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**From:** "Besanceney, Brian R." </O=EOP/OU=FIRST ADMINISTRATIVE  
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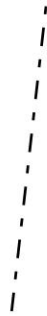
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**Subject:** TALKING POINTS: Q&A on War on Terror and the Budget  
[Iraq FY04 funding QA.pdf](#)

## **Q&A: The War on Terror and the Budget**

### ***Can the United States afford this war and continue to do everything else the President called for?***

Yes. We cannot afford not to do what is necessary to win the war against terror, ensure a sustained economic recovery, and secure the homeland. The funding for the war is necessary and significant but it is temporary. And, the cost of fighting this war is well below the cost of previous conflicts. In fact, \$87B is less than 4% of the entire federal budget.

The costs associated with acting in Iraq and Afghanistan pale in comparison to the immeasurable costs – in life, property, and the economy – of terrorist attacks of September 11. Thousands of Americans lost their lives. Thousands lost their jobs, the stock market closed for days, airlines were grounded, and the travel industry was hit hard. Studies suggest that the economic cost of 9/11 was in the hundreds of billions of dollars. One study even pegged the cost to the economy at well over \$2 trillion.

Containing Saddam Hussein cost Americans at least \$30 billion from the end of the Gulf War to the beginning of Operation Iraqi Freedom for the military forces stationed in the Persian Gulf, patrols of the no fly zone, and associated costs.

### ***The deficit is over \$500B and nearing 5% of GDP. Won't that harm the economy and simply shift the burden to future generations?***

There is no evidence that the deficit is hurting the economy now. Interest rates remain near historic lows. And the budget – like America itself – is in solid shape considering the extraordinary strains placed upon it: a stock market fall that began in early 2000; a recession underway by early 2001; the revelation of corporate scandals; and, of



course, the effects of the September 11 attacks and ensuing War on Terror.

Although today's deficits are larger than anyone prefers, they are manageable if we put them on a steady downward path through strong economic growth and responsible spending restraint. The President's budget does precisely that, halving the deficit within five years. And the President's budget projections include room for addressing other important domestic priorities that the President has outlined, such as making the tax cuts permanent to foster sustained economic growth and job creation; spending an additional \$400B for Medicare prescription drugs; and other important initiatives.

President Bush has significantly cut spending growth outside of defense and homeland security needs. In 2001, the last budget before President Bush took office, non-defense spending grew by nearly 15%. He has cut that growth rate to 6% in 2002, less than 5% in 2003, and 2% for 2004.

***The Administration has said repeatedly that we are at war, but America has never cut taxes during wartime. As war costs escalate, why not revisit the tax cuts?***

The September 11 attacks had a significant effect on America's economy, further hurting an already weakened economy. President Bush's 2001 tax cut came at just the right time to make the recession short and shallow, and he has since proposed and signed into law additional tax relief to put more money into the pockets of America's families and small businesses to encourage economic growth and job creation.

As America's economy recovers and the stock market gathers strength, the prospects are improving for new job creation. Repealing all or part of the tax relief – and raising taxes on working Americans and small businesses – is exactly the wrong approach. It would cost jobs and destroy the momentum building in our economy. The President strongly opposes raising taxes on single working moms and married couples; repealing the child tax credit; putting thousands of lower income workers back on the tax rolls; raising taxes on investment; and bringing back the death tax.

Raising taxes would also harm the economy, which in turn would hurt the budget situation. Strong economic growth leads to balanced budgets, not the other way around.

***Why not just repeal the tax cut for the top income earners?***

Owners of flow-through entities, including small business owners, represent 2 out of 3 taxpayers in the top income tax bracket and receive most of the benefits of the reduction in the top tax bracket. Since most of the new jobs in our economy are created by small businesses, cutting the top tax rate is a powerful way to encourage job creation.

***This \$87B is far more than what we spend on education, or other priorities. How can this be justified?***

Wrong – this is a lot of money, but it is a temporary investment in America's security. In contrast, the government's sustained commitments to domestic priorities are dollars spent every year which grow over time, which appropriately dwarf this incremental cost. Some comparisons include (all are FY2004 figures):

Social Security	\$492B
Medicare	\$259B
Medicaid and SCHIP	\$187B
Veterans	\$ 57B

Education

\$ 53B



## **Q&A: The War on Terror and the Budget**

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