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The Economic and Budgetary Effects of Vice President Gore's and Governor Bush's Economic Plans

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The tax and budget plans by Vice President Al Gore and Texas Governor George W. Bush represent two different approaches to governing. The Gore plan proposes to increase the size and scope of federal spending while providing relatively small and targeted tax cuts. The Bush plan proposes a smaller and more limited increase in government spending while providing much larger and broader tax relief.

More specifically, the Vice President would use the tax code to encourage certain activities. For example, taxpayers who care for an elderly parent, use energy in a particular way, or whose children go on to college would receive a tax cut, while many other taxpayers would not.

The tax measures in Governor Bush's plan generally do not require taxpayers to engage in certain activities in order to receive tax relief.[1] Under Bush's plan, all taxpayers receive a tax cut because all marginal tax rates are reduced. Moreover, under the Governor's plan taxpayers would keep more of their earnings to spend, save, and invest as they see fit.

How would these two plans, based on different approaches, affect the economy and family budgets?

To answer this query, the Heritage Foundation Center for Data Analysis (CDA), at the request of *Investor's Business Daily,*[2] conducted a dynamic simulation of both plans to assess their economic and budgetary impacts. The results show that both plans increase economic growth and family income while reducing federal debt, but they do so to different degrees. For example: Governor Bush's plan would increase a family of four's inflation-adjusted disposable income by $4,680 in fiscal year (FY) 2010, while under Vice President Gore's plan the increase is just $2,536. Both plans would also save the entire Social Security surplus while increasing personal saving.

To conduct the simulation, CDA economists used WEFA's U.S. Macroeconomic Model.[3] CDA economists reconstructed the July 2000 long-term model to embody the economic and budgetary assumptions published by the Congressional Budget Office (CBO) in July 2000. This specifically adapted model uses CBO budget assumptions to produce dynamic sim-

1. The Gore plan relies entirely on targeted tax cuts, while such tax cuts account for only one-third of the Bush plan.
2. Daniel J Murphy and John Berlau, "Is Gore or Bush Better on Economy? Depends on How You Spin the Data," *Investor's Business Daily,* October 12, 2000, p. A-24.

ulations of policy changes. WEFA and the Institute for Policy Innovation (IPI) have also conducted simulations of the two plans (see Appendix A for the key differences between the studies).[4]

Some analysts using static revenue and spending estimates have calculated the budgetary impact of both plans. The Committee for a Responsible Federal Budget (CRFB) estimates the Gore plan would increase federal spending by $1,356 billion over ten years and reduce tax revenue by $221 billion.[5] The CRFB estimates the Bush plan would increase federal spending by $482 billion and reduce tax revenue by $1,321 billion.[6] The CDA's dynamic analysis, however, suggests that under the Bush plan, federal spending would increase by $747 billion while revenue would decrease by just $756 billion. Under the Gore plan, the CDA's dynamic analysis projects that federal spending would increase by $1,590 billion while tax revenue would increase by $334 billion. The difference between the static and dynamic estimates results from the increased economic activity, higher employment growth, higher inflation, and higher interest rates that both plans produce.

Specifically, the CDA's dynamic analysis projects:

- **The Bush plan would increase economic growth slightly more than the Gore plan.** Both plans would increase the rate of economic growth by an average of 0.2 percentage points per year (from 2.7 percent to 2.9 percent) from FY 2001 to FY 2010 (see Table 1). However, by the end of FY 2010, real gross domestic product (GDP) would be $198.0 billion higher than the CBO baseline forecast under the Bush plan, compared with $155.2 billion more under the Gore plan (see Appendix B).
- **The Bush plan would increase family income significantly more than the Gore plan.** By the end of FY 2010, the Bush plan would increase the disposable personal income for a family of four (adjusted for inflation) by $4,680, compared with just $2,536 under the Gore plan (see Appendix B). In response to this increase in family budgets, consumer spending would rise by $245.6 billion, or $3,297 per family of four, under the Bush plan, compared with $132.5 billion, or $1,778 per family of four, under the Gore plan.
- **The Bush plan would increase family savings more than the Gore plan.** By the end of FY 2010, a family of four would be able to save $1,222 more (adjusted for inflation) than the CBO baseline forecast under the Bush plan, compared with $908 more under the Gore plan.
- **The Bush plan would create more job opportunities than the Gore plan.** Under the Bush plan, 1.5 million more Americans would be working at the end of FY 2010, compared with an increase of 1.1 million under the Gore plan.
- **The Gore plan would increase investment slightly more than the Bush plan.** The Gore plan would increase investment (adjusted for inflation) by an average of $28.6 billion per year from FY 2001 to FY 2010, compared with $27.6 billion per year under the Bush plan. By the end of FY 2010, however, investment would be $61.7 billion higher than the CBO

