa, 35, Belgrade, MT who died October 25, 2006 while conducting combat operations in Anbar Province.

US Army PFC Shawn Murphy, 24, died December 10, 2006 when a makeshift bomb exploded near his Hummvee in Baghdad, Iraq.

US Army SGT Scott Dykman, 27, Helena, MT who died December 20, 2006 from injuries suffered from a makeshift bomb in Iraq.

US Army PVT Matthew Zeimer, 18, Glendive, MT died February 2, 2007 when he came in contact with enemy forces using small arms fire in Ramadi.

US Army Staff SGT Shane Becker, 35, Helena, MT died April 3, 2007 when his unit came in contact with enemy forces using small arms fire in Baghdad, Iraq.

US Army PFC Kyle Bohrsen, 22, Philipsburg, MT died April 10, 2007 when his vehicle hit a makeshift bomb in Baghdad.

US Army SPC Michael Frank, 36, Great Falls, MT died May 10, 2007 when a makeshift bomb detonated near his Hummvee during combat operations in Baghdad, Iraq.

US Army SPC James Riekena, 22, Missoula, MT died January 14, 2007 when a makeshift bomb exploded near his vehicle in Baghdad, Iraq.

US Army PFC Kristofor Stonesifer, 28, Missoula, MT died October 19, 2001 when his Black Hawk helicopter crashed in Pakistan.

Christopher Michael Dana, 23, MT Army National Guard Helena, MT died March 4, 2007 from a self inflicted gunshot wound after serving in Iraq.

US Army Staff Sergeant W. Atkins, 31, Bozeman, MT died June 1, 2007 when an IED detonated near his unit in Al Yusufiyah.

US Army Specialist Donald M. Young, 19, Helena, MT died Aug 8, 2007 during a roadside bombing in western Baghdad.

US Army Staff Sergeant Yance T. Gray, 29, Ismay, MT died Sept 9, 2007 in the deadliest of vehicle accidents in which seven soldiers died and 11 were wounded.

US Army Private Daren A. Smith, 19, Helena, MT died Dec 13, 2007 from non-combat related injuries.

US Army Captain Andrew Pearson, 32, Billings, MT died April 30, 2008 from wounds suffered when his vehicle encountered an IED in Baghdad, Iraq.

US Marine Corps Lance Cpl Nick J. Palmer, 19, Great Falls, MT died Dec 16, 2006 from a gun shot wound in Fallujah, Iraq.

PDHRA REINTEGRATION/RECONSTITUTION COSTS

The Montana National Guard (MTNG) has implemented numerous program enhancements to improve and enhance its reconstitution and reintegration programs to better care for returning Soldiers, Airmen, and their families. To date in excess of \$206,740 has been expended using existing Federal resources for these events. Other program enhancements, while having no direct impact to the MTNG, produce costs that are incurred by the Federal Government and Office of the Secretary of Defense that support our MTNG Post Deployment Health Reassessment (PDHRA) Deployment Cycle Support (DCS) program efforts. A summary of these items follows:

MTNG COSTS EXPENDITURES MADE BY THE MTNG RELATED TO REDEPLOYMENT AND RECONSTITUTION PROGRAMS.

Hired a full time PDHRA DCS Program Manager. \$75,000
 Conducted Statewide Post Traumatic Stress Disorder (PTSD) Training. \$15,000
 Conducted Community Outreach in 20 Montana Communities. \$22,240
 Resource Guide \$2,500
 Expanded Family Resource Centers Staff in Billings and Kalispell. \$52,000
 Military Child Education Coalition (MCEC) Contract for Deployment Teacher Education \$15,000 Staff Training and Conferences \$20,000

Public Service Announcements incurred by MT Veteran Affairs cost \$5,000 state funds

INDIRECT COSTS

The following events do not produce direct costs for the MTNG but do have indirect costs incurred by the Federal Government to support our PDHRA program.

Pilot Project with TRIWEST—TRIWEST Healthcare Alliance executed a pilot with Montana that places a behavioral health provider in Helena and Great Falls during monthly drill periods to assist with and augment the period health assessment process. The provider will see any Soldier or Airmen who self assesses or has been deployed for an OIF, OEF, or ONE rotation. The pilot runs from June 08 through Dec 08. Costs are associated with reimbursement of BH providers.

2nd PDHRA—The DOD/NGB authorized the MTNG to conduct a second PDHRA. Costs are associated with onsite teams and contract fees associated with increased call volume through the call center.

Joint Family Support Assistance Program (JFSAP)—Montana is in the final stages of confirming its participation in the JFSAP program. The program extends three new family program resources to the state. Costs are incurred by DoD/NGB on behalf of the state.

In recent presentations to Montana's Congressional delegation in support of the National Guard Bureau's equipment appropriations request, Montana Adjutant General Randy Mosley presented some startling numbers.

- General Mosley states that to bring the Montana Army National Guard equipment readiness to 100 percent would require nearly \$26 million as indicated below.

MTARNG Equipment Shortfall—\$25.7 Million

Larger items in order of priority:

- Chinook-47D—2 EA- \$10,000,000.
- HEMMT Fuelers—13 EA—\$3,499,000.
- UpArmored HMMWV's—45 EA—\$6,615,000.
- HMMWV's w/shelters—26 EA—\$1,587,000.
- HEMMT PLS/CGO — 5 EA—\$1,801,000.
- Dump Trucks—16 EA—\$1,168,000.
- Trac Whld Excav — 5 EA—\$550,000.
- Grader Road — 5 EA — \$490,000.

- Some equipment shortages are the direct result of Montana National Guard overseas deployments, equipment left behind upon return to Montana; others can be attributed indirectly to the overall demand for and loss of equipment and material for Operation Iraqi Freedom and Operation Enduring Freedom and last the transformation of numerous Montana units.

- The equipment shortage includes two Chinook helicopters, equipment that was and is vital to our firefighting operations during Montana's severe fire seasons; basic construction equipment for our new Engineer units; and HMMWVs, fuelers and tactical truck loading systems — a total of some 1607 pieces of equipment.

- The equipment shortage will continue to compromise the ability of our Soldiers to accomplish both current and future missions successfully.

- We need the equipment to do necessary training. If units train regularly at home station with the best equipment, then little training is needed in the pre-mobilization period immediately prior to deployment. A 100 percent optimally equipped Montana Army National Guard will allow training, possible homeland missions, and deployments to all occur simultaneously.

STATEMENT OF CHRISTINE EIBNER¹, ECONOMIST, RAND CORPORATION

Chairman Schumer, Vice Chair Maloney, Ranking Member Brownback, and distinguished members of the committee, thank you for inviting me to testify and to describe our analysis. It is an honor and pleasure to present this information.

