



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



December 6, 2007

The Honorable James Nussle
Director
The Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Director Nussle:

In a recent Associated Press article you were quoted taking issue with the Joint Economic Committee (JEC) report examining the total economic costs of the war in Iraq

Virtually no economist or policy expert would doubt that the full long-run costs of war spending to the American economy do in fact exceed the Federal budgetary costs. Since these Federal budgetary costs are enormous, over ten times what the Administration originally estimated the war would cost and still rising, it stands to reason that the economic costs would be substantial as well.

As a former Chairman of the House Budget Committee and new Director of the Office of Management and Budget, we're sure you would agree that determining the true economic costs of this war is vital to our economic security. Right now, our economy faces threats from the housing downturn and related credit crunch, the falling dollar, and our \$9 trillion debt, which is being fueled in no small part by the growing cost of the Iraq war. We asked our staff on the Joint Economic Committee to undertake this study in order to examine the broader impact of the war on the American economy.

The JEC report estimates that through the close of FY 2008 the full economic costs of the Iraq war will be about \$1.3 trillion. This is about double the immense federal budget costs that have been reported to the American people. Based on Congressional Budget Office (CBO) budget forecasts, the JEC report estimates that the total economic costs of the wars in Iraq and Afghanistan would rise to at least \$3.5 trillion over the next decade if the occupation of Iraq continues.

The JEC report relied only on sound, generally accepted data and many cost estimation assumptions and methodologies that had already been endorsed by the White House. In cases where there were doubts about proper assumptions to use in determining the economic costs of the war, moderate to conservative assumptions were used. In fact, the JEC report relies heavily

on OMB Circular A-94, the official White House guidance to Federal agencies on how to perform cost analyses of Federal programs that your agency produced.

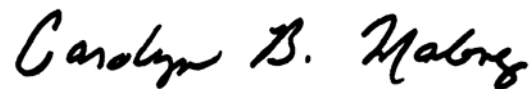
The American people deserve a full and complete accounting of the costs of this war. Given our current budgetary situation, which has led the President to state that the nation cannot afford to spend an additional \$5 billion per year on health care for our nation's low-income children, it is especially important that we have a clear picture of what this war is costing us and will cost us in the future. Unfortunately, to date, the Administration has failed to produce any economic cost estimate of our continued presence in Iraq and will not even include war spending in traditional defense budgeting and spending requests.

The American people deserve an honest debate about the full costs of this war, not empty partisan rhetoric. To that end, we would certainly welcome your appearance before the Committee, where you could present your data and calculations about what the administration believes the full economic costs of the Iraq war have been so far, and will be going forward. We look forward to a productive and open dialogue with you on this critically important issue.

Sincerely,



Senator Charles E. Schumer
Chairman, Joint Economic Committee



Congresswoman Carolyn B. Maloney
Vice Chair, Joint Economic Committee