3. The Center for Data Analysis of The Heritage Foundation used the Mark 11 U.S. Macro Model of WEFA, Inc., formerly Wharton Econometric Forecasting Associates, to conduct this analysis. The model was developed in the late 1960s by Nobel Prize-winning economist Lawrence Klein and several of his colleagues at the Wharton Business School of the University of Pennsylvania. It is widely used by Fortune 500 companies, prominent federal agencies, and economic forecasting departments. The methodologies, assumptions, conclusions, and opinions herein are entirely the work of Heritage Foundation analysts. They have not been endorsed by, nor do they necessarily reflect the views of, the owners of the model.
4. A summary of WEFA's analysis can be found at *www.wefa.com.* A summary of the IPI's analysis can be found at *www.ipi.com.*
5. This does not include increased interest payments on federal debt, but does include the Gore plan's Medicare prescription drug premiums. See Carol Cox Wait, "Budget Issue Update, Campaign Budget and Economic Policies," Committee for a Responsible Federal Budget, September 22, 2000.
6. This does not include increased interest payments on federal debt, but does include Governor Bush's recently announced energy policies.

baseline under the Bush plan, compared with $53.2 billion under the Gore plan.

- **The Bush plan would increase inflation slightly more than the Gore plan.** Under the Bush plan, inflation would average 2.9 percent per year between FY 2001 and FY 2010, compared with 2.8 percent per year under the Gore plan.

- **Both the Bush and Gore plans would increase home mortgage rates by the same amount.** Under both the Bush and Gore plans, 30-year mortgage rates increase by an average of 0.6 percentage point per year (from 7.2 percent to 7.8 percent) between FY 2001 and FY 2010. Because of lower unemployment and the Federal Reserve's assumed reaction to higher levels of economic activity, both plans also would increase short-term interest rates—Bush slightly more than Gore (0.8 and 0.7 percentage points, respectively).

The CDA's dynamic analysis also reveals that the plans would have different effects on the federal budget. Specifically, the results suggest:

- **The Gore plan would increase federal spending significantly more than the Bush plan.** The Gore plan increases federal spending by $1,590 billion from FY 2001 to FY 2010, compared with $747 billion under the Bush plan (see Table 1).

- **The Gore plan would increase federal tax revenue; the Bush plan would reduce it.** The Gore plan would increase federal tax revenue by $334 billion from FY 2001 to FY 2010, compared with a reduction of $756 billion under the Bush plan.

- **Both the Bush and Gore plans would decrease the federal surplus.** The Bush plan would reduce the federal surplus by $1,503 billion from FY 2001 to FY 2010, compared with $1,256 billion under the Gore plan. Neither plan dips into the Social Security surplus from FY 2001 to 2010. In fact, because of higher employment and payroll taxes, the Social Security surplus would increase by $83.8 billion under the Bush plan and $73.5 billion under the Gore plan.

- **The Gore plan would decrease federal debt by more than the Bush plan.** The Gore plan would decrease federal debt to $166 billion in FY 2010, compared with $381 billion under the Bush plan. From FY 2001 to 2010, federal debt as a percentage of GDP would decline from 31.9 percent to 1.1 percent under the Gore plan, compared with a decline from 32.0 percent to 2.4 percent under the Bush plan (see Appendix B).

Table 1 CDA00-11

Summary of Differences Between the Bush Plan and Gore Plan

FY 2001 - 2010 Average Increase from CBO Baseline

	Bush Plan	Gore Plan
Gross Domestic Product*	$111.3	$105.2
Economic Growth	0.2%	0.2%
Employment	762,000	672,000
Real Disposable Personal Income*	$223.2	$146.5
Real Disposable Personal Income for Family of Four (Dollars)	$3,072	$2,028
Consumption*	$130.5	$89.1
Savings*	$86.0	$64.4
Investment*	$27.6	$28.6
Consumer Price Index	0.3%	0.2%
Short-term Interest Rates	0.8%	0.7%
30-Year Mortgage Rates	0.6%	0.6%

FY 2001 - 2010 Total Change from CBO Baseline**

	Bush Plan	Gore Plan
Federal Tax Revenue	-$756.1	$333.6
Federal Spending	$747.1	$1,589.8
Surplus	-$1,503.3	-$1,256.3
On-Budget Surplus	-$1,587.0	-$1,329.7
Off-Budget Surplus	$83.8	$73.5
Publicly Held Debt in FY 2010	$380.9	$166.0

Note: *Dollar amounts are in billions of 1996 dollars. **In billions of dollars.

Part of the different dynamic effects of the two plans comes from the fact that Governor Bush's tax relief does not begin until 2002, whereas some of Vice President Gore's tax reductions begin in 2001. The tenth year of Governor Bush's tax relief does not occur until 2011—outside the current CBO forecast period. The Gore plan also increases spending significantly more in 2001 and 2002 than the Bush plan.

