The Daily Dish

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In a speech yesterday, the president said he was "unequivocally committed to net neutrality," but gave little details in what this really means. The vague phrase is tough to disagree with, but some in the president's party think that it means to be in favor of Title II reclassification. If Internet service providers are placed under Title II, expect them "to go the way of Ma Bell."

The White House announced that although the new healthcare.gov site will be released before November 4, the premiums will not appear on the site until after that day. Possibly they are concerned about premiums rising, or just how all of the taxes in the ACA increase consumer's costs.

***Eakinomics: The "Dynamic Scoring" Debate***

Paul Krugman has fanned the flames of the long-standing debate over "dynamic scoring." I didn't pay much attention to the original column because I have my own "Krugman Scoring," which is simply to reverse the sign and divide by 10, but there has been vocal pushback in Forbes, by the Tax Foundation's Scott Hodge, and elsewhere. What is going on?

For the blissfully uninitiated, "scores" are the estimates of the impact of legislation on the federal budget produced by the Congressional Budget Office (CBO), the Joint Committee on Taxation (JCT), or both. The dividing line between "static" and "dynamic" scoring is not whether you take into account behavioral responses — you always do that — but whether you permit the overall size of the economy to change. Thus, dynamic scoring is really about the impact of legislation on overall economic growth.

Here are the key questions regarding dynamic scoring (see also my testimony):

*Is it a good idea?* Yes. Dynamic scoring brings important information to policymakers. If two proposals have the same static score, but one causes faster long-run growth and the other causes slower growth, then dynamic scoring will convey that impact to lawmakers. It is good for them to know.

*Should it be used all the time?* No. If you look at the legislation that CBO scores, they include renaming post offices, swapping one parcel of land for another, energy-efficiency standards for light bulbs, and a gazillion other things that have no chance of affecting growth. Dynamic scoring should be reserved for large proposals that are clearly going to have significant impact.

*Is dynamic scoring inherently more uncertain or speculative?* No. As Director of CBO, I scored the original Terrorism Risk Insurance Act. There is no model that tells you how to evaluate the federal financial backstop or the consequences of a future terrorist attack of an unknown nature (chemical, nuclear, biological….) in an unknown location (Chicago, Nashville, …..). CBO was asked to evaluate the costs of providing an additional $100,000 death benefit for those killed in combat *prior* to the invasion of Iraq. CBO had to score the new Medicare Part D drug bill when no such product (insurance against the financial costs of outpatient prescription drugs) existed in nature. I could go on, but the main point is that uncertainty and difficult analyses are part and parcel of the scoring business. I don't think dynamic scoring would change things significantly at all.

*Is it inherently prone to political gaming leading to inflated impacts?* No. It is important to emphasize that this is *scoring* and not forecasting. The key to scoring is that you do it exactly the same way for all proposals, so that you get them ranked correctly. Here's an analogy. In football, you get six points for a touchdown, three points for a field goal, two points for running or passing the extra point and one point for kicking the extra point. Why? I have no idea. But because the *scores* are computed in the same way, they can be compared across teams in a game, across games in the league, and over time. Notice that if the scoring gods revealed to us that we had been inflating touchdowns, which were really only worth five points, the system would still work. The same would be true for dynamic scoring. There would be lots of difficult decisions to be made on exactly how to do it. And inevitably, some would turn out to be higher or lower than in practice. But a disciplined approach would get the average about right and, more importantly, provide a consistent ranking of alternatives.

*Will this change the estimated budget impacts dramatically?* No. As mentioned, relatively few laws would merit a dynamic score. And — sadly, in my opinion — Congress does not reflexively migrate toward disciplined, pro-growth policies. A reasonable expectation for a pro-growth dynamic score is that the growth rate of the economy could be 0.1 to 0.3 percentage points higher. It will matter, but will not relieve Congress of tough choices.

As it turns out, CBO has done a macroeconomic analysis or dynamic score of the President's budget since 2003. It also, for example, did a dynamic score of the recent Senate immigration bill. The JCT has also done dynamic scores, most recently for the Camp tax reform draft and for years the House required that JCT provide a supplemental dynamic score for large proposals. Both agencies are well-capable of doing it, are already doing it, and simply need clear guidance on when to do it.

I think both advocates and detractors need to stop hyperventilating. Dynamic scoring is a sensible thing to do in situations where the policy changes are large enough for the Congress to care about the growth implications — tax reform, Social Security reform, immigration reform, etc. — and it can be done in a systematic and professional fashion.