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Dynamic Scoring Fails to Blunt the Budgetary Impact of Bush Economic Plan; Strengthens Case for Democrats' Stimulus Plan Being More Effective, Less Costly

Washington, D.C. – The Congressional Budget Office's (CBO) recent analysis of President Bush's budgetary proposals for FY 2004 found that including "dynamic" effects of the budget on the economy would not dramatically change its estimate that the President's proposals would add $2.7 trillion to the 2004-2013 cumulative budget deficit, providing a much needed reality check on advocates of budgetary dynamic scoring.

Moreover, a new **Joint Economic Committee (JEC) Democratic staff** analysis finds that when short-run increases in revenue and long-term debt service costs are included, the President's economic plan is *nine times* as expensive as the Democratic alternative, yet it generates fewer jobs and less growth in the short run, while hurting growth and income in the long run.

"Not even dynamic scoring could produce a bang for all the bucks the President wants to give away in tax cuts for the wealthiest Americans," said **Rep. Pete Stark** (D-CA), **Ranking Democrat** on the JEC. "The Democrats' plan delivers more jobs and economic growth at a fraction of the cost of the President's plan."

CBO's analysis of the potential macroeconomic effects of the President's budgetary proposals provides strong support for the critics of dynamic scoring, who believe that it is neither feasible nor desirable to incorporate dynamic analysis into the normal revenue estimating process. In fact, dynamic analysis is as likely to add to the estimated revenue loss from a tax cut as to lower it, and it is unlikely to produce revenue estimates that are substantially different from those produced using current methods of revenue scoring.

The lessons from CBO's analysis of the potential macroeconomic effects of the President's budgetary proposals strengthen the conclusions of JEC Democratic staff analyses comparing the centerpiece of those proposals, the "Jobs and Growth Initiative," with a Democratic alternative. The findings include the following:

- In the first year, the Democratic alternative would provide roughly twice as large a boost to jobs and growth as the President's proposal. The Democratic plan raises GDP up to 1.6 percent by the end of the year and creates 1.1 million jobs.

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- The President's plan continues to provide demand stimulus beyond when it is effective, which puts upward pressure on interest rates and hurts long-term growth.
- Based on standard budget estimation methods, the President's plan is nearly seven times as expensive as the Democratic alternative.
- When short-run increases in revenue and long-term debt service costs are included, the President's plan is nine times as expensive as the Democratic alternative, yet it is less effective in generating jobs and growth in the short run, while hurting growth and income in the long-run.

The report, ***A Reality Check on "Faith-Based" Revenue Estimation***, is available on-line at <www.senate.gov/~jec/democrats>.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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