CONCLUSION

Governor Bush's and Vice President Gore's tax and budget plans appear to have roughly similar effects on overall economic growth, inflation, and interest rates. But the substantial philosophical difference between the two plans—higher spending vs. lower taxes—reveals itself most in such areas as the disposable income of families and savings. Both plans reduce the total federal surplus, but neither one dips into the Social Security surplus. Both plans also reduce the federal debt to less than three percent of GDP.

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APPENDIX A: METHODOLOGY

Economists with the Center for Data Analysis (CDA) followed a two-step procedure in analyzing the budgetary and economic effects of Vice President Gore's and Governor Bush's tax and budget plans.

First, static tax revenue and spending estimates were obtained from the Congressional Budget Office (CBO), the Committee for a Responsible Federal Budget (CRFB), Citizens for Tax Justice (CTJ), and the Gore and Bush campaigns. These outside sources were chosen in order to be as fair as possible to both campaigns. The CBO, CRFB, CTJ, and Gore and Bush tax revenue and spending estimates are based on a static methodology that does not account for the macroeconomic effects that would result from a reduction in tax rates or higher spending. These effects include changes in the gross domestic product (GDP), interest rates, employment, personal income, and inflation that can significantly affect tax revenues and spending levels. As such, the static estimates provide a limited analysis of the economic and budgetary impact of any policy change. To forecast the change in federal tax revenue, spending, and the economy more accurately, a dynamic model must be used.

The second step was to introduce the static revenue changes into the WEFA U.S. Macroeconomic Model. The WEFA model is a dynamic model of the U.S. economy that is designed to estimate how the general economy is reshaped by policy reforms, such as tax law and spending changes. CDA economists have developed a revised WEFA model for The Heritage Foundation that embodies the economic and budgetary assumptions published by the CBO in July 2000. This specifically adapted WEFA model produces dynamic responses from the CBO baseline as a result of proposed policy changes. In order to conduct balanced simulations for both plans, only tax and spending changes were made to the model. No adjustments were made to labor force participation rates or relative prices.[7]

DIFFERENCES BETWEEN THE CDA, WEFA, AND IPI SIMULATIONS

WEFA and the Institute for Policy Innovation (IPI) have each conducted simulations of the Bush and Gore plans. While their analyses produced similar results, there are four important differences between the CDA, WEFA, and IPI simulations.

- The baseline models are different. While both WEFA and the CDA use the same model of the U.S. economy, the CBO baseline versions of the model are slightly different. The CDA CBO baseline is more detailed and more accurately matches the CBO forecast published in July 2000.[8] Because the IPI uses their own model of the U.S. economy that is considerably different from the WEFA model, their results are not directly comparable to those of either WEFA or the CDA.
- Different tax and spending estimates were used. All of the WEFA and IPI tax and spending estimates were obtained from the Gore and Bush campaigns; some of these were based on CTJ, CBO, and Office of Management and Budget (OMB) estimates. The CDA used the tax and spending estimates of the plans scored by the bipartisan CRFB. These estimates do not count items such as savings from competition in Medicare or from the Quadrennial Defense Review, or from closing corporate loopholes. Both WEFA and the IPI count some targeted tax credits in the Bush plan as tax cuts, while both the Bush campaign and CRFB count them as spending increases.
- Gore's Retirement Savings Program was modeled differently. The CDA modeled the Vice President's Retirement Savings Program, the largest component of the Gore plan, as the

7. Economic research suggests that reducing marginal tax rates, as the Bush plan does, would increase the labor force and the number of hours worked. See Congressional Budget Office, "Labor Supply and Taxes," January 1996.
8. The CDA's CBO baseline targets more of the CBO National Income and Product Account estimates for government spending than WEFA's CBO baseline.

CBO and OMB would score it—as both a savings program and a tax cut. WEFA modeled the entire program as a tax cut.[9]

- **Gore's EITC and Dependent Care Tax Credits were modeled differently.** The CDA modeled the Vice President's EITC and Child and Dependent Care Tax Credits as the CBO and OMB would score them—as both a spending increase and a tax cut—while WEFA modeled the both tax credits as tax cuts.

We believe these four differences mean the CDA analysis more accurately models both plans than does the WEFA analysis. The effect of the CDA approach is to slightly reduce economic growth, the number of jobs, personal income, and investment while increasing savings under the Gore plan. This CDA analysis is, however, limited. No adjustments were made to labor force participation rates or to relative prices, even though economic research suggests that reducing marginal tax rates, as the Bush plan does, would increase the labor force and the number of hours worked. If these adjustments were made, the difference between the two plans significantly increases and the CDA results would more closely match the IPI results.[10]

The following sections describe how the CDA static estimates were introduced into the WEFA model to estimate the dynamic economic and budget results.

