The Daily Dish

Dynamic Scoring and the Infrastructure Deal

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Eakinomics: Dynamic Scoring and the Infrastructure Deal

The top story of the past week was the "deal" struck by a bipartisan group of centrist Senators and the administration for a total of $1.2 trillion (over eight years) in infrastructure spending. Much of the subsequent story has been whether the "deal" was really a deal, with the president admitting that it was not his intent to link signing an infrastructure bill with the passage of a subsequent partisan reconciliation bill containing the remainder of his high-priced agenda.

Lost in this political story is a significant policy development. The *New York Times* reported: "Negotiators also agreed to offset some of the cost by assuming that investing in infrastructure will increase economic growth, by making people and companies more productive, and thus generate $60 billion more in tax revenue in the future." In budget jargon, that is dynamic scoring and Eakinomics believes it is the first time Democrats have insisted on including the growth feedbacks in the scoring of legislation.

Democrats' request for dynamic scoring represents a U-turn from their previous position and is the right thing to do. Recall that for conventional scoring the Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT) first build a baseline budgetary outlook – the revenue raised and spending generated by current laws, assuming the economy grows (or not) as projected. The "score" of a bill is the change in revenues and spending produced by the legislation, assuming that the baseline economic projections are unchanged by the legislation.

In some cases this makes no sense. The whole point of the Tax Cuts and Jobs Act was to improve economic growth, so it makes sense to do dynamic scoring of such a proposal by including the additional revenue and reduced spending produced by faster economic growth. While dynamic scoring has typically been associated with tax proposals, the logic applies to both sides of the budget. So, for example, when CBO analyzed the repeal of the Affordable Care Act, it included the effects of the additional growth that came with repeal.

In the current circumstances, both sides agree that the infrastructure proposal should be concentrated on hard, productive infrastructure – roads, bridges, ports, and the like – that raise productivity and economic output. Since that is the point of the proposed legislation, Congress should insist that the CBO score include the dynamic effects on the budget.

Dynamic scoring provides additional information that is valuable to Congress. There is no reason that the insights into pro-growth policy proposals should be restricted to the tax side of the ledger.