¹The opinions and conclusions expressed in this testimony are the author's alone and should not be interpreted as representing those of RAND or any of the sponsors of its research. This product is part of the RAND Corporation testimony series. RAND testimonies record testimony presented by RAND associates to Federal, state, or local legislative committees; government-appointed commissions and panels; and private review and oversight bodies. The RAND Corpora-

My testimony will discuss the costs and consequences of PTSD, depression, and TBI among servicemembers returning from Operations Enduring Freedom and Iraqi Freedom, as well as several recommendations for better understanding and reducing these costs. These recommendations stem from a large study conducted at the RAND Corporation entitled *Invisible Wounds of War: Psychological and Cognitive Injuries, Their Consequences, and Services to Assist Recovery* (Tanielian and Jaycox [Eds.], 2008). I served on the management team for this report, and co-led the analysis of economic costs undertaken for the study.

BACKGROUND

Since October 2001, approximately 1.64 million U.S. troops have deployed as part of Operation Enduring Freedom (OEF; Afghanistan) and Operation Iraqi Freedom (OIF; Iraq). The pace of deployments in these current conflicts is unprecedented in the history of the all-volunteer force (Belasco, 2007; Bruner, 2006). Not only is a higher proportion of the armed forces being deployed, but deployments have been longer, redeployment to combat has been common, and breaks between deployments have been infrequent (Hosek, Kavanagh, and Miller, 2006). At the same time, episodes of intense combat notwithstanding, these operations have employed smaller forces and have produced casualty rates of killed or wounded that are historically lower than in earlier prolonged wars, such as Vietnam and Korea. Advances in both medical technology and body armor mean that more servicemembers are surviving experiences that would have led to death in prior wars (Regan, 2004; Warden, 2006). However, casualties of a different kind are beginning to emerge—invisible wounds, such as mental health conditions and cognitive impairments resulting from deployment experiences.

The costs of these invisible wounds go beyond the immediate costs of mental health treatment. Adverse consequences that may arise from post-deployment mental and cognitive impairments include suicide, reduced physical health, increased engagement in unhealthy behaviors, substance abuse, unemployment, poor performance while at work, homelessness, marital strain, domestic violence, and poor parent-child relationships. The costs stemming from these consequences are substantial, and may include costs related to lost productivity, reduced quality of life, substance abuse treatment, and premature mortality.

To quantify these costs, RAND undertook an extensive review of the literature on the costs and consequences of post-traumatic stress disorder (PTSD), depression, and traumatic brain injury (TBI). Our analysis included the development and use of a micro-simulation model to estimate 2-year post-deployment costs associated with PTSD and depression for military servicemembers returning from OEF and OIF. The more limited literature on TBI led us to use a somewhat different approach to estimate the costs associated with TBI. Our analyses use a societal cost perspective, which considers costs that accrue to all members of U.S. society including government agencies (e.g., DoD and VA), servicemembers, their families, employers, private health insurers, taxpayers, and others.

In conducting the micro-simulation analysis for PTSD and depression, our analysis also estimated the costs and potential savings associated with different levels of medical care, including proven, evidence-based care, usual care, and no care. Because information on effective treatments for TBI is limited, we did not attempt to distinguish between evidence-based and usual care in the TBI analysis.

THE CONSEQUENCES OF PTSD, DEPRESSION, AND TBI

The literature suggests that the three conditions we examined—PTSD, depression, and TBI—have wide ranging negative implications for those afflicted. Below, we summarize some of the key negative outcomes that have been linked to PTSD, depression, and TBI in prior studies. For a more thorough discussion of these issues, please see Tanielian and Jaycox [Eds.], 2008, Chapter Five.

Suicide: Depression, PTSD, and TBI all increase the risk for suicide, as shown by evidence from studies of both military and civilian populations. Psychological autopsy studies of civilian suicides have consistently shown that a large number of civilians who committed suicide had a probable depressive disorder. One study showed that approximately 30 percent of veterans committing suicide within 1-year had a mental health disorder such as depression, as did approximately 40 percent of veterans attempting suicide. Although not as strongly associated with suicide as

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depression, PTSD is more strongly associated with suicidal thoughts and attempts than any other anxiety disorder and has also been linked to elevated rates of suicide among Vietnam veterans. Studies of civilian populations have consistently shown that persons with TBI have a higher risk of suicide than persons without TBI.

Physical Health: Depression, PTSD, and TBI have all been linked to increased morbidity. With respect to physical health, cardiovascular diseases are the most frequently studied morbidity outcome among persons with psychiatric disorders. Both PTSD and depression have been linked to higher rates of heart disease in military and civilian populations. Depression also affects conditions associated with aging, including osteoporosis, arthritis, Type 2 diabetes, certain cancers, periodontal disease, and frailty. In the long-term, individuals with TBI are at risk for developing Alzheimer's disease, Parkinson's disease, and other brain-related disorders.

Health-compromising Behaviors: The link between depression and PTSD and negative physical health outcomes may be partly explained by increases in health-risk behaviors that influence health outcomes. For example, research on civilian populations has shown a clear link between PTSD and depression and smoking, as well as a link between symptoms of depression and PTSD and sexual risk taking.

Substance Abuse: Rates of co-occurring substance use disorders with PTSD, depression, and TBI are common and are often associated with more-severe diagnostic symptoms and poorer treatment outcomes. Several studies have examined the relationship between mental disorders and alcohol and drug abuse. The results have varied, depending on the specific condition studied. Studies of Vietnam veterans showed that PTSD increases the risk of alcohol and substance abuse, while other studies of civilian populations have found that depression, by contrast, tends to be a consequence of substance abuse rather than a cause. Veterans with TBI were much more likely than other veterans to be discharged from the military for reasons associated with alcohol and drug use.

Labor Market Outcomes: PTSD, depression, and TBI all influence labor-market outcomes. Specifically, there is compelling evidence indicating that these conditions will affect servicemembers' return to employment, their productivity at work, and their future job prospects. Studies of Vietnam veterans have also found that those with a diagnosis of depression or PTSD had lower hourly wages than Vietnam veterans without a diagnosis. In civilian populations, TBI has been similarly linked to lower wages.

Homelessness: Few studies have examined the rates of homelessness among individuals with PTSD, depression, or TBI; rather, most studies have studied the prevalence of mental disorders among homeless individuals. Compared with non-homeless persons in the general population, homeless people have higher rates of mental disorder, including traumatic brain injury, and are more likely to experience a severe mental disorder. One study found that 75 percent of homeless individuals with PTSD had developed the condition prior to becoming homeless. However, evidence in this area is not strong, and the prevalence of mental disorders among homeless people may be overstated, possibly the consequence of studies relying on poor sampling methods or flawed assumptions.

