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<https://www.usnews.com/opinion/economic-intelligence/articles/2017-12-04/paul-krugmans-praise-of-cbo-forecasts-is-a-rosy-defense-of-big-government>

In the years since he won the Nobel Prize, Paul Krugman's transformation from a well-regarded economist to a high profile mouthpiece for the Democratic party is undeniable. Even a casual glance at his Twitter account shows the extent to which Krugman's policy preferences are presented as undeniable fact for a partisan audience. Just last week, for example, Krugman [praised](#) the Congressional Budget Office (CBO) for its "realistic policy analysis." This was nothing new. Throughout this past year, he has repeatedly quoted CBO estimates of the effects of an Obamacare repeal as if we should all take those numbers seriously. In point of fact, we shouldn't, and if Krugman has given even a cursory glance to the CBO's forecasts over the years, he knows as much.

A rigorous evaluation of the CBO's [track record](#) in predicting insurance coverage is impossible given the short period of time that the Affordable Care Act has been in place. Simply put, there is not enough data to determine whether what is happening under the ACA is markedly different from what was happening before. What is possible, though, is a rigorous evaluation of some of the CBO's other projections. Does the CBO indeed offer "realistic policy analysis," as Krugman is so fond of saying?

Every January, the CBO projects federal tax revenues, spending, and the debt for the current year, and for each of the next ten years. That's eleven forecasts every January, or a total of 231 forecasts going back to 1997. Of those 231 forecasts, 176 have come to pass, offering 176 opportunities to compare what the CBO forecasted to what actually happened.

How accurate is the CBO? Contrary to what Paul Krugman would have you believe, the correct answer is not at all.

From 1997 through 2017, the CBO's forecasts of future federal tax revenues were overly optimistic 78% of the time. And its forecasts of future federal spending were overly optimistic 63% of the time. Not only were CBO forecasts biased for both revenue and spending, they were both biased in the government's favor. On average, actual tax revenues were more than 10% lower than CBO projections, while actual federal spending was almost 7% higher. Combining the over-prediction of revenues with the under-prediction of spending leaves the CBO with unrealistically rosy projections of the federal debt. Since 1997, the CBO has underestimated future federal debt 80% of the time. That's an error rate that rivals the TSA's inability to detect

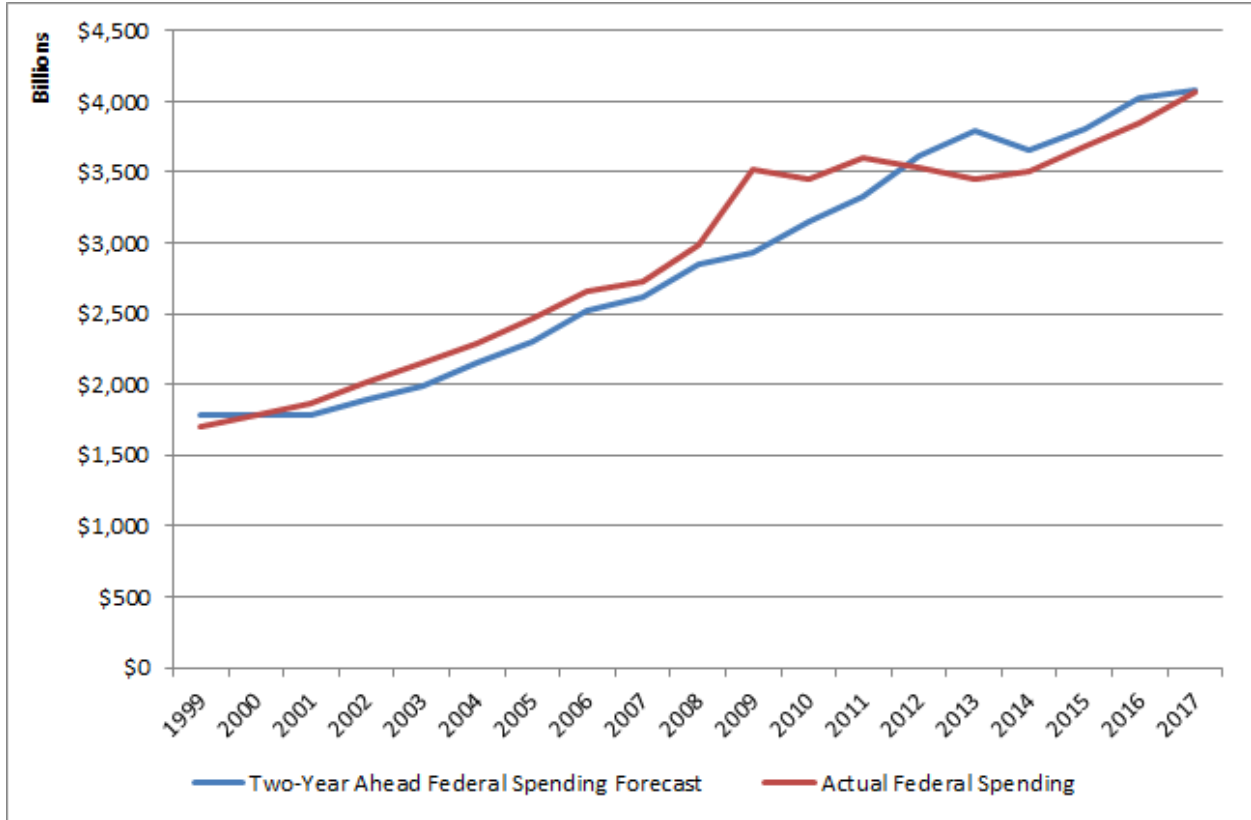
weapons at airport scanners. And, on average, the CBO's debt forecasts were about 24% too low.



