



Fiscal Lab Brief

How a CBO Rejuvenation Would Help Congress Evaluate Pro-Growth Policies.

Why the CBO should update their scoring approach to better inform Congress and the public.

Traditional versus economic scoring: The use of incomplete scoring metrics can cause uninformed debates among policymakers.

Policy decisions affect future growth: Predicted changes are not always negative but can affect macroeconomic and budgetary projections.

Transparency drives trustworthiness: The CBO's models should be openly available so that those outside the organization can test and replicate them to give policymakers greater confidence in the scores.

Introduction and Background

An enduring goal of Congress should be economic growth. Though the two parties may differ on policies, both need to understand the economic effects of proposed policy changes. However, the traditional approach employed by the Congressional Budget Office (CBO) does not typically consider broader effects of policy on economic growth when evaluating and pricing (scoring) the proposed policies. This can cause a significant misunderstanding between policymakers and the CBO when trying to evaluate the effect of policies. Fourteen years ago, current Fiscal Lab Executive Director Dr. William Beach testified before the Committee on Ways and Means, stating: “the absence of dynamic economic analysis in major policy debates should be enough to stop such a debate until it is informed by such analysis.” Yet little has changed, and lawmakers today remain eager for economic scoring that can better inform their decisions.

The value of using economic scores¹, in addition to traditional scores, is that policy changes can meaningfully influence tax revenue, spending, and private output in the economy. A policy change, such as an increase or decrease in tax rates, may not always produce a positive or negative effect as expected, but it can still alter the economic path going forward and that change deserves to be evaluated. Despite this, the process of formally incorporating such broader economic effects into policy decisions remains incomplete.

Limitations with Static Scoring

A traditional, static score does not account for broader macroeconomic effects. While it does incorporate some timing decisions of individuals and businesses, static scoring omits potential changes to labor supply, investment, total factor productivity, household income, and national savings, among other effects. It also ignores how changes in interest rates, wages, or prices ripple through the broader economy. As a result, it can significantly skew policymakers’ understanding of a proposal’s effect. Additionally, the use of economic scores allows policymakers to consider secondary effects such as how changes to labor supply could impact

¹ “Economic scoring” is also referred to as “dynamic scoring” and is the CBO practice of incorporating estimated macroeconomic effects of proposed legislation. To highlight the economic effect of the scores, it is referred to as “economic scoring” throughout this document.

unemployment insurance or other means-tested programs that can be widely impacted by increases or decreases in unemployment.

An example helps to illustrate how this works: Consider the owner of a movie theater who lowers ticket prices by 20 percent. If he previously sold 1,000 tickets at \$10 for \$10,000 in revenue, selling them for \$8 reduces revenue by \$2,000. This reflects the *traditional* view, focused on immediate revenue losses, but may not show the potential for effects to other aspects of his business. But a dynamic or economic analysis would consider that the owner may sell more tickets, as people who previously wouldn't pay \$10 for a ticket may now be willing to pay \$8. The increase in tickets sold, even at the discounted price, would help to reduce the \$2,000 shortfall in revenue from the discount offered. Additionally, the discounted price or increase in customers may also allow the owner to increase concession sales above prior levels, further reducing that \$2,000 shortfall. The analysis incorporating the increase in ticket and concession sales would be a broader economic score and could show the theater owner in a better financial position by running the sale.

In this example it is possible that the sale “paid for itself” through increased ticket sales and concession sales. Not every policy change pays for itself, but ignoring the potential growth effects of policy changes distorts any analysis. For example, when President Kennedy reduced the top tax bracket from 91 percent to 70 percent, both total tax revenues and GDP grew in the years that followed. The same pattern occurred when President Reagan cut the top rate from 70 percent to 50 percent.

