The Daily Dish

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As early as today, the House could vote on a bipartisan bill to rein in the regulatory spending of the administration. According to The Hill, The Regulatory Accountability Act of 2015 would "consider a proposed rule's impact on jobs and the economy while searching for less expensive alternatives." AAF found that the Obama Administration proposed and finalized $181.5 billion in regulations last year alone.

Despite the threat of a veto from the White House, the Senate moved forward with legislation to build the Keystone XL pipeline. The bill easily cleared the first procedural hurdle with 62 senators voting in favor. Before the vote, Senate Majority Leader Mitch McConnell said "President Obama has every reason to sign the jobs and infrastructure bill that we will pass." AAF has found Keystone XL is also better for the environment than alternatives.

Eakinomics: Skip the Plan, Read This

The recovery remains a disappointment. The U.S. labor market has delivered jobs for those who stuck it out, permanently discouraged the rest, and income growth for neither. Progressives evidently have realized they cannot deliver widespread economic well-being and have shifted — at least rhetorically — to a new strategy that was rolled out yesterday by Representative Chris Van Hollen. It is consistent with the president's initiatives for "free" pre-school, "free" college, and "free" health care in that it promises "free" money. Might be worth a closer look. Here are the highlights.

1) Paycheck Bonus Tax Credit of $1,000

The plan states "Our current tax code imposes higher tax rates on income earned through hard work while providing preferential treatment to unearned financial gains…" The solution is a windfall of $1,000 ($2,000 for working couples) that phases out by $100,000. Never mentioned is that fact that the phaseout would raise the effective tax rate on earned income — is that *really* what they want — while claiming that "it would grow to between $110,000 and $150,000 per person" without mentioning whether that relied on the pro-saving, pro-investment rates on dividends and and capital gains..

2) $250 for Depositing $500 into a tax-preferred savings account

Uh, right. It doesn't mention that you could simultaneously take $500 out of such an account, thereby incentivizing salt-of-the-earth Americans to become the tax cheats progressives presume every successful American family to be. Oh, and notice that "tax preferred savings" are now a good thing again.

3) Prevent big corporations from claiming tax deductions for CEO and other corporate compensation over $1 million unless their workers get increases that reflect increases in worker productivity and the cost of living.

The government is going to measure *individual* productivity and check on raises? It is going to measure *individual* cost-of-living and second-guess raises. This is clearly a messaging campaign to make Obamacare look less intrusive. Oh, and no worries, if you make only $999,999 or run a corporation that is not “big” the moralistic left no longer cares about your economic sins.

The plan goes on to impose another stick — no deduction if the firm is laying off workers — but another carrot as well — the deduction stands if the firm creates a profit-sharing plan. What if the profits come from laying off unproductive workers?

4) A Second-Earner Tax Deduction

The plans states “Our existing tax code creates a disincentive for second earners in a household – most often women – to be part of the workforce because their earnings are taxed beginning at the rate on the last dollar of income earned by their spouses.” The left finally recognizes the marriage tax.

The list of handouts goes on. But how to pay for this? There are two main approaches:

1) Eliminate $150 billion of (unspecified) tax breaks for the affluent. Tax breaks *should* be on the table and inappropriate tilting of the playing field should be used for broad-based rate reduction and tax reform that generates superior economic growth. This plan would end the move for tax reform in its tracks and (likely, one can’t tell) curtail exactly the kind of tax-preferred saving vehicles that it otherwise touts.

2) A so-called “high roller fee.” This is nothing more than a sales tax on every financial transaction. Like all sales taxes, it would ultimately be paid for by the financial consumers — the teacher pension funds, fireman disability fund, every municipality, retiree savings, small business reserve funds, and others that will be hard-pressed to identify themselves as “high rollers.”

These individual nits, however, pale compared to the basic problem: the plan does not incentivize growth. Transferring income from the rich to the rest of American’s is usually touted as a way to stimulate the economy. If then new plan works as well as the Obama stimulus was *supposed to work*, it would get the U.S. back to full-employment more quickly — but nothing more. That would be worth about $1 trillion (in 2015 dollars) in additional national income over the next 10 years. Raising the trend, long-run growth rate of the economy by 1 percentage point would be worth $32 trillion (again in 2015). If the non-rich got only about 30 percent of the returns to that growth, they would still be nearly ten times as well off.

The progressives have given up on growth in favor of looting America’s successful. But the real losers would be the middle class and struggling Americans.

From the Forum

2015’s First Batch of Efficiency Rules by Dan Goldbeck, AAF Research Analyst

Primer: The Medical Device Tax by Brittany La Couture, AAF Health Care Policy Analyst