

## **The Credit Card Wars: Post-9/11 War Funding Policy in Historical Perspective**

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***Statement in Congressional Briefing, "The \$5.6 Trillion Price Tag of the Post-9/11 Wars and How We Will Pay for It," hosted by Senator Jack Reed***

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Thank you for inviting me to participate this morning.

The costs of the post 9/11 wars are staggering, in blood and treasure. I am now going to address a corollary topic, which is: How have we paid for these wars?

The wartime budgetary process for the post-9/11 wars from 2001 to 2017 is the largest single deviation from standard budgetary practice in US history.

In every previous extended US conflict – including the War of 1812, the Spanish-American War, Civil War, World War I, World War II, Korea and Vietnam — we increased taxes and cut non-war spending. We raised taxes on the wealthy.

President Truman raised the top marginal tax rate to 92% during Korea. He believed it was morally right to "pay-as-you-go" – a term he coined and repeated in more than 200 speeches. President Johnson was more reluctant, but in 1967 he imposed a Vietnam War surcharge that raised top tax rates to 77%.

By contrast, in 2001 and 2003, Congress cut taxes – the "Bush tax cuts" as we went to war in Afghanistan and Iraq. Since then, we have paid for these wars by piling up debt on the national credit card. No previous US war was financed entirely through debt. I refer to these wars as the "Credit Card Wars."

In addition, we have budgeted for these wars differently. In every previous major war, the war budget was integrated into the regular defense budget after the initial period. This meant that Congress and the Pentagon had to make trade-offs within the defense budget.

By contrast, the post-9/11 wars have been funded mostly by supplemental appropriations. The post-9/11 wars have been funded through emergency and Overseas Contingency Operations (OCO) bills, which are exempt from spending caps and do not require offsetting cuts anywhere elsewhere in the budget. Over 90% of direct war spending for the current wars has been paid through supplemental money compared to 35% for Korea and 32% for Vietnam.

This process is less transparent, less accountable and has rendered the cost of the wars far less visible.

For example, one consequence of funding these wars outside regular spending limits is that key Congressional committees have devoted less time to considering how we pay for war than in previous conflicts.

The Senate Appropriations Committee Subcommittee on Defense discussed war financing at 79% of its hearings during Vietnam, and 35% during Korea. War funding methods were only mentioned at 17% of the hearings since 9/11.

<b>Senate Appropriation Subcommittee on Defense</b>			
	<b>Korean War</b>	<b>Vietnam War</b>	<b>Post-9/11 Wars</b>
Total Relevant Hearings*	17	53	29
Mentions	6	42	5
Percent Mentions	35%	79%	17%

\*Does not include hearings related to non-war topics.

Source: Data-mining of congressional appropriations defense subcommittee hearings using ProQuest, 1950 -2016

The fiscal committees, including the Senate Finance Committee and House Ways and Means, were actively engaged in determining the best way to pay for previous wars because they needed to approve the proposed tax measures. The Senate Finance Committee discussed alternative ways to pay for the war at five hearings during Korea and seven during Vietnam. Since 9/11 the Committee has discussed war funding strategy extensively only once.

<b>Senate Finance Committee</b>			
	<b>Korean War</b>	<b>Vietnam War</b>	<b>Post-9/11 Wars</b>
Total Relevant Hearings*	9	10	20
Mentions	5	7	1
Percent Mentions	56%	70%	5%

\* Does not include hearings related to non-war topics.

Source: Data-mining of Senate Finance Committee hearings using ProQuest, 1950 -2016

The consequence of this war funding policy has been to transfer the financial cost – including not only the trillions of dollars of current spending, but also the long-term liabilities such as veterans care - to future generations.

In addition, less than one half of one-percent of Americans have been deployed to Iraq or Afghanistan – the lowest percentage in any foreign war in modern US history. As a result,

although the United States has been at war for over 16 years, the vast majority of our citizens have neither fought in nor paid for the conflict. Yet, we have accrued trillions of dollars in long-term commitments, especially in deferred benefits and health care promises to today's veterans.

Right now, we have deferred all these costs. I have long urged the Congress to establish a Veterans Trust Fund. As you know, the federal government uses trust funds to *account* for the fact that we have accrued liabilities; there are more than 100, of which the best-known fund is Social Security. The concept is not perfect – trust fund money is not fire-walled from the remainder of the federal budget. But the ‘trust fund’ designation requires the US to at least acknowledge and keep track of long-term promises.

Nearly 90% of post-9/11 veterans, and many Gulf War veterans, are not eligible for the Military Retirement Trust Fund because they serve in the armed forces for less than 20 years. We should do the right thing today by establishing a similar fund for all veterans. We could start to gradually amortize the existing promises by imposing a small surcharge on taxpayers who are not serving in the military or who do not have an immediate family member doing so.

Going forward, I urge Congress to set aside funds for the Veterans’ Trust Fund at the same time it appropriates new money for war. A bipartisan group of congressman (Seth Moulton, D-MA, Beto O’Rourke D-TX, Don Young, R-AK and Walter Jones R-NC) have recently introduced a bill to do this. This would more accurately reflect the true cost of war.

In summary, America's method of paying for the post 9/11 wars has profound implications for the conduct of public policy. These include:

- Reduced transparency over the spending process
- Lowered accountability for war expenditures
- Weakened fiscal discipline over the defense budget
- Less meaningful public debate over the wars
- Transfer of the financial cost to future generations
- Failure to provide resources for accrued promises to veterans
- Making it easier to engage in wars and to prolong war.

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