While traditional scores are easier to replicate and explain, they can obscure economic responses that dramatically alter outcomes. Despite this limitation, this static process is a longstanding method used by CBO and the Joint Committee on Taxation (JCT) for a majority of legislative policy proposals. This can cause a fundamental misunderstanding of the influence of policy changes. The CBO is aware of this concern and will provide economic scoring on some major legislation, noting the value and deviations from traditional scores. However, this scoring process is exceptionally limited when it should be the norm.

To generate these economic scores, the use of detailed econometric models needs to be employed more consistently. The models to generate economic scores, though complex, are essential for understanding these responses. This complexity comes with responsibility as modelers must make assumptions about relationships based upon historical behaviors. The model results can be very sensitive to how these relationships are defined. A few key relationships that need to be examined are how sensitive consumers are to changes in tax or spending policy proposals, how a baseline is defined (that is, a measure against the potential

change in policy relative to a lack of action), and finally how regulations can improve or stifle economic growth. These relationships, and how they are defined through econometric models, are the foundation for how economic scores are developed.

One fundamental concern is that policy proposals, such as tax changes, can alter consumers' behavior. This change in behavior can alter the prior relationship of consumers to a number of potential economic variables. Therefore, historical relationships may no longer stay constant, and modelers must look to external data to estimate these relationships. As the late University of Chicago economist Robert Lucas observed, reliance on outdated assumptions can mislead policymakers into believing that policy choices are inconsequential because the alignment to historical relationships can mislead policymakers to think that new policy decisions can yield old results.²

Additionally, the comparison of growth of various economic policies is dependent upon the baseline model that is employed. The way to measure the effect of a policy proposal is to compare it to a baseline. The CBO provides a baseline budget that looks at 10-year estimates of spending, revenues, and debt. However, that baseline represents either one of two approaches. These two approaches are the "current law" approach that assumes temporary provisions will expire, as set forth in law, and "current policy" approach that assumes temporary provisions will be extended. Choosing one approach over another can have vast differences in long-term forecasts as certain provisions can be carried forward over time.

Another potential implication that should be examined is the effect of regulations on economic growth. Currently it is not clear how CBO models control for regulations and how they account for the economic effects of deregulation. A paper by Dr. William Beach and Dr. Parker Sheppard highlights the economic benefits of deregulation and documents the significant positive gains for economic growth.³ If CBO models are failing to account for the effects of deregulation, lawmakers may not be able to accurately evaluate policy proposals and their effect on the economy.

The problem is clear: Absent a clear understanding of CBO models, lawmakers may not know the true economic effect of their policy proposals. The solution is for the CBO to

² The "Lucas critique" argues that people change their behavior when policies change. This means relationships observed in the past may not hold under new policies. Models must then adjust to the new relationship and behavior, as opposed to holding past behaviors consistent.

³ William Beach and Parker Sheppard, "[Reducing Regulations Produces Strong Economic Growth Responses](#)," Heritage Foundation, February 19, 2025.

rejuvenate themselves through transparency and expansion of their baseline models to better account for numerous economic effects.

Reasoning for Transparency

The request for transparency is not a new concept. The CBO has historically put out some documentation highlighting the accuracy of prior projections and understanding of their baseline. However, a recent joint letter, addressing differences between static and economic scores, from the CBO’s Director Phillip Swagel and the JCT’s Chief of Staff Thomas Barthold to the chairman of the Republican Study Committee, Rep. August Pfluger (R-TX-11), and chairman of the Committee on Natural Resources, Rep. Bruce Westerman (R-AR-4), has reignited the push for more economic scoring.⁴ CBO models emphasize detailed outlays analysis with broad tax analysis, while JCT models emphasize broad outlays with detailed tax analysis. Such generalization and reduction of precision are common in economic modeling, but overuse or unreasonable assumptions can lead to flawed results. Allowing for clear transparency of the models would allow for a greater understanding of the detailed approaches employed, the generalizations applied, and the underlying assumptions used.

