The Daily Dish

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The U.S. may be facing a serious deficit of skilled labor. A recurring survey of over 100 economists found that 35 percent reported that they had seen evidence of shortages of skilled labor. This is a sharp rise over the 25 percent that came to the same conclusion in April and only 22 percent with this finding a year ago. The same survey found little good news in wage growth with the number saying they saw actual changes remaining the same over the past two quarters.

Senator Hatch is demanding an investigation into over $2.4 billion of subsidies that went to over 700,000 Obamacare participants who have not filed their tax returns for the year. This comes on the heels of government inspectors revealing their investigation found that it was exceedingly easy to enter false information into the system and receive tax credits. According to Senator Hatch, “While it is likely that not all of these are fraudulent, because of the marketplace's lax integrity controls there is reason to believe that a significant portion are fraudulent.”

Eakinomics: Happy, sort of, 5th Dodd-Frank

Dodd-Frank turns 5 today. Is it a happy birthday? A review of the causes of the financial crisis and the structure of the law yields a good, solid “sort of.” The strongest part of Dodd-Frank (and in part due to the lessons of experience in the crisis) is that the large U.S. banks — denoted Global Systemically Important Banks (G-SIBs) — now have roughly three times the liquidity and five times the loss-absorbing capacity than at the time of the crisis. Indeed, the stress tests reveal that after the worst scenario the G-SIBs would have more capital than they actually had at the time of the crisis. Put differently, if the crisis hit today, there would be no need for a Troubled Asset Relief Program (TARP) to “bail out” the big banks.

That is the good news. Unfortunately, there is lots of bad news. Dodd-Frank created a vast web of regulation for derivatives and imposed the costly Volcker rule, even though neither derivatives or proprietary trading was at the heart of the crisis. It created the Consumer Financial Protection Bureau (CFPB) and the Financial Stability Oversight Council (FSOC). The CFPB was unnecessary – the Federal Trade Commission already protected consumers – and was created with off-budget, slush funding via the Federal Reserve and inadequate accountability to Congress. The FSOC is a similar policy misstep. There is a legitimate debate about the desirability of a so-called macroprudential regulator. But there can be little disagreement that the FSOC is off to a poor start in its process and criteria for identifying systemically important financial institutions (SIFIs).

Housing was at the heart of the crisis and to this day there has been no reform to the Federal Housing Administration (FHA) or the closure of Fannie Mae and Freddie Mac. Housing reform remains a pressing need.

Dodd-Frank is now 5. But there are still well over one hundred new regulations left to finish that will add to the already-hefty regulatory burden. In the aftermath of the financial crisis, it was inevitable that the private sector and regulators would seek to provide a greater capital cushion and enhanced liquidity to reduce the likelihood of future crises at large financial institutions. It was not inevitable that it would simultaneously burden the economy with a poorly-targeted, burdensome, anti-growth explosion of new regulations full of policy missteps and unintended consequences.

From the Forum

Ex-Im Bank: What Happens Now? by Gordon Gray, AAF Director of Fiscal Policy

Fact of the Day

EPA has added $24 billion in final rule costs and more than 900,000 paperwork hours this year alone.