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House Budget Committee  
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Dear Leaders in the House and Senate,

The Congressional Budget Office (CBO) in recent years has employed inaccurate and opaque models that impacted political debates and policy outcomes, ultimately to the country's detriment. For example, as Congress debated the Patient Protection and Affordable Care Act, CBO adopted a mode of analysis that incorporated Jonathan Gruber's model, using that to score the legislation to justify its passage and to assess its impact. Neither policymakers nor the public were given sufficient information about the model and scoring process, and Professor Gruber himself has acknowledged that this scoring process was manipulated to achieve a desired result.

The CBO has also consistently used a neo-Keynesian approach to economic analysis, assuming that economic growth will not be negatively affected by the size of government or rate of taxation. By disregarding how incentives change the way people behave, and disregarding the effect of high taxes and government spending in discouraging economic productivity and growth, the CBO has been inherently biased toward larger government and more public spending. In short, while the CBO used a dynamic scoring model—one that takes into account how incentives impact behavior—on rare occasion, they used it far too sparingly.

To provide the American people with better information and a more thorough understanding of how proposed policies impact economic growth and their own pocketbooks, **CBO needs a new director** who would **use dynamic scoring more broadly**, provide more transparency about models and assumptions, and constantly assess which models provided the most accurate assessments in the past so that methodologies can be refined for the future.

As the Chairmen of the House and Senate Budget Committees submit recommendations to the Speaker of the House and the President Pro Tempore of the Senate for the next CBO director, they should seek someone with a **strong research background**, sufficient so that he or she will have credibility with both Republicans and Democrats, **real world experience with forecasts**, and **significant management experience** commensurate with the importance of leading an agency with such critical responsibilities. Most importantly, however, the candidate must have a **commitment to improving CBO**, and a willingness to engage with the Joint Committee on Taxation to provide CBO with better input and a clear mandate to make the changes needed (such as greater use of dynamic scoring) so CBO can provide more accurate information to legislators and the American people.

In addition we suggest the following:

- The candidate must be willing to **examine and challenge the current method of economic analysis**, as well as the logic and math that drive the models, and look objectively at past accuracy in terms of the predicted outcomes of different fiscal policies. This analysis ought to inform the methods and practices of CBO moving forward.
- The candidate must also **strengthen compliance with CBO's obligation to disclose the judgments and assumptions embedded in their models**, whether through greater oversight or disclosure within their reports, particularly with regard to their macros, multipliers, and assumptions, and the causal interactions between assumptions. This is critical so that other analysts, legislators, the media and public can better put CBO's conclusions in context.
- An honest analysis such as described would inevitably lead to the **elimination of the use of positive multipliers for Keynesian spending programs**. It would also increasingly rely on an improved dynamic scoring system to take into account the effects on behavior from increased government spending, taxes and marginal taxes, deficits, and the disincentives that can result from transfer payments and entitlements to individuals to work, save, and invest.
- The new CBO director should also seek to provide greater insight into how public policies impact individual Americans, by **creating and publishing distributional tables that show the effects of spending programs**, to balance out the partial picture provided by the Joint Committee's existing distributional tables of tax programs.

Ultimately, Congress must reform the budget process, and specifically the 1974 Budget Act and current statutory requirement to use the current services baseline, thereby distorting what actually constitutes an increase or a cut over previous year spending.

- Until such reforms occur, the new CBO director can help move Congress toward more transparent, effective, real world budgeting both by **providing alternate budgets** that approximate real world Generally Accepted Accounting Principles, as well as by expanding the realistic spending scenarios beyond the current "alternative baseline," making visible and transparent in budget reports the spending requirements embedded in, or hidden in, authorizing legislation, above and beyond the appropriations language, that will affect actual spending requirements and consequent costs.

Congress can—indeed it must—do all that it can to ensure that Americans have all the facts about how policies emanating from Washington will impact the economy and people like them. We urge you to appoint a CBO director dedicated to this mission.

Sincerely,

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