EXTENSIONS OF REMARKS

THE DYNAMIC WAY TO SCORE TAX POLICY

HON. TOM CAMPBELL

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 2, 1996

Mr. CAMPBELL. Mr. Speaker, I rise today in support of reforming the Federal budget process, to make the Federal budget process more manageable and responsive to the American people. Today, I am introducing, along with my colleagues, the Honorable Majority Leader DICK ARMEY, Joint Economic Committee Vice Chairman JIM SAXTON, Congressmen SHAYS, SANFORD, HORN, THORNBERRY, EWING, CUNNINGHAM, and MANZULLO, a sense-of-Congress resolution that would promote the concept of dynamic economic modeling.

Congress can gain valuable insight from the States in many key policy areas, and one important area is in the accurate estimation of the revenues available to provide Government services in the first place. Through the sound application of an accounting device known as dynamic economic modeling, several State governments are providing clearer and more accurate insight into revenue patterns for future years. The sense-of-Congress resolution I am introducing today is in support of the premise that dynamic economic modeling is a valuable means of estimating the effect Federal tax policy. In addition, this is a concept that Congress and the Federal Government should explore further.

The formulas now used to predict the economic impact of changes in the Tax Code don't fully reflect the fact that tax changes spur behavior and macroeconomic changes. If you don't factor in these behavior changes you get phony revenue numbers and, consequently, inaccurate budget numbers. My resolution is designed to encourage the consideration of real life and real dollars back into Government projections.

At the heart of this discussion is whether we should encourage growth and opportunity in our tax policy. By implementing dynamic economic modeling, one can get a better idea of the revenue effects that changes in sensitive tax policy cause. The Commonwealth of Massachusetts, for example, has been using dynamic economic methods for several years. My home State of California, it should be noted, has completed initial design and testing of a computable general equilibrium model [CGE]. As a State senator in California, I took part in this process by authoring Senate bill 1837, a bill authorizing the implementation of dynamic economic modeling techniques. This bill was passed by the California legislature and signed by Governor Wilson in 1994.

The California Department of Finance, I am pleased to say, has sent a copy of the model paper to members of Governor Wilson's council of economic advisers, specifically John Cogan, John Taylor, and Michael Boskin of Stanford University. I expect this model will be circulated to other academics in California and elsewhere, and am confident that these models will be excellent tools to help policymakers at the State and Federal levels understand the full economic consequences of tax legislation.

Dr. Boskin, also a former Bush administration economic adviser, argued last year before Congress that dynamic economic modeling is not an attempt to cook the books as defenders of conventional models might suggest. As Dr. Boskin added, those who claim that this is an attempt to cook the books are starting with the erroneous proposition that the books are now in good shape. What he acknowledged is that there are serious problems in conventional accounting and in the current presentation of information.

Let me illustrate how dynamic modeling may work. The House of Representatives Joint Economic Committee [JEC] cites a 1990 projection of Congressional Budget Office [CBO] realizations after capital gains tax rates were increased. Initial estimates of capital gains realizations showed significant gains even after a large increase in the capital gains tax rate after 1987. According to recent Internal Revenue Service data, however, actual realizations were less than half of what was projected by CBO for 1993. Instead of projected realizations of $295 billion in 1993, capital gains realizations remained stagnant at $141 bilion—an error or over 100 percent. In the words of the Joint Economic Committee, the higher capital gains tax rate has produced less annual real revenue in the 1990-93 time period under the lower rate of 1985, despite a larger economy.

These problems are serious enough to justify exploration of policy changes in how we project revenue. At the very least, the idea of dynamic economic modeling could provide a range of revenue estimates around the number produced by the static model.

It is time for Congress to take notice of dynamic economic modeling's implementation by States, and with the help of leading accounting firms and academics, adopt it. Ignoring the debate on alternative revenue estimating will create a bias against tax policies to create growth which are now under consideration. Good ideas which could enrich our future standard of living are a risk of outmoded economic calculations if we do not begin this dialog.

CENTENNIAL OF MILLTOWN BOROUGH, NJ

HON. FRANK PALLONE, JR.

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 2, 1996

Mr. PALLONE. Mr. Speaker, on May 7, 1996, the Borough of Milltown, NJ, will commemorate its 100th anniversary under its present form of government and incorporation. This occasion will be marked by the borough council at its public meeting on that date. It is a great honor and pleasure to pay tribute to this beautiful, historic community, located in the heart of Middlesex County in the Sixth Congressional District.

Mr. Speaker, the community of Milltown essentially started in 1816 with Jacob Beyer, who had a local grist mill. The industrial era came to the community 27 years later. On October 9, 1888, residents met to discuss secession from the larger area of North Brunswick, and 2 weeks later a special election was held to form a borough commission and establish boundaries. On March 1889, the board of commissioners was chosen and they were sworn in on March 16 of that year. In 1896, the State legislature repealed the act relating to the commission form of government. On May 7, 1896, the new borough council was formed.

Mr. Speaker, as the Congressional Representative of Milltown, I salute the mayor and governing body, all of today's residents, and all of the men and women over the past century who have helped to build this lovely, tight-knit community into a great place to live, work, and raise a family.

INTRODUCTION OF THE CONGRESSIONAL TRAVEL ACCOUNTABILITY RESOLUTION

HON. GREG GANSKE

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 2, 1996

Mr. GANSKE. Mr. Speaker, I rise today to introduce the congressional travel accountability resolution. This resolution will increase the accountability of House Members for domestic and foreign trips made at taxpayers' expense.

Currently, travel taken by Members of Congress is only partially reported and not all in one place. It is nearly impossible for someone to sift through the current travel reporting maze and determine who has been where and at what expense to taxpayers.

Current reporting and disclosure requirements are inadequate. The public has a right to know how its money is spent. And most importantly, Members of Congress should be held personally accountable for their travel on the taxpayers' dime.

This resolution provides accountability, responsibility, simplicity, and common sense. These are four things the American people are demanding of the Federal Government.

This proposal has already received bipartisan support. I urge my colleagues to join me and support this long overdue reform.