STATIC TAX REVENUE ESTIMATES

Static tax revenue estimates were obtained from the CBO, CRFB, and CTJ. Revenue estimates for the Bush plan were obtained from a CTJ publication using Joint Committee on Taxation estimates. This report uses only the estimates for FY 2002 through FY 2010 since that is the current CBO forecast period. Most of the estimates for the Gore plan were obtained from the Gore–Lieberman economic plan published in September 2000. CRFB estimates of the Gore plan's retirement savings program, Earned Income Tax Credit, and Child and Dependent Care Tax Credit were used to adjust for the spending components of those refundable programs. The static revenue estimates were phased in according to details provided by the CBO and JCT or, if no details were available, the phase-in rates were assumed to be the same as the CTJ published estimates for the Bush plan.

STATIC SPENDING ESTIMATES

Static spending estimates for both plans were obtained from the CRFB. The CRFB's spending estimates do not count unspecified savings such as from competition in Medicare or closing corporate loopholes.[11] The CRFB spending estimates for the Gore plan's retirement savings program, Earned Income Tax Credit, and Child and Dependent Care Tax Credit were phased in according to details provided in the Gore–Lieberman economic plan. The cost of Governor Bush's recently announced energy policies was added to the CRFB static estimate. The static spending estimates were phased in according to details provided by the CBO or, if no details were provided, the phase-in rates were assumed to be the same for both plans.

DYNAMIC ECONOMIC AND BUDGETARY ESTIMATES

The WEFA model contains a number of variables that are used to simulate proposed policy changes. The following changes were made in the model.

Average Personal Effective Tax Rate

The WEFA model contains a variable that measures the total amount of all federal taxes on individual income as a percentage of the nominal personal income tax base. CDA economists adjusted this average effective tax rate downward for each of the forecast years to reflect the static revenue decrease estimates of both plans.

Corporate Tax Revenue

The WEFA model contains a variable that measures the total amount of federal corporate tax rev-

9. Both the CBO and OMB score the Retirement Savings Program the same way.
10. This analysis is available from the authors upon request.
11. See Carol Cox Wait, "Budget Issue Update, Campaign Budget and Economic Priorities."

enue. Heritage economists adjusted the revenue downward for each of the forecast years to reflect their static revenue decrease estimates of both plans.

Indirect Business Tax Revenue

The WEFA model contains a variable that measures the total amount of federal indirect business tax revenue. CDA economists increased the revenue in the Bush plan simulation for FY 2002 and FY 2003 to reflect the static revenue increase from the bid bonuses from exploring the Arctic National Wildlife Refuge. No change was made for the Gore simulation.

Federal Medicare Spending

The WEFA model contains a variable that measures the total amount of federal Medicare spending. Heritage economists increased the spending for each of the forecast years to reflect the static revenue estimates of both plans.

Federal Health Care Spending

The WEFA model contains a variable that measures the total amount of federal non-Medicare health care spending. Heritage economists increased the spending for each of the forecast years to reflect the static revenue estimates of both plans.

Federal Transfer Payments

The WEFA model contains a variable that measures the total amount of other federal transfer payments to persons. Heritage economists increased the spending for each of the forecast years to reflect the static revenue estimates of both plans.

Federal Defense and Non-Defense Spending

The WEFA model contains variables that measure the total amount of federal defense and non-defense spending. Heritage economists increased the spending for each of the forecast years to reflect the static revenue estimates of both plans.

Federal Debt

The specifically adapted baseline model used for the simulations contains the CBO assumption that redeemable publicly held federal debt will not fall below $800 billion in FY 2010. This results in a significant accumulation of excess cash in the CBO baseline model. This assumption was suspended for both plans, and debt was allowed to fall to zero.

Monetary Policy

The model assumes that the Federal Reserve Board will react to this policy change as it has historically. This assumption was embodied in the Heritage model simulation by including the stochastic equation in the WEFA model for monetary reserves for both plans.

How Governor Bush's Tax and Spending Plan Would Affect Selected Economic Indicators

