The Daily Dish

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A recent survey by the MacArthur Foundation shows that Americans feel homeownership is becoming increasingly unaffordable, and a third of participants don't believe the housing crisis is over. Americans consider affordable housing to be essential to economic security for families, but over 80 percent of respondents think housing affordability is a problem in the U.S. In addition, over half of the participants believe housing affordability needs more attention in the presidential election.

A new AAF report examines a common argument against international trade– that it leads to the loss of manufacturing jobs in the United States. While it is true that the number of manufacturing jobs has been dropping, some argue that increases in worker productivity are actually to blame. Evidence shows that productivity gains have predominantly driven the recent declines in manufacturing employment, and jobs that are displaced by trade are often replaced by new, higher-paying jobs in emerging sectors of the economy.

Eakinomics: Tax Policy and Health Insurance

The House Republican task forces are the most substantive policy proposals of the campaign season. Up next are the health care (replace Obamacare) and tax reform task force blueprints, which means they will have to face one of the toughest policy challenges: what to do with the exclusion from tax of employer sponsored health insurance (ESI). Recall that employers have the dominant role in providing health insurance as an accident of history. During World War II, wage and price controls precluded giving workers a raise, but nothing stopped providing other benefits like health insurance. Moreover, just like wages, ESI is a deductible cost of labor for employers. However, unlike wages it is not taxable (under either the income or payroll taxes) compensation for the employee.

This tax treatment raises issues of fairness, budgets, and economic efficiency. From a fairness perspective, the value of the exclusion — the tax subsidy — is bigger for those with

higher tax rates. That is, there is a bigger subsidy to health insurance for the more affluent. Worse, the subsidy is open-ended. This, in turn, undercuts the revenue of the tax system and impacts budget deficits. Finally, the tax exclusion puts spending on health insurance in a preferred position compared to spending on rent, cars, food, or any other household outlay that comes out of after-tax income. How much health insurance a family buys should be driven by health and financial conditions; not the tax code.

All of which is fine until political reality enters. When John McCain proposed ending the exclusion in 2008 (PTSD Alert for those like me), Barack Obama ran a famous ad that attacked him for changing the tax treatment, and many elected Members remember this with trepidation. Fortunately, the political lay of the land is now quite different. The Obama Administration understood that the exclusion was poor health and tax policy, but when Obamacare was being passed it could not easily do a 180 degree turn. Instead, the Affordable Care Act contains the "Cadillac Tax" — a clunky, less efficient, less fair way to tax compensation in the form of health insurance. Getting rid of the Cadillac tax may change the politics of limiting the exclusion.

Limiting the exclusion from tax of ESI has always had policy merits. The chance to substitute it for the Cadillac tax may turn it into good politics as well.

From the Forum

Who Stole All The Manufacturing Jobs? by Jacqueline Varas, AAF Data Analyst

Court Finds Network Neutrality Rules Both Legal And Bad Policy by Will Rinehart, AAF Director of Technology and Innovation Policy

A Week Approaching $11 Billion by Sam Batkins, AAF Director of Regulatory Policy