Marriage and Intimate Relationships: The effects of post-combat mental and cognitive conditions inevitably extend beyond the afflicted servicemember. As servicemembers go through life, their impairments cannot fail to wear on those with whom they interact, and those closest to the servicemember are likely to be the most severely affected. Studies of Vietnam veterans, whose results parallel those among civilian populations, have linked PTSD and depression to difficulties maintaining intimate relationships, and these deficits account for a greatly increased risk of distressed relationships, intimate-partner violence, and divorce among those afflicted. Although there is relatively scant research on TBI and intimate partner relationships, several studies of the civilian population have linked TBI to difficulties resolving relationship conflict, aggression, and intimate partner violence.

Child Outcomes: In addition, the interpersonal deficits that interfere with emotional intimacy in the romantic relationships of servicemembers with these PTSD and depression may interfere with their interactions with their children. In particular, interviews with spouses of veterans from several conflicts (World War II, Korea, and Vietnam) have all revealed a higher rate of problems among children of veterans with symptoms of PTSD. Rates of academic problems, as well as rates of psychiatric treatment, were also higher in children of veterans with PTSD compared to children of veterans without PTSD. The implications of a parent's depression on children's outcomes has not been studied directly in military populations, but numerous studies of civilian populations have shown that the children of depressed parents are at far greater risk of behavioral problems and psychiatric diagnoses than children of non-depressed parents. The cross-generational effects of TBI have yet to be studied.

A limitation of the research summarized above is that virtually none of the studies we reviewed were randomized controlled trials, and thus may not be able to detect causal relationships between these disorders and subsequent adverse consequences such as homelessness, substance abuse, or relationship problems. Further, the majority of studies reviewed drew from data on Vietnam-era veterans or from data on civilians. Nevertheless, these studies are important for understanding the range of co-morbidities and behavioral outcomes likely to be associated with PTSD, depression, and TBI, and this information is relevant for determining the required resources for treating servicemembers and veterans with these conditions. Effective treatments for PTSD, depression, and TBI exist (Tanielian and Jaycox [Eds.], 2008, Chapter 7), and can greatly improve functioning. With adequate treatment and support, some servicemembers may avoid negative outcomes altogether.

TWO-YEAR SOCIETAL COSTS OF PTSD AND DEPRESSION

To understand the consequences of these conditions in economic terms, we developed a microsimulation model. Using data from the literature (which had limited information on specific populations and costs), we estimated the costs associated with mental health conditions (PTSD and major depression) for a hypothetical cohort of military personnel deployed to Afghanistan and Iraq.

We defined costs in terms of lost productivity, treatment, and suicide attempts and completions, and we estimated costs over a 2-year period (see Tanielian and Jaycox [Eds.], 2008, Chapter Six). Other studies of the medical costs of the conflicts in Afghanistan and Iraq (Bilmes, 2007; CBO, 2007) have been able to analyze longer timeframes because they considered average costs per patient across a wide range of conditions and projected this number over time, adjusting for expected number of patients, inflation, and other factors. However, for this analysis, we focus specifically on the costs of PTSD and depression, and we considered the costs associated with different types of treatment and different patterns of co-morbidity, allowing for remission and relapse rates to be influenced by treatment type. The data available to conduct this type of detailed analysis for specific mental health conditions, however, did not support projecting costs beyond a 2 year time horizon.

For each condition, we generated two estimates—one that included the medical costs and the value of lives lost due to suicide, and one that excluded such costs. We were unable to estimate the costs associated with homelessness, domestic violence, family strain, and substance abuse because reliable data are not available to create credible dollar figures for these outcomes. If figures for these consequences were available, the costs of having these conditions would be higher. Our estimates represent costs incurred within the first 2 years after returning home from deployment, so they accrue at different times for different personnel. For service members who returned more than 2 years ago and have not redeployed, these costs have already been incurred. However, these calculations omit costs for servicemembers who may deploy in the future, and they do not include costs associated with chronic or recurring cases that linger beyond two years. (Details of our model assumptions and parameters can be found in Tanielian and Jaycox [Eds.], 2008, Chapter Six).

Our microsimulation model predicts that 2-year post-deployment costs to society resulting from PTSD and major depression for 1.64 million deployed servicemembers could range from \$4.0 to \$6.2 billion (in 2007 dollars), depending on how we account for the costs of lives lost to suicide. For PTSD, average costs per case over 2 years range from \$5,904 to \$10,298; for depression, costs range from \$15,461 to \$25,757; and for PTSD and major depression together, costs range from \$12,427 to \$16,884. The majority of the costs were due to lost productivity. Because these numbers do not account for future costs that may be incurred if additional personnel deploy and because they are limited to 2 years following deployment, they underestimate total future costs to society.

The costs associated with PTSD and major depression are high, but our model predicts that savings can be attained if evidence-based treatments are provided to a higher percentage of the population suffering from these conditions. Providing evidence-based care to every individual with the condition would increase treatment costs over what is now being provided (a mix of no care, usual care, and evidence-based care), but these costs can be offset over time through increased productivity and a lower incidence of suicide. Relative to the status quo based on prior literature showing that approximately 30 percent of those with PTSD and major depression receive treatment and 30 percent of this treatment is evidence-based (Hoge et al. 2004; Young et al., 2001; Wang et al., 2005), our microsimulation model predicts that we could save money by increasing the use of evidence-based treatment, particularly when we include the costs of lives lost to suicide in our estimates. Esti-

mated costs, as well as potential savings associated with providing evidence-based care to all service members in need, are shown in Table 1:

Table 1.—Approximate Societal Costs for All Returning Service Members, and Potential Savings Associated with Evidence-Based Care

| | Costs for 1.6 million returning servicemembers, status quo* | | Potential savings if all servicemembers in need received evidence-based care | |
|-------------------------------------|---|------------|--|---------------|
| | Cost per case | Total cost | Savings per case | Total savings |
| PTSD only | \$10,298 | \$1.2B | \$2,306 | \$0.28B |
| Co-morbid PTSD and depression | \$16,884 | \$2.0B | \$2,997 | \$0.36B |
| Depression only | \$25,757 | \$2.9B | \$9,240 | \$1.1B |
| Total | | \$6.2B | | \$1.7B |

* Status quo assumes 30 percent of servicemembers in need get treatment, and 30 percent of care is evidence based. Table is based on Table 6.11 in Tanielian and Jaycox (Eds.), 2008, and reports only estimates that include the cost of lives lost due to suicide. Costs for co-morbid PTSD and depression are lower than costs for depression alone due to timing. Consistent with prior literature, individuals in the model can develop late onset PTSD and depression. Thus, some individuals with co-morbid illness do not begin to accrue costs until very late in the 2 year model time horizon. See Tanielian and Jaycox (Eds.), 2008, chapter 6 for more details.