Economic Indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001–2010 (Average)
Gross Domestic Product					In Billions of 1996 Dollars							
Forecast	9,330.7	9,612.9	9,898.9	10,166.7	10,452.2	10,756.6	11,078.7	11,398.0	11,720.4	12,057.6	12,415.9	10,955.8
Baseline	9,330.7	9,602.9	9,859.6	10,115.3	10,378.8	10,660.2	10,947.9	11,243.4	11,547.2	11,872.2	12,217.9	10,844.5
Difference	0.0	10.0	39.3	51.4	73.4	96.4	130.8	154.6	173.2	185.4	198.0	111.3
GDP Growth Rate					Percent Change from Year Ago							
Forecast	5.1	3.0	3.0	2.7	2.8	2.9	3.0	2.9	2.8	2.9	3.0	2.9
Baseline	5.1	2.9	2.7	2.6	2.6	2.7	2.7	2.7	2.7	2.8	2.9	2.7
Difference	0.0	0.1	0.3	0.1	0.2	0.2	0.3	0.2	0.1	0.1	0.1	0.2
Total Employment					In Thousands of Jobs							
Forecast	132,092	134,642	136,216	137,666	139,174	141,085	142,820	144,552	146,281	148,216	150,244	142,090
Baseline	132,092	134,595	135,990	137,340	138,710	140,471	141,971	143,506	145,066	146,870	148,754	141,327
Difference	0	47	226	326	464	614	849	1,046	1,215	1,346	1,490	762
Unemployment Rate					Percent of Civilian Labor Force							
Forecast	3.7	3.7	4.0	4.2	4.4	4.4	4.5	4.4	4.4	4.3	4.3	4.3
Baseline	3.7	3.7	4.2	4.4	4.7	4.8	5.0	5.1	5.2	5.2	5.2	4.8
Difference	0.0	0.0	-0.2	-0.2	-0.3	-0.4	-0.5	-0.7	-0.8	-0.9	-0.9	-0.5
Disposable Personal Income					In Billions of 1996 Dollars							
Forecast	6,677.3	6,916.1	7,212.7	7,366.0	7,562.6	7,776.0	8,064.7	8,366.3	8,663.1	8,956.7	9,262.6	8,014.7
Baseline	6,677.3	6,904.4	7,144.5	7,246.0	7,392.1	7,556.4	7,780.9	8,044.6	8,323.2	8,608.9	8,913.9	7,791.5
Difference	0.0	11.7	68.2	120.0	170.5	219.6	283.8	321.7	339.9	347.8	348.7	223.2
Disposable Income per Capita					In 1996 Dollars							
Forecast	24,298	24,960	25,820	26,156	26,640	27,174	27,958	28,770	29,551	30,304	31,084	27,842
Baseline	24,298	24,918	25,575	25,730	26,039	26,406	26,974	27,664	28,391	29,127	29,914	27,074
Difference per Person	0	42	245	426	601	768	984	1,106	1,160	1,177	1,170	768
Difference for Family of Four	0	168	980	1,704	2,404	3,072	3,936	4,424	4,640	4,708	4,680	3,072
Consumption Expenditures					In Billions of 1996 Dollars							
Forecast	6,316.8	6,421.9	6,604.3	6,710.9	6,839.7	6,987.9	7,159.2	7,340.8	7,516.2	7,685.3	7,833.9	7,110.0
Baseline	6,316.8	6,415.4	6,569.6	6,658.6	6,757.7	6,876.8	7,009.4	7,157.4	7,306.5	7,455.6	7,588.3	6,979.5
Difference	0.0	6.5	34.7	52.3	82.0	111.1	149.8	183.4	209.7	229.7	245.6	130.5
Personal Savings					In Billions of 1996 Dollars							
Forecast	121	251.0	352.8	396.9	458.0	510.8	616.5	723.3	832.3	945.1	1088.8	617.6
Baseline	121	246.1	321.2	332.2	374.1	408.3	490.6	594.4	712.6	838.3	997.8	531.6
Difference	0.0	4.9	31.6	64.7	83.9	102.5	125.9	128.9	119.7	106.8	91.0	86.0

Note: All years are fiscal year end. Some numbers may not add due to rounding.
Source: Center for Data Analysis, The Heritage Foundation.

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How Governor Bush's Tax and Spending Plan Would Affect Selected Economic Indicators

More Economic Indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001–2010 (Average)
Investment					In Billions of 1996 Dollars							
Forecast	1,351.3	1,446.0	1,516.3	1,583.0	1,650.6	1,721.6	1,770.4	1,806.7	1,833.0	1,858.6	1,879.1	1,706.5
Baseline	1,351.3	1,444.0	1,508.1	1,572.5	1,636.0	1,702.0	1,742.4	1,770.9	1,789.1	1,806.6	1,817.4	1,678.9
Difference	0.0	2.0	8.2	10.5	14.6	19.6	28.0	35.8	43.9	52.0	61.7	27.6
Consumer Price Index					Percent Change from Year Ago							
Forecast	3.2	2.7	3.1	2.9	2.8	2.9	2.9	3.0	2.9	2.9	2.9	2.9
Baseline	3.2	2.6	2.9	2.7	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6
Difference	0.0	0.1	0.2	0.2	0.3	0.4	0.4	0.5	0.4	0.4	0.4	0.3
Treasury Bill, 3 Month					Annualized Percent							
Forecast	6.1	6.8	5.5	5.2	5.3	5.5	5.6	5.9	6.0	6.2	6.2	5.8
Baseline	6.1	6.7	5.3	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	5.0
Difference	0.0	0.1	0.2	0.4	0.5	0.7	0.8	1.1	1.2	1.4	1.4	0.8
30-Year Mortgage Rate					Annualized Percent							
Forecast	8.6	8.1	7.6	7.4	7.4	7.6	7.7	7.9	8.0	8.2	8.4	7.8
Baseline	8.6	8.1	7.5	7.0	6.9	7.0	6.9	6.9	7.0	7.1	7.3	7.2
Difference	0.0	0.0	0.1	0.4	0.5	0.6	0.8	1.0	1.0	1.1	1.1	0.6

Note: All years are fiscal year end. Some numbers may not add due to rounding.
Source: Center for Data Analysis, The Heritage Foundation.

