CALIFORNIA BUDGET PROJECT

budget brief

JULY 2010

NO FREE LUNCH: TAX CUTS WIDEN BUDGET GAPS

A longstanding myth about taxes has resurfaced in the policy debates around California's dual budget and economic crises. Some proponents of tax cuts argue that reducing taxes could spur economic growth and cause a net increase in state tax revenues. Some even claim that the revenue gain from cutting taxes would be sufficient to put an end to California's budget problems. These claims fail to hold up under scrutiny. Reducing taxes at the state level is, at best, a zero-sum game. When states cut taxes, typically they must make up for the lost revenues by reducing spending, and expenditure cuts tend to reduce any positive impact that tax cuts might have on state economies. In fact, "dynamic" revenue analysis by the Department of Finance shows that tax rate reductions in California would result in a *net loss* of tax revenues, even after accounting for any positive effects of tax cuts on the economy. The historical record confirms that even *large* tax cuts – both at the state and national level – failed to generate the substantial level of economic growth necessary to produce a net gain in tax revenues. Given the weight of the evidence, it is not surprising that economists spanning the ideological spectrum agree that there is no such thing as a free lunch when it comes to cutting taxes: Tax cuts simply do not pay for themselves.

Arguments That Tax Cuts Pay for Themselves Are Dubious

Economic theory suggests that, under certain circumstances, lower tax rates could boost the economy. For example, tax cuts for businesses could encourage business expansion, job creation, and new investment – all of which could spur economic growth. Some tax-cut proponents push this chain of logic to the extreme by arguing that tax cuts would eventually generate enough growth to boost state revenues and fully "pay for themselves." However, there are many reasons to doubt this claim, including the facts that:

- **Tax cuts would have to generate an unrealistic amount of economic growth to boost revenues enough to fully offset their cost.** A simple example shows that it is unreasonable to expect tax cuts to pay for themselves. If a state has 100,000 businesses with profits of $500,000 each that are taxed at a rate of 10 percent, the state would receive $5 billion in revenues, based on $50 billion in total profits. If the state cut corporate taxes in half – a massive reduction – revenues would fall to $2.5 billion. In order to recover the $2.5 billion in revenue losses, the total profits of all businesses in the state would have to double to $100 billion – an implausible scenario.[1] Profits reflect businesses' ability to sell products or services and boost productivity. However, in this example, the tax cut would provide just $25,000 of savings per firm – a modest gain that is unlikely to enable each business in the state to expand its operations enough to double its profits to $1 million.

- **Tax cuts might produce very little – if any – economic growth and, consequently, little to no additional revenues.** Tax cuts for businesses may not significantly boost the economy because:

    - **Many businesses pay little to no state income tax.** In 2008, 45.6 percent of the corporations doing business in California had no net income and thus paid little or no

California income taxes.[2] This means that corporate tax cuts would provide little or no incentive for nearly half of the companies doing business in the state to make new investments or create additional jobs.

- **All state and local taxes combined represent a tiny share of businesses' costs.** Estimates suggest that state and local taxes make up 1 to 2 percent of the cost of doing business.[3] This means that even *eliminating* all state and local taxes paid by businesses would have a minimal impact on companies' bottom lines. A business with costs totaling $100,000 would pay $1,000 to $2,000 less if it owed no state or local taxes. Such a small reduction in a company's costs is unlikely to spur a significant level of business expansion.

- **State and local taxes are not key factors in determining where companies do business.** Companies largely base their decisions about where to do business on the cost and availability of skilled workers, access to high-quality transportation networks or other public infrastructure, and proximity to customers.[4] Since these factors can reduce businesses' costs or boost employers' productivity far more than reductions in state and local taxes, tax cuts are unlikely to motivate businesses to relocate to a state.

- **Some of the economic growth generated by a state's tax cut would occur outside of the state's borders, diminishing the gains to the state.** Even if reducing taxes boosts economic growth, at least some of that growth is likely to occur in other states or countries. This means that only part of each dollar of revenues California would lose due to a tax cut would be returned to the state's economy. For example, if California cut corporate income taxes:

  - Businesses would likely use some of the additional money freed up by the tax cut to buy supplies or equipment made in other states or countries;

  - Companies might expand operations outside of California, in which case the jobs created as a result of California's tax cut would accrue in other regions of the US or the world;

  - If the tax savings boost businesses' profits, companies might distribute those profits as dividends to shareholders across the nation and internationally; and

  - More than one-third of most businesses' tax savings would end up in the federal treasury because a lower state tax bill results in a higher federal tax bill.[5] For a company with a taxable income of $20 million, for example, each dollar of state tax savings would result in an additional 35 cents in federal taxes owed.