By ensuring that 100 percent of those with PTSD or major depression receive evidence-based treatment, we could save \$2,306 per person with PTSD, \$2,997 per person with PTSD and depression, and \$9,240 per person with depression alone. When we account for lives lost to suicide in our model, we predict that we could have saved as much as \$1.7 billion by providing evidence-based treatment to all servicemembers who returned from Iraq or Afghanistan with PTSD or depression. Projected cost savings are highest for those with major depression; for those with PTSD or co-morbid PTSD and depression, the finding that evidence-based treatment saves money is sensitive to whether or not we include the cost of lives lost due to suicide in our estimates. The weaker findings for PTSD reflect a relatively limited evidence on the benefits of PTSD treatment (IOM, 2007), as well as a more limited literature on the relationship between PTSD and employment outcomes.

Given that costs of problems related to mental health, such as homelessness, domestic violence, family strain, and substance abuse, are not factored into our economic models and would add substantially to the costs of illness, we may have underestimated the amount saved by providing evidence-based care. However, a caveat is that we did not consider additional implementation and outreach costs (over and above the day-to-day costs of care) that might be incurred if DoD and the VA attempted to expand evidence-based treatment beyond their current capacity. An additional caveat is that, at times, we found that the literature needed to project costs over time was relatively thin. In particular, information is lacking on the consequences of PTSD and depression for career outcomes within the military (including promotions and productivity), and information on the relationship between PTSD and employment outcomes among civilians is relatively scant. Data on remission and relapse rates over time was not sufficient for us to project costs beyond 2 years. In addition, for many of the costly outcomes that have been associated with PTSD and depression (substance abuse, homelessness, domestic violence, etc.), available data is insufficient to assert a causal relationship. While we left these outcomes out of our cost model, better information on the causal association between mental health conditions and these outcomes could improve our understanding of the cost of deployment related mental health conditions.

ONE-YEAR SOCIETAL COSTS OF TRAUMATIC BRAIN INJURY

A challenge for building a micro-simulation model is the availability of information to estimate key parameters, such as the probability of developing a mental health condition, the probability of getting treatment conditional on having a condition, and the probability of experiencing secondary outcomes such as unemployment. Because these parameters must come either from published literature or secondary data analysis, the literature and available data must be relatively well-developed to ensure that the probabilities used in the model are credible. We found that while the literature on PTSD and major depression is reasonably well-developed (although, at points, it is thin), the literature on TBI is much less comprehensive. As a result, we cannot include TBI in our micro-simulation model and instead calculate the costs of TBI using a prevalence-based cost of illness approach. While the cost of illness approach enables us to predict costs associated with TBI in a particular

year (in this case, 2005), we cannot use this methodology to evaluate policy changes, such as an increase in evidence-based treatment.

Our cost-of-illness analysis for TBI takes into account hospital acute care costs, in- and out-patient rehabilitation costs, costs due to TBI related deaths and suicides, and lost productivity. Because there is a high level of uncertainty around many of the parameters needed for TBI analysis, we develop different assumptions and generate estimates for both a low and high-cost scenario. We estimate that the cost of deployment-related TBI ranged from \$96.6 to \$144.4 million, based on a total of 609 cases of diagnosed TBI reported in 2005. These costs are based on data reported by DoD (Medical Surveillance Monthly Report, 2007), and are applicable to servicemembers who have accessed the health care system and received a diagnosis of TBI; they do not reflect costs for all individuals who have screened positively for probable TBI. Importantly, even those labeled as having mild TBI in our analysis accessed the health care system at least twice, and were given a formal diagnosis related to TBI. Thus, even the mild cases captured in our cost analysis are likely to be relatively severe. Costs and cost drivers vary substantially by severity of the injury. As a result these costs cannot be generalized to the thousands of servicemembers who may have experienced a less severe mild TBI in theater but did not receive medical treatment or a diagnosis.

Estimated annual costs for servicemembers who have accessed the health care system and received a diagnosis of mild TBI range from \$27,259 to \$32,759 in 2007 dollars. Productivity losses account for 47 to 57 percent of the total costs, whereas treatment accounts for 43 to 53 percent in these estimates. Costs are much higher for moderate to severe cases, with per-case costs ranging from \$268,902 to \$408,519 in 2007 dollars. In moderate to severe cases, TBI-related death is the largest cost component (70 to 80 percent of total costs); productivity losses account for only 8 to 13 percent, and treatment costs, 7 to 10 percent. Suicide, which we consider separately from TBI-related death, can account for up to 12 percent of total costs. We estimated the total cost of deployment-related TBI by applying an adjusted per-case cost for 2005 to the total number of TBI cases reported in *Serve, Support, Simplify: The Report of the President's Commission on Care for America's Returning Wounded Warriors* (President's Commission on Care for America's Returning Wounded Warriors, 2007, p. 2). From this calculation, we estimate that 1-year costs for diagnosed TBI range between \$591 and \$910 million. As with the cost estimates for PTSD and depression, these figures underestimate the total costs that will accrue in the future, both because they are 1-year costs and because they do not account for TBI cases that may occur as the conflicts continue. They also do not account for individuals with mild TBI who did not access the health care system or receive a formal diagnosis.

RECOMMENDATIONS FOR BETTER UNDERSTANDING AND ADDRESSING THESE COSTS

Our microsimulation model predicts that 2-year post-deployment costs resulting from PTSD and major depression for 1.6 million deployed servicemembers could range from \$4.0 to \$6.2 billion, depending on how we account for the costs of lives lost due to suicide. One-year costs for TBI could range from \$591 to \$910 million. For all three conditions, we find that direct costs associated with treatment are only a fraction of the total societal costs. Our quantitative analysis shows that lost productivity and premature mortality account for at least half of all costs, even within a relatively short time horizon (1 year for TBI, and 2 years for PTSD and depression). These results likely understate the true magnitude of the societal costs, both because our timeframe is limited, and because we omit downstream consequences such as substance abuse, homelessness, domestic violence, and family strain.