How Governor Bush's Tax and Spending Plan Would Affect Selected Budget Indicators

Federal Budget Indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001 - 2010 (Total)
Federal Tax Revenue					In Billions of Dollars							
Forecast	2,008.1	2,111.7	2,198.4	2,260.0	2,325.5	2,407.2	2,492.0	2,588.4	2,703.5	2,834.5	2,977.2	24,898.4
Baseline	2,008.1	2,109.3	2,202.7	2,290.7	2,379.6	2,484.6	2,593.5	2,705.0	2,826.0	2,961.1	3,102.0	25,654.5
Difference	0.0	2.4	-4.3	-30.7	-54.1	-77.4	-101.5	-116.6	-122.5	-126.6	-124.8	-756.1
Federal Spending					In Billions of Dollars							
Forecast	1,776.0	1,847.0	1,914.3	1,987.6	2,071.4	2,163.4	2,224.5	2,292.8	2,370.0	2,442.8	2,531.3	21,845.1
Baseline	1,776.0	1,841.0	1,891.0	1,946.0	2,011.0	2,085.0	2,124.0	2,184.0	2,262.0	2,336.0	2,418.0	21,098.0
Difference	0.0	6.0	23.3	41.6	60.4	78.4	100.5	108.8	108.0	106.8	113.3	747.1
Federal Surplus/Deficit					In Billions of Dollars							
Forecast	232.1	264.7	284.1	272.4	254.0	243.8	267.5	295.6	333.5	391.7	445.9	3,053.2
Baseline	232.1	268.3	311.7	344.7	368.6	399.6	469.5	521.0	564.0	625.1	684.0	4,556.5
Difference	0.0	-3.6	-27.6	-72.3	-114.6	-155.8	-202.0	-225.4	-230.5	-233.4	-238.1	-1,503.3
Federal On-Budget Surplus/Deficit					In Billions of Dollars							
Forecast	83.0	98.7	95.6	69.0	35.2	5.9	12.3	21.5	41.0	82.1	119.1	580.4
Baseline	83.0	102.2	124.4	144.0	153.9	167.2	222.5	258.2	285.9	331.8	377.3	2,167.4
Difference	0.0	-3.5	-28.8	-75.0	-118.7	-161.3	-210.2	-236.8	-244.8	-249.7	-258.2	-1,587.0
Federal Off-Budget Surplus/Deficit					In Billions of Dollars							
Forecast	149.1	166.0	188.5	203.4	218.9	237.9	255.2	274.1	292.5	309.6	326.8	2,472.9
Baseline	149.1	166.1	187.3	200.7	214.7	232.4	247.0	262.8	278.1	293.3	306.7	2,389.1
Difference	0.0	-0.1	1.2	2.7	4.2	5.5	8.2	11.4	14.3	16.3	20.1	83.8
Publicly Held Federal Debt					In Billions of Dollars							(Average)
Forecast	3,409.0	3,159.8	2,872.1	2,594.6	2,337.8	2,088.1	1,799.5	1,510.8	1,188.2	813.7	380.9	1,874.6
Baseline	3,409.0	3,158.0	2,854.0	2,522.0	2,165.0	1,774.0	1,315.0	1,081.0	989.0	887.0	830.0	1,757.5
Difference	0.0	1.8	18.1	72.6	172.8	314.1	484.5	429.8	199.2	-73.3	-449.1	117.1
Publicly Held Federal Debt					Percent of GDP							(Average)
Forecast	36.6	32.0	27.5	23.6	20.2	17.1	14.0	11.1	8.3	5.4	2.4	16.2
Baseline	36.6	32.0	27.5	23.2	19.0	14.9	10.5	8.3	7.2	6.2	5.5	15.4
Difference	0.0	0.0	0.0	0.4	1.2	2.2	3.5	2.8	1.1	-0.8	-3.1	0.7

Note: All years are fiscal year end. Some numbers may not add due to rounding.
Source: Center for Data Analysis, The Heritage Foundation.