  A cut in personal income taxes also would generate some economic growth outside of California, diminishing the gains to the state. Most of the tax savings would go to high-income taxpayers since they pay the bulk of personal income taxes, and individuals with high incomes tend to spend a smaller share of their incomes locally.[6]

- **Revenues lost due to tax cuts would eventually require spending reductions, which would pull dollars out of the economy, reducing the benefits to the economy from tax cuts.** States, unlike the federal government, must balance their budgets on an annual basis.[7] In California, Proposition 58 of 2004 amended the state's Constitution to prohibit the Legislature from passing, and the Governor from signing, a budget that spends more from the General Fund than it brings in in revenues.[8] As a result, lower General Fund revenue collections due to tax cuts mean that the state has less money to spend and would have to reduce spending on public programs and services or, alternatively, raise taxes paid by other taxpayers in order to boost revenue collections. Reducing public services to pay for tax cuts undermines the economic benefits that tax cuts are intended to generate. This is because state spending reductions disproportionately impact low- and middle-income Californians – such as teachers, child care providers, and in-home care workers – who spend most of their incomes locally. Therefore, one less dollar spent by the state means one less dollar circulating in the state's economy, since that dollar otherwise would have gone to local grocers, shopkeepers, and landlords. Indeed, according to one extensive review of the economic literature:

  > "The only thing that can definitely be concluded from the body of research on tax cuts is that the effects of tax cuts [on economic activity] are small at best, and zero or negative if one takes into account the need to cut public services when taxes are cut."[9]

Dynamic Revenue Analysis Shows That Tax Cuts in California Reduce Revenue Collections

In the debate around how to spur California's economy in the early 1990s, tax-cut proponents argued that traditional "static" analyses – which look at only the direct revenue impact of tax changes – were inadequate and that a "dynamic" approach, incorporating the effects of tax cuts on the broader economy, was needed.[10] In response, California enacted legislation requiring the Department of Finance (DOF) to conduct dynamic

revenue analyses to evaluate proposed tax policy changes with significant direct revenue impacts.[11] The DOF, in conjunction with experts at the University of California, Berkeley, developed a "dynamic" economic model and used it to estimate the direct and indirect impact of various tax cuts, taking into account the spending reductions needed to offset the cost of tax cuts. The DOF's dynamic analyses provided "no evidence … that tax rate reductions ... can in general 'pay for themselves,' as some parties in the past claimed."[12] Instead, the DOF found that tax cuts would only modestly offset a portion of their direct revenue loss.[13] Specifically, the results showed that:

- A $1 billion "static" cut in personal income taxes – equivalent to a 5 percent reduction at the time of the analysis – would result in a $990 million "dynamic" loss of revenues.[14]

- A $1 billion "static" reduction in California's sales and use taxes – equal to a 6 percent reduction at the time of the analysis – would result in a "dynamic" revenue loss of $924 million.

- A $1 billion "static" cut in corporate income taxes – a substantial tax cut, equivalent to a 20 percent reduction at the time of the analysis – would result in an $816 million "dynamic" revenue loss.[15]

Thus, the DOF found what dynamic revenue analyses conducted by the Congressional Budget Office and other states have consistently demonstrated: Tax cuts result in lower revenue collections.[16]

Data Show That Tax Cuts Do Not Significantly Boost Economic Growth or Revenues

The historical record shows that large tax cuts – both at the state and national levels – fail to generate the substantial economic growth necessary for tax cuts to pay for themselves. For example, states that enacted large tax cuts between 1994 and 2001 – reducing revenues by at least 7 percent – performed worse on key economic indicators than other states: They subsequently experienced weaker growth in jobs and personal income and larger increases in the unemployment rate, on average, than states that did not enact large tax cuts.[17] In the absence of strong economic growth, it is highly unlikely that states eventually recouped the revenues they lost as a result of providing the cuts. In fact, as state economies weakened during the economic downturn that began in 2001, the states that had provided large tax cuts had lower budget reserves and faced larger budget shortfalls, on average, than other states.[18]