Data source: Congressional Budget Office.

This isn't simple failure; it's spectacular failure.

But before we write off the CBO as wholly incompetent, note that it has been rather good at predicting future GDP. Since 1997, the CBO has overestimated GDP only 59 percent of the time (an unbiased forecast should overestimate 50% of the time and underestimate 50% of the time), and on average it has come within 2 percent of the actual number. In fact, since federal tax revenues are a relatively constant 17 percent of GDP, had the CBO taken its forecasts of future GDP and simply multiplied by 17 percent, it would have obtained better forecasts of future tax revenues than it did.



Data source: Congressional Budget Office

Currently, the CBO is projecting that, under President Trump's tax plan, the debt will reach \$24 trillion by 2027. But 2027 is ten years away. When it comes to outlandishly rosy predictions, the only thing that beats a CBO budget forecast is a CBO budget forecast for something that's five or more years in the future. In its January forecasts since 1997, when looking at least five years into the future, the CBO underestimated the future debt 95 percent of the time. And it underestimated the debt to the tune of a whopping 43 percent, on average. It would be hard for the CBO to be more wrong if it tried.

If the CBO's current \$24 trillion debt forecast is as rosy as its previous forecasts, then we can expect the debt actually to be around \$35 trillion. The annual interest on that debt will run anywhere from \$1 trillion a year, if the Federal Reserve manages to hold interest rates at rock-bottom levels for another decade, to over \$2 trillion per year if interest rates merely rise to their historical average. This necessarily means one of two things: Either the Federal Reserve will force the government's annual interest payments to double, or it will force American citizens into further years of paltry returns on their savings.

But in the end, the economists at the CBO really aren't to blame. The assumptions on which CBO builds its projections are largely dictated by Congress. This means, of course, that politicians can [game](#) CBO projections in any number of creative ways.

Yet, this is the office that Nobel Prize winning economist Paul Krugman trusts to analyze the costs and benefits of rolling back ObamaCare. If history is any guide, the CBO will offer woefully inaccurate predictions that paint big and growing government in the best possible light, and it will be years, if not decades, before there is sufficient data for people of good will to determine just how badly they were misled. In short, the CBO will do exactly what a rational person would predict: It will make the rosier case possible in favor of more government involvement in the lives of American citizens. It will then kick the consequences of that prediction down the road for future generations to solve, just as it has done with the United States' monstrous debt at almost every turn.

The real lesson in all of this is a predictable one. When we trust government to evaluate the effectiveness of government, government concludes that more government is better. This doesn't pass the smell test, and it certainly doesn't pass analytical tests over time. That it passes Krugman's test speaks volumes about what he has become, which is an unthinking defender of pervasive government.