How Vice President Gore's Tax and Spending Plan Would Affect Selected Economic Indicators

Economic Indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001–2010 (Average)
Gross Domestic Product					In Billions of 1996 Dollars							
Forecast	9,330.7	9,633.9	9,943.1	10,189.7	10,465.0	10,753.8	11,064.9	11,370.3	11,686.1	12,017.1	12,373.1	10,949.7
Baseline	9,330.7	9,602.9	9,859.6	10,115.3	10,378.8	10,660.2	10,947.9	11,243.4	11,547.2	11,872.2	12,217.9	10,844.5
Difference	0.0	31.0	83.5	74.4	86.2	93.6	117.0	126.9	138.9	144.9	155.2	105.2
GDP Growth Rate					Percent Change from Year Ago							
Forecast	5.1	3.3	3.2	2.5	2.7	2.8	2.9	2.8	2.8	2.8	3.0	2.9
Baseline	5.1	2.9	2.7	2.6	2.6	2.7	2.7	2.7	2.7	2.8	2.9	2.7
Difference	0.0	0.4	0.5	-0.1	0.1	0.1	0.2	0.1	0.1	0.0	0.1	0.2
Total Employment					In Thousands of Jobs							
Forecast	132,092	134,734	136,471	137,843	139,252	141,047	142,682	144,312	145,968	147,849	149,838	142,000
Baseline	132,092	134,595	135,990	137,340	138,710	140,471	141,971	143,506	145,066	146,870	148,754	141,327
Difference	0	139	481	503	542	576	711	806	902	979	1,084	672
Unemployment Rate					Percent of Civilian Labor Force							
Forecast	3.7	3.6	3.8	4.1	4.4	4.4	4.6	4.6	4.6	4.6	4.5	4.3
Baseline	3.7	3.7	4.2	4.4	4.7	4.8	5.0	5.1	5.2	5.2	5.2	4.8
Difference	0.0	-0.1	-0.4	-0.3	-0.3	-0.4	-0.4	-0.5	-0.6	-0.6	-0.7	-0.4
Disposable Personal Income					In Billions of 1996 Dollars							
Forecast	6,677.3	6,942.5	7,260.5	7,370.3	7,531.8	7,702.9	7,948.7	8,221.3	8,505.7	8,792.8	9,102.9	7,937.9
Baseline	6,677.3	6,904.4	7,144.5	7,246.0	7,392.1	7,556.4	7,780.9	8,044.6	8,323.2	8,608.9	8,913.9	7,791.5
Difference	0.0	38.1	116.0	124.3	139.7	146.5	167.8	176.7	182.5	183.9	189.0	146.5
Disposable Income per Capita					In 1996 Dollars							
Forecast	24,298	25,056	25,991	26,172	26,532	26,918	27,555	28,272	29,014	29,749	30,548	27,581
Baseline	24,298	24,918	25,575	25,730	26,039	26,406	26,974	27,664	28,391	29,127	29,914	27,074
Difference per Person	0	138	416	442	493	512	581	608	623	622	634	507
Difference for Family of Four	0	552	1,664	1,768	1,972	2,048	2,324	2,432	2,492	2,488	2,536	2,028
Consumption Expenditures					In Billions of 1996 Dollars							
Forecast	6,316.8	6,434.5	6,637.8	6,722.6	6,834.9	6,958.7	7,106.0	7,265.1	7,424.6	7,580.9	7,720.8	7,068.6
Baseline	6,316.8	6,415.4	6,569.6	6,658.6	6,757.7	6,876.8	7,009.4	7,157.4	7,306.5	7,455.6	7,588.3	6,979.5
Difference	0.0	19.1	68.2	64.0	77.2	81.9	96.6	107.7	118.1	125.3	132.5	89.1
Personal Savings					In Billions of 1996 Dollars							
Forecast	121.0	264.0	377.1	400.5	442.5	478.4	565.9	672.1	784.9	909.0	1065.4	596.0
Baseline	121.0	246.1	321.2	332.2	374.1	408.3	490.6	594.4	712.6	838.3	997.8	531.6
Difference	0.0	17.9	55.9	68.3	68.4	70.1	75.3	77.7	72.3	70.7	67.6	64.4

Note: All years are fiscal year end. Some numbers may not add due to rounding.
Source: Center for Data Analysis, The Heritage Foundation.

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How Vice President Gore's Tax and Spending Plan Would Affect Selected Economic Indicators

More Economic Indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001–2010 (Average)
Investment					In Billions of 1996 Dollars							
Forecast	1,351.3	1,450.3	1,526.2	1,589.6	1,655.8	1,724.3	1,771.7	1,805.2	1,829.2	1,852.4	1,870.6	1,707.5
Baseline	1,351.3	1,444.0	1,508.1	1,572.5	1,636.0	1,702.0	1,742.4	1,770.9	1,789.1	1,806.6	1,817.4	1,678.9
Difference	0.0	6.3	18.1	17.1	19.8	22.3	29.3	34.3	40.1	45.8	53.2	28.6
Consumer Price Index					Percent Change from Year Ago							
Forecast	3.2	2.8	3.4	3.1	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.8
Baseline	3.2	2.6	2.9	2.7	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6
Difference	0.0	0.2	0.5	0.4	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.2
Treasury Bill, 3 Month					Annualized Percent							
Forecast	6.1	6.8	5.7	5.6	5.6	5.5	5.5	5.6	5.6	5.7	5.7	5.7
Baseline	6.1	6.7	5.3	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	5.0
Difference	0.0	0.1	0.4	0.8	0.8	0.7	0.7	0.8	0.8	0.9	0.9	0.7
30-Year Mortgage Rate					Annualized Percent							
Forecast	8.6	8.1	7.8	7.6	7.6	7.7	7.6	7.6	7.7	7.9	8.1	7.8
Baseline	8.6	8.1	7.5	7.0	6.9	7.0	6.9	6.9	7.0	7.1	7.3	7.2
Difference	0.0	0.0	0.3	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.6

