



The Daily Dish

December 8 Edition

DOUGLAS HOLTZ-EAKIN | DECEMBER 8, 2015

Last week, a Federal Reserve proposal for “Too Big to Fail” banks [cost 1.8 billion](#), compared to \$1.5 billion in annual costs, and paperwork accelerated by 415,000 hours. [The new rule would require](#) six of the eight globally systematically important banks to raise up to \$120 billion of capital.

Since 2007, the federal government has spent \$4.34 billion on public relations firms at over 200 hundred agencies. [A new report from Open the Books found](#) the number of outside PR consulting expenditures has increased by 47 percent under the Obama Administration. This includes more than \$2 billion in outside contracts with firms who perform polling, public relations, and marketing consulting.

Eakinomics: Finnish(ed) with Welfare

The recently elected government of Finland is [proposing](#) to write a monthly check of 800 euros (roughly \$865) to every adult regardless of wealth, income, or employment status. This is a fascinating proposal from a number of perspectives. To begin, it gives people money; not food (food stamps), shelter (housing assistance), health care (health insurance) or some other item. Instead, they can use the money to buy the preferred amount of food, shelter, health insurance, or whatever. This is a much more efficient system. Indeed, one explanation of the U.S. reliance on in-kind benefits is that the very inefficiency is required to make the system painful, and thus to discourage fraudulent participation. The Finns are proposing to solve this in two ways. First, it is universal so there is no “welfare fraud.” Second, their system — like ours — is ferociously inefficient. Indeed CNN writes “The government thinks that the move will actually save money. Finland's welfare system is very complex and expensive to run, and the government hopes that simplifying it could reduce costly bureaucracy.”

The next interesting aspect is the impact on work effort. A problem with U.S. programs like the Affordable Care Act is that as people work more and make more, the benefits are reduced. This acts like a tax on work effort — making another \$1 gives you less than \$1 net of the lost benefits. (A recent Congressional Budget Office [report](#) documents the large number of low- and middle-income workers with high effective tax rates.) The Finnish proposal has a [zero](#) marginal tax rate, perhaps one of the reasons it is hoped it will reduce the rate of unemployment below the current 9.5 percent. Of course, the key issue is the generosity of the monthly payment; make it too high and the work incentives diminish.

A final perspective is that this fits in the category of attempts to provide a guaranteed minimum income. (For my approach to this, see [here](#).) Finding a system that guarantees a socially acceptable minimum and preserves good work incentives has occupied the left and right for decades.

Of course, nothing is perfect. In the U.S. it is a difficult administrative task to find every eligible person and deliver the check on time, to the right location, every month — think how difficult it has been to get the Obamacare subsidies paid in the right place and the right amount.

From the Forum

[Week in Regulation](#) by Sam Batkins, AAF Director of Regulatory Policy

Fact of the Day

In 2009, regulators finalized \$48 billion in costs; in 2012, that figure increased to \$219 billion in regulatory costs.