National data point to a similar conclusion. Average annual growth in inflation-adjusted gross domestic product (GDP) – the value of all goods and services produced in the US – was weaker in the seven years following the massive federal tax *cuts* enacted in 1981 and 2001 than the significant federal tax *increases* enacted in 1993.[19] In addition, revenue collections in the 1980s and 2000s "turned out to be significantly lower than what they would have been had there been no tax cut."[20] Studies examining national data over a longer period of time, including an analysis by Peter Orszag – currently the director of the federal Office of Management and Budget – also find "no clear link between periods of low taxes and high growth."[21]

Business Tax Incentives Are Unlikely To Boost Job Growth When the Economy Is Weak

Some tax-cut proponents argue that providing tax incentives to businesses would help California's economy recover from the Great Recession by encouraging companies to create jobs. However, tax incentives are unlikely to have a significant impact on hiring when the economy is weak. Record-high levels of unemployment and underemployment mean many families have cut back their spending.[22] As a result, businesses lack customers and have laid off workers to cut costs. For businesses to start hiring again, they need more customers, not tax incentives.[23] In fact, studies show that providing tax incentives for businesses to create jobs is "hugely inefficient": Companies typically use the money they are provided to reduce the cost of hiring workers they would have hired anyway, without any incentive.[24] As Paul O'Neill, President George W. Bush's first treasury secretary and former CEO of Alcoa, a Fortune 500 company, put it:

> "I never made an investment decision based on the tax code …. If you are giving money away I will take it. If you want to give me inducements for something I am going to do anyway, I will take it. But good business people do not do things because of inducements, they do it because they can see that they are going to be able to earn [at least] the cost of capital out of their own intelligence and organization of resources."[25]

Economists Spanning the Ideological Spectrum Agree: Tax Cuts Do Not Pay for Themselves

Given the weight of the evidence, it is not surprising that economists spanning the ideological spectrum have disputed the claim that "tax cuts pay for themselves." In fact, several of the economists who served as chair of the Council of Economic Advisers (CEA) during the George W. Bush administration disputed this claim. For example, as chair of the CEA in 2006, Edward Lazear testified before the US Senate Budget Committee that "as a general rule, we do not think tax cuts pay for themselves."[26]

Additionally, when Glenn Hubbard served as chair of the CEA for President Bush in 2003, he wrote in the *Economic Report of the President* that "although the economy grows in response to tax reductions … it is unlikely to grow so much that lost tax revenue is completely recovered by the higher level of economic activity."[27] Indeed, President Bush's first treasury secretary, Paul O'Neill – "a fervent believer in the free-market approach to almost everything" – refused to publicly support President Bush's proposal for a second round of major tax cuts because he believed the nation was "moving toward a fiscal crisis" following President Bush's first round of massive tax cuts.[28] By one assessment, "every official scoring agency and credible economist has consistently stated that tax cuts do not pay for themselves through stronger growth."[29]

Conclusion

Claims that tax cuts pay for themselves by boosting economic growth and tax revenues fail to hold up under the weight of the evidence. Moreover, in the words of Alan Greenspan:

> "Let us remember that the basic purpose of any tax cut program in today's environment is to reduce the momentum of expenditure growth by restraining the amount of revenue available and trust that there is a political limit to deficit spending."[30]

Alissa Anderson prepared this Budget Brief. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP's website at www.cbp.org.

ENDNOTES

1 Alternatively, the tax cut would have to attract an additional 100,000 businesses to the state, assuming each additional business had the same level of profits – $500,000 – as the existing businesses in the state.

2 Franchise Tax Board. Corporations doing business in California that have no net income or a net loss are subject to the $800 minimum franchise tax. In 2001 – the most recent year for which data are available – 72.8 percent of the corporations doing business in the state paid just the $800 minimum franchise tax, including 52.0 percent of the state's profitable corporations. See California Budget Project, *All Gain, No Pain: California's "No Tax" Corporations* (September 23, 2004).