The push for transparency was fundamental upon the establishment of the CBO and JCT. In fact, the CBO was created in 1974 by the Congressional Budget and Impoundment Control Act of 1974 (Title II).⁵ The function of the newly created CBO was to provide information to Congress and to provide the public with access to budget data. As the 1974 Budget Act clearly states in Title II, USC 603(a), “the Director shall make all information, data, estimates, and statistics obtained under section 601(d) and (e) of this title available for public copying.” Since sections (d) and (e) involve data sharing with the executive branch and congressional agencies, the Act clearly envisions full transparency. Additionally, it authorizes the director to equip the office with up-to-date technology, obtain services of experts and consultants, and develop techniques for the evaluation of budgetary requirements. Congress can and should hold the CBO accountable to live up to their mandates.

However, the CBO does provide some documentation that allows readers to get a basic understanding of the process employed. As of December 2019, the CBO started addressing

⁴ Congressional Budget Office, Letter to August Pfluger and Bruce Westerman, “[How CBO and Joint Committee Staff Prepare Dynamic Analyses](#),” April 29, 2025.

⁵ H.R.7130, 93rd Congress (1973–1974), [Congressional Budget and Impoundment Control Act of 1974](#).

transparency efforts by outlining steps taken to provide greater insight into their models and processes employed.⁶ The most recent version of their transparency efforts outlines some of the data incorporated, explanations of their analytical methods, and some technical information for their models.⁷ However, the combination of the papers and transparency efforts by the CBO would still fail to qualify for publication in economic academic journals, as the documentation and data provided do not deliver sufficient information for replication. The standard for the American Economic Association and its flagship journal, *American Economic Review*, require that all papers of empirical work must provide clear information about the data, programs, and other computational details sufficient to ensure replication.⁸ This threshold of full replicability guarantees a check against numerous potential concerns and requires disclosing all methodology, data cleaning and imputations, model specifications, and various robustness checks that provide a clear rationale for all approaches employed.

Unfortunately, the CBO currently does not allow for this level of transparency and replicability. Instead, their work preserves their black box methodology, excluding key parameters of their models from their existing documentation. This obscures their models to prevent full understanding and limit transparency. Econometric models can guide critical decisions, but it is important that people can trust the results the model produces. Transparency drives trustworthiness. Black box methodology does not aid in understanding and can often be little different from asking for blind trust when discussing results. Allowing lawmakers, their staff, and the general public to review the assumptions applied and the methodologies incorporated and to replicate the model's output will catapult the CBO forward with the ability to have their results more broadly trusted in this increasingly divisive time.

What Congress Can Do

Congress created the CBO and the JCT through legislative acts, and it has since updated their roles. However, the documentation CBO provides does not live up to their mandate of ensuring transparency of their methodology and public access to the data, necessary steps to ensure replication. Congress can act and hold the CBO and JCT accountable, requiring up-to-date methodologies and public access to the data, as specified in their authorizations, that will improve transparency and understanding. Further, Congress can also choose to reform these

⁶ Phillip Swagel, "[Recent Transparency Efforts](#)," Congressional Budget Office, December 20, 2019.

⁷ [Transparency at CBO: Plans for 2025 and a Review of 2024](#) (Congressional Budget Office, April 14, 2025).

⁸ American Economic Association, "[Data and Code Availability Policy](#)," accessed December 1, 2025.

agencies as necessary to ensure they achieve desired results. Congress calling for increased transparency would be a wonderful first step in ensuring the growth effects of policies are being fairly evaluated by the CBO. CBO should welcome such a call as they step forward with the work to improve understanding and trustworthiness.

Similarly, the Joint Committee on Taxation, founded by the Revenue Act of 1926, can be called upon to ensure transparency as well. The mandate of JCT is to provide official revenue estimates for tax legislation, draft legislation history for tax-related bills, and investigate methods for the simplification of taxes. Understanding the complexities of the tax code and how tax policy changes lead to macroeconomic effects would be a step toward simplifying the tax code, allowing for a true understanding of how tax revenues can change under new policies. Better transparency would help ensure understanding and may allow for greater capturing of ideas to improve simplification.