Despite these caveats, our micro-simulation predicts that savings can be attained if we provide evidence-based treatments to a higher percentage of the population suffering from these conditions. Providing evidence-based care to every individual with the condition would increase treatment costs over what is now being provided (a mix of no care, usual care, and evidence-based care), but these costs can be offset over time through increased productivity and lower incidence of suicide. While our evaluation showed that the most effective treatments are being delivered in some sectors of the care systems for military personnel and veterans, gaps remain in system-wide implementation (Tanielian and Jaycox [Eds.], 2008, chapter 7). Our report identifies three recommendations that might be used to insure better access to evidence-based care. First, we should increase the cadre of providers who are trained and certified to deliver proven (evidence-based) care, so that capacity is adequate for current and future needs. Second, we should change policies to encourage active duty personnel and veterans to seek needed care. Many servicemembers are currently reluctant to seek mental health treatment due to fear of negative career re-

percussions. Policies must be changed so that there are no perceived or real adverse career consequences for individuals who seek treatment, except where functional impairment compromises fitness for duty. Finally, we should deliver evidence-based care to servicemembers and veterans whenever and wherever they seek treatment. This might require strategies that make providers accountable for providing evidence-based treatment, as well as providing servicemembers information to enable them to judge whether they are receiving appropriate care.

Our analysis further revealed some gaps in our understanding of the long term consequences of PTSD, TBI, and depression. We currently have limited information on the full range of problems (emotional, economic, social, health, and other quality-of-life deficits) that confront individuals with post-combat PTSD, major depression, and TBI. Moreover, we do not fully understand how these illnesses develop, remit, and recur over time, or how relapse and recurrence are influenced by access to evidence based treatments. Policymakers need to be able to accurately measure the costs and benefits of different treatment options so that fiscally responsible investments in care can be made. Addressing these gaps requires a sustained, national research agenda aimed at better understanding the long term costs and consequences of PTSD, depression, and TBI. An initial strategy for implementing this research agenda could include launching a longitudinal study on the natural course and consequences of mental health and cognitive conditions among OEF/OIF veterans.

In conclusion, I emphasize that costs for individuals returning from OEF and OIF with mental health and cognitive conditions are high, and far exceed the direct costs associated with mental health treatment. We, as a society, can save money by investing more in evidence-based care for these individuals. However, to fully understand the magnitude of the long-term costs and consequences of these conditions, as well as to improve our understanding of how to provide effective care, we need a coordinated national research effort that studies returning servicemembers over the long term.

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STATEMENT OF TOM TARANTINO, POLICY ASSOCIATE, IRAQ AND AFGHANISTAN VETERANS OF AMERICA (IAVA)

Mr. Chairman, ranking member and distinguished members of the committee, on behalf of Iraq and Afghanistan Veterans of America, and our tens of thousands of members nationwide, I thank you for the opportunity to testify today regarding economic challenges facing our nation's veterans, and the long terms costs of veterans' unemployment.

I began my military career in 1997 when I enlisted in the U.S. Army Reserves as a Civil Affairs Specialist. In 2003 I was commissioned a 2LT in the Armor Branch and deployed to Iraq as a Platoon Leader from 2005–2006. Currently, I am a Policy Associate for the Iraq and Afghanistan Veterans of America; the first and largest nonpartisan nonprofit organization for veterans of the current conflict.

My story serves as a good example of the challenge that many NCOs and Officers face when leaving the service. During my tenure as a Civil Affairs Specialist, I was trained in populace resource control, disaster and emergency management, civil defense planning, and humanitarian relief operations. I graduated from University of California Santa Barbara with a degree Global Studies and International Relations. For the next 4 years I served as a combat arms officer, holding several jobs across many functional disciplines. In addition to leading two platoons through combat, I, on a monthly basis, conducted and participated in the most complex training the military has to offer while assigned to the Opposition Force at the National Training Center. As a Headquarters Executive Officer at the National Training Center, I was responsible for the logistics and administration of a company of 400 with 3 multi-million dollar budgets. As a public relations officer, I was the public face of a regiment that not only trained the force, but prepared themselves to re-deploy. I had a long and honorable service. I gained skills and accomplished tasks that many of my civilian peers would not face until much later in their careers. Conventional wisdom, and the rhetoric from the Army's Transitional Assistance programs, told me that I should have no problems finding employment in the civilian world.

This, however, turned out not to be the case. After putting my belongings into storage and returning home after 10 years of service, I began what would be a 10 month journey of shock, disappointment and education as to the disposition of the civilian work force toward members of the military. I learned that in the civilian world, military achievements and equivalent skills are misunderstood and undervalued. In many positions I had practical experiences that matched or far exceeded the prospective job, yet employers did not understand or were not interested in learning how experience as an officer and a soldier translated to their industry. Additionally, I found that there was a fear attached to hiring former combat soldiers; the stigma of combat stress made employers view me as a potential liability to the company.

My difficult experience in the civilian job market is not unique. According to a recent report prepared for the Department of Veterans Affairs, recently separated service members are more likely to be unemployed and tend to earn lower wages than their nonmilitary peers. Among veterans who completed their service within the last 1 to 3 years, 18 percent were unemployed, and a full 25 percent earned less than \$21,840 a year. College-educated new veterans suffered the largest wage gap—earning almost \$10,000 a year less than their nonmilitary peers. We can all agree: veterans of Iraq and Afghanistan deserve better.

Over time, the lost economic opportunities of this generation of 1.7 million Iraq and Afghanistan veterans will have an untold cost not only for our military and their families, but for the economy as a whole.

IAVA has made a number of policy recommendations to help veterans transition to civilian life, and to forestall the dire economic consequences of a generation of underemployed veterans. These suggestions include:

- Tax credits for patriotic employers who support their deployed reservists. When reserve component employees are called to active duty for over 90 days, employers who pay the difference between the service members' civilian salary and their military wages deserve tax credits.
- Tax credits for the hiring of homeless veterans.
- Better protections under the Servicemembers Civil Relief Act.

You can see these complete recommendations in our Legislative Agenda. While IAVA believes that these issues present a roadmap to better the lives of veterans, there is one issue that is immediate and before you now as Members of Congress. The WWII GI Bill was never designed as a first rate economic stimulus plan, or the most effective recruitment tool in military history. These benefits were welcome side effects. The GI Bill was and will be the single most important readjustment tool to the 1.7 million veterans of this conflict; reducing the long term strain on veterans services while providing them with an opportunity at a first class future. It is for these reasons that I would like to focus on the GI Bill.

After World War II, Americans fulfilled their responsibility to the millions of troops coming home by helping them readjust to civilian life. In 1944, President Franklin Delano Roosevelt signed the "Servicemen's Readjustment Act," better known as the GI Bill, which made higher education affordable for eight million veterans. The original GI Bill, which expired in 1956, covered tuition, fees, and books, and gave veterans a living stipend while they were students. The only requirements were at least 90 days of military service and an honorable discharge.

The GI Bill helped reinvent America after a half-decade of war. The GI Bill has given many of our nation's leaders their start, including the Senators and combat veterans who are supporting a new GI Bill: Jim Webb, John Warner, Chuck Nagel, Frank Lautenberg, and Daniel Akaka.

