The Daily Dish

May 5th Edition

DOUGLAS HOLTZ-EAKIN | MAY 5, 2016

The Obama Administration is expected to approve the Labor Department's over time rule, allowing anyone earning up to $50,440 per year to be eligible for overtime pay. This is a significant increase from the current cut off of $23,660 per year, and is one that will be expensive for businesses to implement. The White House is expected to rapidly approve the rule by May 16th to ensure the next President is not able to use the Congressional Review Act to overturn the regulation.

Health insurance companies are proposing substantial premium increases for next year's coverage due to the Affordable Care Act. Insurers are struggling to make profits in the current marketplace, and some insurers have announced premium hikes into the double digits. The Obama Administration has dismissed the announcement of increases as "premature," but many consumers will unavoidably pay more in premiums in 2017.

Economics: Puerto Rico Update

Puerto Rico is one of today's pressing domestic policy issues. The Commonwealth is in default; burdened by $72 billion in outstanding debt and unable to make full interest payments, most recently on debt by the Government Development Bank. A $2 billion payment due July 1 is looming in the near future. It has a deep structural budget deficit, collecting the lowest (of any state or territory) fraction of economic activity in taxes and the spending the highest fraction. And its economy has been in decline since 2005, leading to a population exodus from the island to the mainland U.S..

Congress is under pressure to act. If it fails to do so, the situation will worsen; the Puerto Rico government will fail to fund public safety, health and other programs; and the Congress will likely be asked to bail it out.

The good news is that it appears that the House is poised to consider legislation that targets the three main problems. On addressing the debt burden, the Puerto Rico Oversight,

Management and Economic Stability Act (PROMESA) features a voluntary-first debt workout that respects the priority of creditors and asks all key stakeholders to contribute to solving the burden problem. It creates a strong control board that has the authority to rationalize the Puerto Rico budget and put it on a sustainable path. And it augments these reforms with regulatory and labor market laws to enhance the capacity of the island to grow.

In short, it addresses the crisis without a dime of taxpayer money. No bailout.

Is it perfect in everyone's eyes? Absolutely not, and that is not surprising. The bill is being developed through "regular order" which permits all members and their interests to weigh in; the resulting consensus is hardly ideal from any particular point of view. But it represents a genuine attempt to deal with an increasingly serious policy situation.

From the Forum

NATO Defense Spending: Cooperation and Contributions to Transatlantic Security by Rachel Hoff, AAF Director of Defense Analysis

Obama Administration Issued 67 Major Rules Without Comment or Proposal by Sam Batkins, AAF Director of Regulatory Policy