3 According to one estimate, state and local taxes represent 0.8 percent of the cost of doing business in the nation as a whole. Robert G. Lynch, *Rethinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development* (Economic Policy Institute: March 2004), p. 4. Another study reports that state corporate income taxes across all states represent less than 0.2 percent of business expenses. Michael Mazerov, *The "Single Sales Factor" Formula for State Corporate Taxes: A Boon to Economic Development or a Costly Giveaway?* (Center on Budget and Policy Priorities: Revised September 1, 2005), p. 39. According to a third report, "state and local taxes; social security and payroll taxes; unemployment insurance taxes; excise taxes; import and tariff duties; business license and privilege taxes; and the environmental tax" represent 2.1 percent of businesses' operating income nationally. Center for Business Research, Arizona State University, *Public Finance in Arizona* (January 2003), p. 50.

4 According to one extensive review of the literature, "The bottom line is that state and local tax burdens are small; differences in tax burdens across states are so modest that they are unlikely to outweigh the differences across states in the other costs of conducting business. These other 'costs of conducting business' are the most important factors affecting business investment decisions and include the cost and quality of labor, the proximity to markets for output …, the access to raw materials and supplies that firms need, the access to quality transportation networks and infrastructure …, quality-of-life factors …, and utility costs. These factors tend to be more important location factors than taxes because they typically have a greater impact on a firm's bottom line than taxes do." Robert G. Lynch, *Rethinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development* (Economic Policy Institute: March 2004), p. 6. Another analysis reviews 34 studies of the effect of taxes on business location and concludes that "taxes do not appear to have a substantial effect on economic activity among states." Michael Wasylenko, "Taxation and Economic Development: The State of the Economic Literature," *New England Economic Review* (March/April 1997), p. 47. See also William T. Bogart and Nathan B. Anderson, "Taxation and Business Location," in Joseph J. Cordes, Robert D. Ebel, and Jane G. Gravelle, eds., *The Encyclopedia of Taxation and Tax Policy,* 2nd ed. (The Urban Institute Press: 2005), p. 39.

5 Federal income tax law allows businesses to deduct all of the state and local taxes they pay for federal income tax purposes. In 2009, the highest tax rate for businesses with taxable incomes over $75,000 ranged from 34 percent to 39 percent.

6 Research shows that high-income families are more likely than lower-income families to save, as well as to spend money in other regions of the country or outside of the US. "Compared to lower-income families, higher-income families therefore have much lower propensities to consume *local* goods, both because they have lower propensities to consume overall and because locally produced goods constitute a smaller share of what they purchase." Peter Orszag and Joseph Stiglitz, *Budget Cuts vs. Tax Increases at the State Level: Is One More Counter-Productive Than the Other During a Recession?* (Center on Budget and Policy Priorities: Revised November 6, 2001), p. 2.

7 Every state except for Vermont is required by constitution or statute to balance its budget.

8 California Constitution, Article IV, Section 12. Specifically, the Legislature cannot pass, and the Governor cannot sign, a budget bill that, in combination with any other appropriations made prior to the passage of the budget act, appropriates more than estimated General Fund revenues plus transfers from the reserve.

9 Robert G. Lynch, *Rethinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development* (Economic Policy Institute: March 2004), p. 32. Lynch reviews numerous studies and finds that "statistical and econometric studies are nearly unanimous in concluding that state and local tax incentives fail to attract

a significant number of new businesses, create numerous jobs, or substantially enhance state economic performance" (p. 25). Lynch notes that the findings of these studies tend to be inconsistent, which leads him to conclude that "if there is an effect of tax cuts, positive or negative, it is likely to be very small because a large effect would consistently turn up in the studies" (p. 32). Additionally, he notes that when studies find positive effects of tax cuts they tend to assume that public expenditures are held constant, which is an unrealistic assumption. He finds the results of more recent and better studies "typically suggest that tax cuts may have some positive economic effects, but *only when services are not cut simultaneously*" (p. 29; emphasis in original).

[10] A static analysis might estimate, for example, that a 1 percentage point reduction in a state's corporate income tax rate would result in a direct loss of $10 million in tax revenues. A dynamic analysis, on the other hand, might find that a corporate tax cut of this magnitude would encourage businesses to create jobs and make new investments, which would indirectly boost tax revenues by $1 million, partially offsetting the direct $10 million loss.

[11] SB 1837 (Campbell, Chapter 393 of 1994).