But the GI Bill has benefited more than just a handful of America's leaders and luminaries. 2.2 million Veterans attended a college or university on the original GI Bill. It is estimated that almost half a million of these veterans would not have been able to go to college without it. An additional 3.5 million veterans went to vocational schools, 1.5 million vets got on-the-job training, and 700,000 more received farm training. The GI Bill produced "238,000 teachers, 91,000 scientists, 67,000 doctors, 450,000 engineers and a million assorted lawyers, nurses, businessmen, artists, actors, writers and pilots." Although the vast majority of beneficiaries were men, the GI Bill also put 64,000 women through college.

Perhaps most impressively, every dollar spent on educational benefits under the original GI Bill added seven dollars to the national economy in terms of productivity, consumer spending and tax revenue. And the effects of the original GI Bill are still being felt today.

This Congress has shown tremendous foresight in passing the new GI Bill as a part of the emergency supplemental funding for the war. More than any other single piece of legislation, the GI Bill will make a difference in the economic futures of the troops returning every day from Iraq and Afghanistan. We look forward to this key legislation being quickly signed into law.

The battle for a new GI Bill highlights a key gap in our accounting of the Iraq war. All of the care and support for our veterans, including programs to help them reintegrate into civilian life, should be understood and categorized as an unavoidable cost of war, and yet the cost of the GI Bill is not typically accounted for in the war's budgets. In the long term, budgeting should reflect all the support our troops deserve—before, during, and after combat.

Thank you for your time.



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PREPARED STATEMENT OF WILLIAM W. BEACH, DIRECTOR, CENTER FOR DATA ANALYSIS, THE HERITAGE FOUNDATION, WASHINGTON, DC

My name is William W. Beach. I am the Director of the Center for Data Analysis at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Mr. Chairman and members of the Joint Economic Committee, I do not present myself this morning as an expert on the battlefronts in the global war on terror. Others are here today or have testified before you who wear the badges of experts in the wars in Iraq and Afghanistan. I like most citizens have my views on those and related conflicts, but those views are not what moved me to accept this committee's invitation to testify today.

Rather, I present myself as an economist who has followed the debate over the cost of the global war on terror and now is worried that this discussion, like so many others, has become a victim of the increasingly bitter partisanship surrounding this war. Citizens assume that those analysts who argue about the costs of the war in Iraq and Afghanistan nevertheless use the standard analytical tools for assessing the value of public outlays. They assume that serious analysts will seek the truth and avoid temptations to score political points by exaggerating their evidence or assuming away data that moves against their argument. They believe that a reasonable range of estimates exist that permit them, the sovereign power in our system of government, to make the necessary decisions about continuing or abandoning the Iraqi phase of this conflict.

Those assumptions are increasingly unfounded. Some of the recent estimates violate the fundamental rules for comparative cost analysis. In addition, these estimates take a generally worst case view and fail to take into account important offsetting factors. Moreover, the relentless drive to make the costs as large as reasonably possible leads analysts into a series of errors about how the war in Iraq has affected the US and world economies. Taken together, these breakdowns in analysis produce war related costs that are too high and, worse, delay the resolution of America's future role in Iraq and Afghanistan.

My testimony briefly touches on three topics in the cost debate: 1) the frequent absence of an appropriate cost/benefit analysis, 2) the costs of the Iraqi conflict and the tendency of some leading cost analysts to ignore offsetting factors and to exaggerate the long-term war-related outlays of the Federal Government, and 3) the effect of the war on world oil prices and macroeconomic performance.

COST/BENEFIT ANALYSIS

If there is anything as settled in economics as, say, the theoretical structures of supply and demand it would be analyzing costs in terms of foregone opportunities. Economists have long understood that economic cost differs significantly from the concept of cost used by accountants, and they have lectured to generations of undergraduate economics students that the difference is crucial to understanding economic activity.

Briefly, economists think about cost as a part of the broader discussion of choice. People choose to spend their money in one way rather than another because the chosen way produces better benefits than they way not chosen. We forego certain opportunities in favor of others in order to obtain benefits that are better than others.

This approach to costs means that not all costs are created equal. Suppose that two activities both had the same accounting cost of \$100. From an accounting viewpoint, both costs are identical and choosing one or the other makes no difference. However, imagine that spending \$100 one way saves your daughter's life and spending it the other way lets you repaint your kitchen. The first expenditure probably reduces the cost of \$100 to nearly nothing, since the benefit is so overwhelmingly

great. The second \$100 expenditure probably costs more than \$100 amount because you will likely add the pain of your own labor to the cost of the paint.

It is particularly important to use the economic concept of cost rather than the accounting concept when evaluating the spending for a war. It is highly unlikely that the public would support a massive buildup of military forces and equipment during times of perfect international peace. Clearly, those are times to spend the same amount of money on education, health care, or other domestic priorities. However, a country reacts totally differently when those domestic priorities are endangered by foreign aggression. When attacked or threatened with violence, it makes sense to spend on significant sums on defense.

It also makes sense to evaluate ongoing defense or war fighting costs in terms of the benefits of security. Clearly, if the costs approximate the benefits, then such a dreadful thing as war has an economic justification. If not, then citizens will vote to end the conflict.

I hope I'm not belaboring these points, but the absence of these considerations in the recently published book by Joseph Stiglitz and Linda Bilmes¹ (Stiglitz and Bilmes) requires that they be made. Let me illustrate why.

Stiglitz and Bilmes present two sets of cost estimates, one called best case and one they call realistic-moderate. In table 4.1 of their book, the military outlays under these two scenarios are summed up:²

Table 1.—Principal Cost Components From Stiglitz and Bilmes

| Federal Government Outlay | Best Case (In Billions) | Realistic- Moderate (In Billions) |
|--|----------------------------|---|
| Total Operations to Date | \$646 | \$646 |
| Future Operations | 521 | 913 |
| Future Veterans' Costs | 422 | 717 |
| Other Military Costs/Adjustments | 132 | 404 |
| Total Budgetary Costs | \$1,721 | \$2,680 |

Assuming for a moment that each of these costs estimates is reasonable (which is an assumption I'm unwilling to support except for this illustration), then the US will spend between \$1.7 and \$2.7 trillion dollars on the war in Iraq. This sounds to anyone like a very large amount, especially when we think about how much good these same sums would do to rebuild our highways, provide low-income health insurance, and so forth. However, these are presented by the authors as accounting costs, not economic costs.

If Stiglitz and Bilmes had presented their readers with economic costs, they would have provided a context of competing benefits, one of which would be the safety of the United States from violence. I don't know how they would have chosen to do this, but one approach immediately comes to mind: comparing these military costs to the economic damage done by a series of 9/11 size events.

