The Daily Dish

May 2nd Edition

DOUGLAS HOLTZ-EAKIN | MAY 2, 2016

Puerto Rico announced that it will default on its $422 million debt payment to creditors due today, citing that it cannot pay the amount without hurting its citizens. The default will likely shut off Puerto Rico's access to capital markets, and force the U.S. to look for a solution using federal oversight. Puerto Rico owes another $1.9 billion of debt to creditors on July 1st.

The Treasury Department announced its plan to enhance monitoring of the exchange rate policies of the U.S.'s five major trading partners—China, Japan, Korea, Taiwan, and Germany. The new law addresses currency practices that give countries unfair advantages in global trading. Under the law, the president is required to try and negotiate with the offending county to reform its currency practices.

Eakonomics: The Moral Issue of Our Time

I'm participating today in a panel discussion entitled: "Income Inequality: The Moral Issue of Our Time?" I think the answer is no, for three reasons.

First, it is not of "our time." Inequality issues are nothing new and a staple of every election year. Much of the hyperventilating populist rhetoric emanating from Bernie Sanders, or even the robotic Hillary Clinton, was field tested every four years since 1992. Second, there is a lot less going on than casual looks at the data suggest. Indeed, the closer one looks at actual standards of living — what various groups are actually benefiting from in the form of housing, food, clothing, and lifestyle — the less there is any real trend toward rising inequality. (I elaborate on these two points here.)

That is not to suggest that there is no problem with the distribution of economic resources in the United States. There is: despite a 50-year, expensive "war on poverty" the U.S. has far too many poor people. This is a real issue, and one that requires a fresh approach that shifts away from defining poverty in terms of money and focusing on economic self-

sufficiency. Defining poverty as the absence of money suggests solving it by giving people lots of money; that's been tried and failed. Focusing on self-sufficiency moves attention to education, skills, and labor market opportunities.

The third reason inequality is not the moral issue of our time is that it is outranked by the injustice being visited upon the next generations. Today's young will inherit an enormous federal debt, a broken social safety net, and an economy capable of anemic growth at best. This is a fundamental moral failure that must be addressed.

From the Forum

CMS's New Initiative To Save Money Expands On Model That Lost Money by Tara O'Neill, AAF Health Care Policy Analyst