[12] Jon David Vasché, *Whatever Happened to Dynamic Revenue Analysis in California?* (prepared for the Annual Revenue Estimation and Tax Research Conference, Federation of Tax Administrators: September 17-20, 2006), p. 12.

[13] P. Berck, et al., *Dynamic Revenue Analysis for California* (Department of Finance: Summer 1996). This report provides revenue estimates five or six years after a tax change is implemented in order to capture the full economic impact of the tax change.

[14] P. Berck, et al., *Dynamic Revenue Analysis for California* (Department of Finance: Summer 1996). The tax cut would directly reduce state revenues by $1 billion, but only generate enough economic activity in California to indirectly boost revenues by $10 million – just 1 percent of the revenues lost. This minimal gain in revenues is due in large part to the fact that the majority of personal income taxpayers' tax savings would flow out of the state economy. Berck et al. estimate that about one-quarter of the tax savings would leak out of the state because most of the tax savings would go to high-income taxpayers, who tend to itemize their deductions on their federal income tax returns and can deduct their state income taxes paid when determining their income for federal tax purposes. A lower state tax liability results in a smaller federal deduction and therefore a larger federal tax liability. In addition, since high-income taxpayers tend to save a substantial share of their incomes, less of their tax savings would be spent within California. After accounting for the high savings rate of high-income taxpayers and decreased federal deductibility, Berck et al. estimate that less than half of the tax savings generated by cutting personal income tax rates would enter California's economy.

[15] P. Berck, et al., *Dynamic Revenue Analysis for California* (Department of Finance: Summer 1996). Berck et al. state that the net revenue loss for each of the three tax cuts analyzed could be greater because the analyses do not take into account how state spending reductions on education and infrastructure could affect productivity over the long-term. Additionally, Berck et al. note that the corporate income tax analysis does not account for the fact that state corporate income taxes paid can be deducted for the purpose of computing federal taxes owed. Consequently, the authors indicate that the net revenue loss from a $1 billion corporate tax cut may be substantially understated. Interestingly, Berck et al. describe the economic impact of each of the tax cuts in their analysis as large and significant. For example, Berck et al. note that their results show "large real economic gains to reductions" in the personal income tax – a tax cut that their data show would cost the state 99 cents for each dollar reduction in personal income taxes (p. 132). This means that what some economists consider to be a *large* economic gain actually boosts state revenues by only a small amount – in this case, offsetting just 1 percent of the revenues the state would lose as a result of providing a $1 billion personal income tax cut.

[16] Congressional Budget Office, *Analyzing the Economic and Budgetary Effects of a 10 Percent Cut in Income Tax Rates* (December 1, 2005); Jason Furman, *A Short Guide to Dynamic Scoring* (Center on Budget and Policy Priorities: Revised August 24, 2006); and Richard Kogan and Aviva Aron-Dine, *Claim That Tax Cuts "Pay for Themselves" Is too Good To Be True: Data Show No "Free Lunch" Here* (Center on Budget and Policy Priorities: Revised July 27, 2006).

[17] Nicholas Johnson and Brian Filipowich, *Tax Cuts and Continued Consequences: States That Cut Taxes the Most During the 1990s Still Lag Behind* (Center on Budget and Policy Priorities: December 19, 2006).

[18] In addition, the economies of states that substantially increased taxes in recent years performed as well as or better than those of states that did not. See California Budget Project, *Budget Cuts or Tax Increases: Which Are Preferable During an Economic Downturn?* (Updated November 2008), p. 2.

[19] Average annual growth in inflation-adjusted non-residential investment, median household income, average hourly earnings, and employment were also weaker after the 1981 and 2001 tax cuts. Michael Ettlinger and John Irons, *Take a Walk on the Supply Side: Tax Cuts on Profits, Savings, and the Wealthy Fail To Spur Economic Growth* (Center for American Progress and Economic Policy Institute: September 2008). The authors conclude that the claim that "tax cuts for corporations and the wealthy, and on capital income, produce greater economic growth by spurring investment … fails when confronted by the data." The authors analyzed data in the seven years following each of the tax changes because it was the longest period of time possible that would not overlap one of the other tax changes examined.

