The Daily Dish

July 11th Edition

DOUGLAS HOLTZ-EAKIN | JULY 11, 2016

NATO members have committed to spending at least 2 percent of GDP on defense. However, European member states only spend an average of 1.4 percent of GDP. If Europeans spent just 48 cents more per person per day on defense, the continent would contribute over $100 billion additional funds to security spending in Europe each year. The United States spends more on security than other NATO members, with a $650 billion dollar defense budget, which is 3.6 percent of its GDP.

The federal deficit increased by $81 billion in nine months, according to the Congressional Budget Office. CBO expects the deficit to continue climbing into the trillions by 2023 as spending on entitlement programs grows. In addition, Medicare is expected to be bankrupt in 2028, two years earlier than last year's projection, and Social Security will go bankrupt in 2034.

Eakinomics: Health Care Incoherence on the Left

The progressives' antipathy to private enterprise has been apparent for some time, especially in health care. They passed the Affordable Care Act (ACA) to turn private insurers into *de facto* regulated public utilities; thereby ending any chance of denying coverage for costly patients, scaling back coverage of costly therapies, or otherwise managing their costs. To further eliminate market incentives they used taxpayer funding to start up 23 Consumer Operated and Oriented Plans (CO-OPs) — insurance plans without the putative evil of a profit motive. And they repeatedly touted the virtues of the Veteran's Administration (VA) as a model for their health care nirvana: a single-payer system. The promise of all of this was coverage for every American.

After six years, the results are in. The for-profit insurers are losing their shirts following the rules set up in the ACA — and consumers are fleeing it anyway. Strike one. The CO-OPs are being rapidly shut down — only 9 of the original 23 remain, and those are in trouble as well. Getting rid of a profit motive made performance worse, not better. Strike two. And the VA — which features no profit motive and access to taxpayer dollars — has proven to be a disgrace and a disaster. Strike three. Not surprisingly, universal coverage remains a fantasy.

In short, the actual results do not support any of the favorite health insurance ideas promoted by the left. So it is a tribute to politics trumping policy that candidate Hillary Clinton spent this past week promising a "public option" in every state under ObamaCare, the option for those who are 55 and older to "buy-in" to Medicare, and doubling of funding at Federally Qualified Health Centers (FQHCs). Think about it. A public option is simply a government insurance program — i.e., a co-op with ongoing access to taxpayer dollars. Having failed miserably already, what will be different in the future?

And if the public option works, it would provide affordable insurance for anyone. Why, then, would there be any need for someone under 65 to buy in to Medicare? So, the presumption is that the Clinton campaign knows that this won't work and is setting up a plan B. But the Plan B is the same Medicare program that is falling under its own financial weight, represents another form of public option, and offers no real solution to the problem of rising health care spending. Finally, the FHQCs are simply government-provided health care — that is, mini-VAs — for targeted audiences. Doubling their money doesn't solve anything.

The politics of this are clear — Clinton continues to try to buy Sanders' voters. The policy incoherence is nothing short of shocking.

From the Forum

June Jobs: Groundhog Day by Douglas Holtz-Eakin, AAF President