Some analysts have estimated that the attacks of September 11, 2001 reduced US economic activity by about \$225 billion over the next 12 months. Let's assume that our enemy would have visited one such attack on the US for each of the next 6 years (2003 through 2008) had we not taken the battle to the enemy's prime territory. If we increase that \$225 billion by 2 percent per year to account for overall growth in the economy, then the sum over the period of avoided major terrorist attacks would be \$1,673 billion, or \$48 billion less than the estimate of current and future outlays under the best case scenario. If we believe the counterfactual—that we avoided major terrorist attacks by fighting the enemy abroad—then I would imagine most people would approve of expenditures of this amount. On the other hand, costs exceed benefits by \$1,007 billion under the realistic-moderate scenario. . . a relatively clear signal that outlays of this magnitude may not be justified.

However the authors had decided to present the economic costs, they should have done so. Simply presenting accounting costs deceives readers who are untrained in cost analysis and presents obstacles to the ongoing debate over Iraq rather than data to inform our choices.

¹ Joseph E. Stiglitz and Linda J. Bilmes, *The Three Trillion Dollar War: The True Cost of the Iraq Conflict* (New York: W. W. Norton & Company, 2008).

² *Ibid.*, p. 112.

THE COST OF THE WAR IN IRAQ

There are a number of leading cost estimates for the war in Iraq. I follow the methodology contained in a widely circulated working paper from the National Bureau for Economic Research by Steven Davis, Kevin Murphy, and Robert Topel, all from the University of Chicago.³ Davis, Murphy and Topel began their work in 2003 as the debate over containment or regime change reached a high point. Their original 2003 essay presented estimates that the long-run costs of containing Saddam's regime were nearly as large as the forecasted costs of military intervention and regime change. They significantly updated their work in 2006.

Their work provides a tightly documented foundation for inflation adjusted annual cost estimates of the major moving pieces in the Iraq cost debate. In the table below, I have assumed that combat operations associated with the occupation of Iraq continue at a diminished rate through calendar year 2012, after which the U.S. and allied forces adopt a regional military posture on a level with the pre-war containment efforts. Any number of alternative assumptions could have been made, including immediate withdrawal or occupation lasting beyond 2012. However, many observers think that the Iraqi domestic situation will sufficiently stabilize between now and 2012 that U.S. occupation forces will withdrawal to a regional military platform.

Given that, something like the following costs stemming from the Iraqi theater are likely.

Table 2.—Ten Year Costs of the Iraq War Assuming an End to the Occupation in 2012⁴

| Principal Cost Category (Billions of 2003 Dollars) | 10-year Cost in the Iraq Theater |
|---|--|
| Major combat operations | \$63 |
| Warfare associated with occupation | 848 |
| Economic cost of fatalities and casualties | 137 |
| Reconstruction, humanitarian assistance | 95 |
| Total, 2003 through 2012 | \$1,143 |

As of March of this year, the Congress had appropriated about \$845 billion for military operations, reconstruction, embassy costs, enhanced security at U.S. bases, and foreign aid programs in Iraq and Afghanistan. Due to the increase in military personnel and operations since the surge, the "burn rate" in Iraq has increased from \$4.4 billion per month in 2003 to \$12.5 today. However, the benefits of the current increase in activity are present across a wide spectrum of metrics, particularly in the decline in battle related casualties.

Some critics, such as Stiglitz and Bilmes, expand these war fighting estimates by ignoring the improvements of 2007 and 2008. Pre-surge cost ratios are extended into the distant future, casualty rates continue at pre-surge levels, and long-term outlays for Veteran Administration programs blossom by the expansion of the base.

For example, the monthly average casualty rate in 2007 stood at 75, but that rate fell during the last 3 months of the year to an average of 33. During the early months of 2008, the monthly casualty rate was half that of 2007, at 40 per month. Stiglitz and Bilmes, however, assume that the "... rate of death and injuries per soldier continues unchanged. . ." over their forecast period.⁵

These higher than supportable estimates of casualties produce a larger base for VA outlays than it appears will be the case. Furthermore, Stiglitz and Bilmes assume that the utilization rates for veterans of Operation Iraqi Freedom will be the same as that by veterans of Desert Storm. Obviously, that assumption has very little evidence to support it, since utilization levels are yet to be established for OIF vets. Moreover, one wonders whether the special circumstances that afflicted Desert Storm troops makes their utilization profiles unique. We have yet to fully trace the full medical effects of exposure to burning petroleum that so famously confronted our military during the first Gulf war.

Another troubling omission from Stiglitz and Bilmes analysis is an estimate of the post-military economic contributions of injured veterans. Clearly, not every survivor will live his or her adult life under the full-time care of the VA. Indeed, trauma medicine on the battle field has advanced so much since the Vietnam era (and in-

³ Steven J. Davis, Kevin M. Murphy and Robert H. Topel, "War in Iraq versus Containment", Working Paper 12092, National Bureau of Economic Research (March, 2006).

⁴ Based on estimates contained in Tables 2, 7, 9 and 10 of Davis, et al.

⁵ Stiglitz and Bilmes, p. 40-41 and 86-87.

deed since the first Gulf War) that many of those injured have a better chance of economically productive lives than the predecessors. Dr. Atul Gawande published a fascinating description of field trauma techniques in the *New England Journal of Medicine*.⁶ He reminds us of how much more likely it is today that a wounded soldier will survive and do so in a fashion as to return to a modicum of normal health. In the Korean, Vietnam, and first Gulf war, about 24 percent of wounded soldiers died. Dr. Gawande reports that the early days of the Iraq war saw that ratio drop to 10 percent. Certainly that percentage has risen as the conflict intensified after 2005, but it remains below the recent historical levels.

Finally, Stiglitz and Bilmes add to the cost of the Iraq war between \$250 and \$375 billion to rebuild the armed forces and return our military to "full strength." Even this seemingly reasonable addition to costs falls prey to the tendency to exaggerate. Most certainly counted in this estimate are normal procurement outlays to replace fully depreciated military equipment and infrastructure. They could be on similarly shaky grounds by assuming that the personnel side will need to grow beyond normal replacement over the next decade. It may be that the government decides to increase the size of our military forces, but tracing this back to the Iraq war assumes that the war itself prompted an intentional downsizing of forces that must be rectified following withdrawal. This, like their procurement assumption, is highly questionable.

WHAT ABOUT THE INCREASING COST OF OIL

Critics of the Iraq war point to the increasing price of petroleum as a clear cost of the conflict. Indeed, the leading critics extend this observation to argue that the leading economies of the world have all performed well below potential since the war began and oil supplies were disrupted. There are so many wrong with this argument that one hardly knows where to start, but let me supply a short note.