[20] Joel Slemrod and Jon Bakija, *Taxing Ourselves: A Citizen's Guide to the Debate Over Taxes* (The MIT Press: 2008), p. 152. Another analysis finds that inflation- and population-adjusted revenue growth during the 1980s was only half that of the 1990s. Richard Kogan and Aviva Aron-Dine, *Claim That Tax Cuts "Pay for Themselves" Is too Good To Be True: Data Show No "Free Lunch" Here* (Center on Budget and Policy Priorities: Revised July 27, 2006). In addition, this study finds that there was virtually no difference in inflation-adjusted per-person economic growth during the 1980s and the 1990s.

[21] For example, Orszag notes that the "strongest period of growth in US history was the 1960s – when the top marginal rate was 70 percent or higher." He concludes that the historical record "is not consistent with the belief that taxes have a large effect on economic growth." Peter R. Orszag, *Marginal Tax Rate Reductions and the Economy: What Would Be the Long-Term Effects of the Bush Tax Cut?* (Center on Budget and Policy Priorities: Revised March 16, 2001), p. 2. In addition, "historical data show huge shifts in taxes with no observable shift in growth rates." William G. Gale and Peter R. Orszag, *Bush Administration Tax Policy: Effects on Long-Term Growth* (Tax Policy Center: October 18, 2004), p. 420. Gale and Orszag conclude, "Obviously, many factors affect economic growth rates, but if taxes were as crucial to growth as is sometimes claimed, the large and permanent historical increases in tax burdens and marginal tax rates might be expected to appear in the aggregate growth statistics." An analysis of nearly eight decades of major federal tax changes finds the claim that "governments could raise more money by cutting tax rates … unlikely to be true at anything like today's marginal tax rates." Austan Goolsbee, *Evidence on the High-Income Laffer Curve From Six Decades of Tax Reform* (prepared for the Brookings Panel on Economic Activity: September 1999), p. 38.

[22] In May 2010, California's unemployment rate was 12.4 percent. In addition, more than 400,000 Californians were working part-time "involuntarily" even though they normally work full-time, either because their employers had scaled back their hours of work or because they could not find full-time jobs.

[23] The effectiveness of tax incentives "is seriously constrained by the market conditions in which businesses are operating." Michael Ettlinger, *Job Creation in a Recession: The Basics* (Center for American Progress: November 30, 2009).

[24] Michael Ettlinger, *Job Creation in a Recession: The Basics* (Center for American Progress: November 30, 2009).

[25] Cited in Michael Mazerov, *State Enactments of the "Single Sales Factor" Tax Incentive Have Had Little Impact on Intel Corp.'s Major Plant Location Decisions* (Center on Budget and Policy Priorities: Revised March 15, 2005).

[26] Edward P. Lazear, *State of the Economy and the Budget,* testimony presented to the US Senate Budget Committee (September 28, 2006), p. 11.

[27] Council of Economic Advisers, *Economic Report of the President* (2003), pp. 57-58. When Ben Bernanke was chair of the CEA, he stated during testimony before the US Joint Economic Committee, "I don't think as a general rule tax cuts pay for themselves. What I have argued instead is that to the extent the tax cuts produce greater efficiency or greater growth, they will partially offset the losses in revenue." *The Economic Outlook,* testimony presented to the Joint Economic Committee (April 27, 2006), p. 17. Robert Carroll, deputy assistant treasury secretary for tax analysis during the George W. Bush administration, echoed this claim, stating that "as a matter of principle, we do not think tax cuts pay for themselves." Cited in Lori Montgomery, "Lower Deficit Sparks Debate Over Tax Cuts' Role," *The Washington Post* (October 17, 2006).

[28] John Cassidy, "Taxing," *The New Yorker* (January 26, 2004); Ron Suskind, *The Price of Loyalty: George W. Bush, the White House, and the Education of Paul O'Neill* (Simon and Shuster: 2004), p. 291; and *CBS 60 Minutes Interviews Former Treasury Secretary Paul O'Neill,* downloaded from http://www.informationclearinghouse.info/article5510.htm on May 25, 2010.

[29] Jason Furman, *A Short Guide to Dynamic Scoring* (Center on Budget and Policy Priorities: Revised August 24, 2006), p. 5.

[30] Bruce Bartlett, "Tax Cuts and 'Starving the Beast'," *Forbes* (May 7, 2010).