Note: All years are fiscal year end. Some numbers may not add due to rounding.
Source: Center for Data Analysis, The Heritage Foundation.

Appendix B CDA00-11

How Vice President Gore's Tax and Spending Plan Would Affect Selected Budget Indicators

Federal Budget Indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001 - 2010 (Total)
Federal Tax Revenue					In Billions of Dollars							
Forecast	2,008.1	2,113.0	2,223.2	2,314.7	2,407.7	2,514.0	2,630.0	2,746.4	2,871.8	3,010.6	3,156.7	25,988.1
Baseline	2,008.1	2,109.3	2,202.7	2,290.7	2,379.6	2,484.6	2,593.5	2,705.0	2,826.0	2,961.1	3,102.0	25,654.5
Difference	0.0	3.7	20.5	24.0	28.1	29.4	36.5	41.4	45.8	49.5	54.7	333.6
Federal Spending					In Billions of Dollars							
Forecast	1,776.0	1,858.3	1,962.5	2,062.5	2,161.0	2,258.3	2,323.0	2,394.4	2,471.3	2,550.3	2,646.2	22,687.8
Baseline	1,776.0	1,841.0	1,891.0	1,946.0	2,011.0	2,085.0	2,124.0	2,184.0	2,262.0	2,336.0	2,418.0	21,098.0
Difference	0.0	17.3	71.5	116.5	150.0	173.3	199.0	210.4	209.3	214.3	228.2	1,589.8
Federal Surplus/Deficit					In Billions of Dollars							
Forecast	232.1	254.7	260.7	252.2	246.7	255.7	307.0	352.0	400.5	460.2	510.5	3,300.2
Baseline	232.1	268.3	311.7	344.7	368.6	399.6	469.5	521.0	564.0	625.1	684.0	4,556.5
Difference	0.0	-13.6	-51.0	-92.5	-121.9	-143.9	-162.5	-169.0	-163.5	-164.9	-173.5	-1,256.3
Federal On-Budget Surplus/Deficit					In Billions of Dollars							
Forecast	83.0	88.0	69.7	46.3	25.7	18.1	52.3	80.1	111.7	155.7	190.1	837.7
Baseline	83.0	102.2	124.4	144.0	153.9	167.2	222.5	258.2	285.9	331.8	377.3	2,167.4
Difference	0.0	-14.2	-54.7	-97.7	-128.2	-149.1	-170.2	-178.2	-174.2	-176.1	-187.2	-1,329.7
Federal Off-Budget Surplus/Deficit					In Billions of Dollars							
Forecast	149.1	166.7	191.0	205.9	221.0	237.6	254.7	271.9	288.8	304.6	320.4	2,462.6
Baseline	149.1	166.1	187.3	200.7	214.7	232.4	247.0	262.8	278.1	293.3	306.7	2,389.1
Difference	0.0	0.6	3.7	5.2	6.3	5.2	7.7	9.2	10.7	11.3	13.7	73.5
Publicly Held Federal Debt					In Billions of Dollars							(Average)
Forecast	3,409.0	3,164.8	2,895.5	2,642.2	2,397.8	2,144.1	1,826.7	1,486.2	1,099.8	656.0	166.0	1,847.9
Baseline	3,409.0	3,158.0	2,854.0	2,522.0	2,165.0	1,774.0	1,315.0	1,081.0	989.0	887.0	830.0	1,757.5
Difference	0.0	6.8	41.5	120.2	232.8	370.1	511.7	405.2	110.8	-231.0	-664.0	90.4
Publicly Held Federal Debt					Percent of GDP							(Average)
Forecast	36.6	31.9	27.5	23.8	20.5	17.5	14.2	11.0	7.7	4.4	1.1	16.0
Baseline	36.6	32.0	27.5	23.2	19.0	14.9	10.5	8.3	7.2	6.2	5.5	15.4
Difference	0.0	-0.1	0.0	0.6	1.5	2.6	3.7	2.7	0.5	-1.8	-4.4	0.5

Note: All years are fiscal year end. Some numbers may not add due to rounding.
Source: Center for Data Analysis, The Heritage Foundation.