World oil supplies today are very tight. Current estimates are that the daily difference between supply and demand is a mere 750,000 barrels. This slim margin, however, is not due to the Iraq war. Rather it is due to the explosion in demand for petroleum from the developing economies of Asia and from ours and Europe's above average economic growth of the past 4 years. Iraq still exports less than its pre-war potential: indeed exports remain about 25 percent below that level. But, other suppliers, including the OPEC leaders, have more than made up for Iraq's missing supplies.

However, most of the critics do not point to supply as much as they point to price. War in Iraq has been the assumed boogey man in oil futures markets, relentlessly driving up the benchmark crude prices. However, the history of oil prices doesn't appear to support that story.

Well before the war, during the period 1997 through 2000, oil prices as measured by the benchmark U.S. index (West Texas Intermediate at Cushing, Oklahoma) rose three times the long-run rate of growth over the period 1965 through 2008. From 2002 through 2006, West Texas Intermediate grew by 2.5 times the long-run rate. However, since February of 2007, WTI has been growing by 13 times the long-run rate. Doubtless 1 day we will know what has caused this latest and very visible surge in petroleum price. One suspect, however, clearly will not be in that line-up, and that's the war in Iraq.

CONCLUSION

The strong views surrounding the war in Iraq and particularly its future color the analysis of its costs. Perhaps that is unavoidable. After all, forecasts require assumptions, and assumptions frequently spring out of beliefs and not science.

Even so, the citizens of this country have before them one of the most important questions that has faced them in several generations: whether to declare this war a mistake from the start that deserves a swift conclusion or to persist in the Middle East by continuing to bring the Global War on Terror to the enemy's territory.

However one feels about the justification for the war, its costs play a role in making this decision. The importance of this question means that those who do the work of accounting for the conflict's fiscal and economic effects must treat the public with respect and prepare their analyses with the highest professional standards fully in view.

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⁶ Atul Gawande, "Casualties of War—Military Care for the Wounded in Iraq and Afghanistan," *New England Journal of Medicine*, 351:24 (December 9, 2004).

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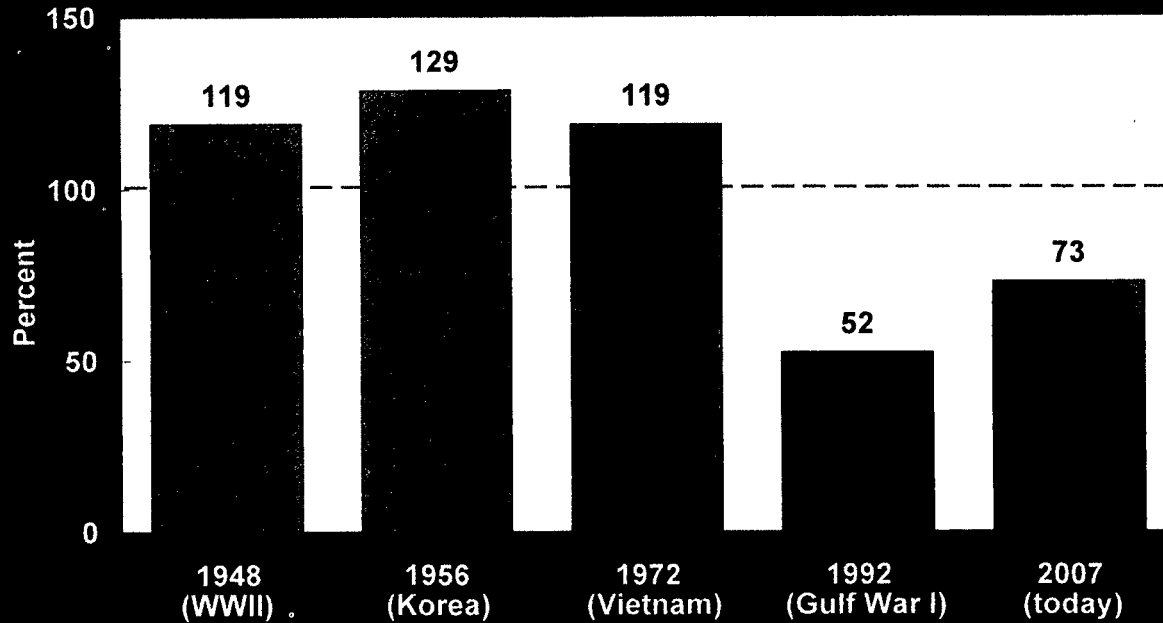
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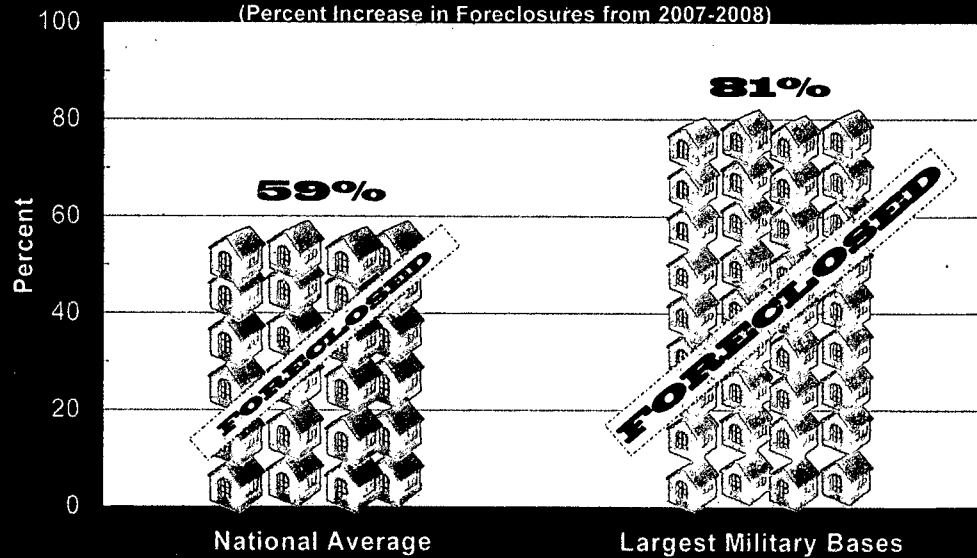
Current GI Education Benefits Fall Short

Benefit as Percent of Public University Tuition, Room and Board



Sources: Congressional Research Service and the Joint Economic Committee Majority Staff.

FORECLOSURE RATES NEAR MILITARY BASES SURPASS THE NATIONAL AVERAGE BY 37 PERCENT



Source: JEC staff calculations based on data from RealtyTrac for the nation's 24 largest military bases.

Current as of 06/11/2008