Building on the laws that created the CBO and JCT, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings) gave both agencies more formal scoring roles. CBO was required to provide the Office of Management and Budget with estimates of budget authority and outlays, while JCT became the official revenue scorer for tax policy changes. The Act also set maximum deficit targets intended to achieve balance by 1991, backed by across-the-board cuts if deficits exceeded those targets. Gramm-Rudman-Hollings ultimately failed as a deficit-control mechanism; its goals were too aggressive. Congress repeatedly revised the rules, and the targets were abandoned in 1990, but it succeeded in elevating the importance of CBO and JCT scores and their underlying economic assumptions. These assumptions of the effect of policy proposals, such as how a tax change may alter hours worked by labor force participants, and its impact on revenues, or similar proposals' impact on outlays, emphasize the importance of econometric modeling. This importance is further highlighted by the “low-growth report,” a feature of the Act that perseveres, which is triggered by below-expected economic performance, reinforcing the idea that failing to account for the economic implications of policy can contribute to periods of weaker growth. Although the deficit targets were abandoned, the legacy of Gramm-Rudman-Hollins is the importance of focusing on these scores and addressing potential deficits through trustworthy calculations. The CBO and JCT can reestablish this level of trustworthiness through improved transparency with their data, methods, models, and assumptions. This will strengthen the trust Congress has in their scores and can reignite a focus on addressing long-run spending trajectories and meaningful debt reduction.

Congress has also recognized the need for improved transparency. In January 2025, Rep. Warren Davidson (R-OH-8) introduced H.R. 724, the “CBO Show Your Work Act,” which

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would require CBO “to make publicly available the fiscal and mathematical models, data, and other details of computations used in cost analysis and scoring.”⁹ The act would also require CBO to make its work replicable by individuals not employed by the agency. If enacted, this would be a significant win for those advocating for greater transparency. This legislation has its roots in S. 1746, a bill by the same name introduced by Sen. Mike Lee in 2017 and reintroduced in 2021.

The House Budget Committee has echoed these concerns. On November 18, 2025, the Committee, chaired by Rep. Jodey Arrington (R-TX-19), held a hearing entitled “Oversight of the Congressional Budget Office,” where members questioned CBO Director Phillip Swagel on the need for greater transparency. Numerous members stressed that when Congress is making trillion-dollar decisions, they need as much information as possible and clarity around CBO scores. Greater transparency can reinforce CBO’s nonpartisan credibility and reduce skepticism among members about the scores it provides. Clearer insight into CBO’s models would allow Members of Congress, think tanks, and the public to challenge and improve those scores over time. Taken together, these recent actions signal an important renewed push in Congress for more transparency in the scoring process.

Ensuring transparency of the models and public access for replication would help CBO and JCT live up to their mandates, improve understanding for stakeholders, establish renewed trust in their models, and hopefully renew Congress’ focus on deficit reduction.

Conclusion

The models used by the Congressional Budget Office are paramount for driving dialogue and understanding budgetary effects. An economic approach helps to better understand the broader influences of any policy decision, but these economic approaches are subject to the models upon which they are built. The use of advanced econometric models, when making modern policy decisions, is powerful but can be disastrous if applied incorrectly. Requiring transparency is not merely a regulatory obligation; it is a best practice that transforms models from potentially opaque “black boxes” into transparent, trustworthy decision tools.

As outlined in the 1974 Budget Act, the sharing of all information and models used that drive decisions are required without exception. Policymakers should call for the transparency of all

⁹ H.R.724, 119th Congress (2025–2026), [CBO Show Your Work Act](#).



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econometric models, holding these agencies accountable to their mandates, to ensure clear understanding when evaluating policy responses. Further, if necessary, Congress should enact necessary measures to ensure the required transparency and up-to-date econometric approaches are employed.

In an era where analytics increasingly shape public and private choices, transparency to ensure trustworthiness of the CBO and JCT is an important civic duty.

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