



The Daily Dish

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A House Financial Services Subcommittee yesterday [heard grievances](#) from community bankers that have been weighed down by regulations. In defense of his business, a credit union CEO told the congressmen, “Credit unions didn't cause the financial crisis and should not be subject to regulations aimed at those who did.” The hearing comes as we approach the four-year anniversary of Dodd-Frank. [AAF will release new](#) research today that finds Dodd-Frank has imposed \$21.8 billion in regulatory costs. The AAF research also found that the total costs are unknown since in many instances regulators do not include a cost associated with the regulations. Additionally, one quarter of the law has yet to be enacted, so expect burdens to continue to rise.

A [new survey](#) out from the Kaiser Family Foundation finds healthcare.gov is so difficult to navigate, 87 percent of people seeking in-person help needed more than one hour of assistance. This is a far cry from President Obama’s promise that the website would work the “same way you'd shop for a plane ticket on Kayak or a TV on Amazon.”

Eakinomics: The Long-Term Budget Outlook

Yesterday the Congressional Budget Office (CBO) released its 2014 [Long-Term Budget Outlook](#), which unexpectedly coincided with the 40th anniversary of the 1974 [budget act](#) that created the congressional budgeting process and the CBO itself. Was this an occasion for celebration and merriment? Not exactly.

CBO’s core finding is neither cheery nor new: “The gap between federal spending and revenues would widen after 2015 under the assumptions of the extended baseline, CBO projects. By 2039, the deficit would equal 61½ percent of GDP, larger than in any year between 1947 and 2008, and federal debt held by the public would reach 106 percent of GDP, more than in any year except 1946—even without factoring in the economic effects of growing debt.”

The imbalance does not reflect a revenue shortfall: “Federal revenues would also increase relative to GDP under current law, but much more slowly than federal spending. Revenues would equal 191½ percent of GDP by 2039, CBO projects, compared with an average of 171½ percent over the past four decades.” Instead, the key is federal spending: “Federal spending would increase to 26 percent of GDP by 2039 under the assumptions of the extended baseline, CBO projects, compared with 21 percent in 2013 and an average of 20½ percent over the past 40 years.”

Digging into the details, there are two further important findings. The first is that CBO concluded that U.S. growth prospects are diminished and builds its projections on an economic forecast that does not foresee a return to anything near the 3.3 percent annual average growth that prevailed over the 1947 to 2013 period. The second is that federal spending, health spending in particular, feeds a fundamental budget imbalance that will lead to ever-higher debt and interest cost. This occurs despite the fact that CBO has concluded that Medicare and other health spending will grow more slowly than has been true in the past.

The latter is a controversial issue. In the past, spending per Medicare recipient has grown much more rapidly

than GDP per person. This gap, labelled “excess cost growth,” has diminished somewhat in recent years. The question is whether this is a temporary phenomenon or a fundamental change. Nobody knows for sure, but the assumption of smaller excess cost growth is responsible for a moderate improvement in the long-term spending projections compared to the [2013 report](#).

These details aside, the CBO message is simple: the U.S. has poor growth that contributes to budget problems and a pre-programmed spending explosion will both exacerbate those budget problems and further damage U.S. growth prospects.

From the Forum

[Dodd-Frank at 4: More Regulation, More Regulators, and a Sluggish Housing Market](#) By Andy Winkler, AAF Director of Housing Policy; Ben Gitis, AAF Policy Analyst; and Sam Batkins, AAF Director of Regulatory Policy

[The 2014 Long-Term Budget Outlook: What Changed?](#) By Gordon Gray, AAF Director of Fiscal Policy

[Health Care Expenditures: Success, Cycle, or Something Else?](#) By Conor Ryan, AAF Health Care Data Analyst