



How Does Macroeconomic Feedback Affect Our Revenue Scores?

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Key Takeaways

1

After accounting for slower real economic growth, each CTC expansion would cost about 20 percent more than the conventional budget estimate would suggest.

2

The full FSA reform, which would reduce deficits and boost long-run growth, would induce slightly positive revenue feedback.

In addition to the adjustments included in our [Partially Dynamic Budget Scores](#), macroeconomic changes feed back into revenues through their effect on taxable income. Policy reforms that increase real economic growth will be less expensive (or raise more revenue) than a conventional score would suggest; the opposite is true for reforms which reduce growth. The table below presents the revenue change attributable to our estimated changes in the macroeconomy.

Indirect Budget Effects Due to Macroeconomic Feedback, FY2025-2054

Billions of Dollars

Scenario	Budget window	Second decade	Third decade
Current Policy	5	-90	-165
CTC FSA	8	-189	-329
Full FSA	-15	87	242
2021 Law	6	-178	-301
Edelberg-Kearney	5	-167	-277

Source: [The Budget Lab](#) • Created with [Datawrapper](#)

- All reform options besides the full FSA permanently increase deficits. We project that this fiscal change would provide a temporary boost in real economic growth, which generates small but positive revenue feedback during the first decade. However, in the longer run, we expected the Federal Reserve would respond to increased inflationary pressures by increasing interest rates and thus dampening real economic growth relative to baseline, which would reduce revenues. In other words, accounting for lower long-run economic output raises our cost estimates by around 20 percent.
- For the full FSA, incorporating macroeconomic feedback effects *increases* the estimated amount of revenue raised by about 6 percent in the third decade after enactment.