The Daily Dish

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The number of veterans that are waiting more than one month for care is now 50 percent higher than it was a year ago when the scandal was made public. The VA is also facing a $3 billion budget shortfall in the coming year. According to the news outlets the department underestimated the growing needs of veterans.

Click here for three facts you need to know about the CBO's analysis of Obamacare's repeal.

The congressional budget fight over military expenditures is threatening military pay. According to The Hill, "Without an agreement on spending issues before the new fiscal year starts on Oct. 1, Congress would likely need to pass a short-term spending measure to avert a shutdown. But that would hold military pay raises at 2015 levels, denying servicemembers higher salaries that lawmakers back."

One number on regs: $19.4 billion. That is the total cost of regulations issued last week by the administration.

Eakinomics: Regulators Re-Thinking SIFIs

The aftermath of the financial crisis and Great Recession produced a tremendous policy focus on financial stability, in general, and the notion of "too-big-to-fail" institutions. In the parlance of regulators, the latter are known as Systemically Important Financial Institutions or SIFIs. At the same time, both the key international regulatory body, the Financial Stability Board (FSB) — which was created by the G20 — and the key domestic regulatory board, the Financial Stability Oversight Council (FSOC) — created by the Dodd-Frank legislation, began efforts to identify and regulate SIFIs.

The first reflex was to simply focus on the size of institutions. For example, the Dodd-Frank Act designated any bank (or bank holding company) with over $50 billion in assets as a SIFI. However, it quickly became obvious that this was not a particularly nuanced reading of the risks. As a result, the Shelby reform bill suggested that banks with over $500 billion in assets be automatically designated as SIFIs, while for those with between $50 and $500 billion in assets, the FSOC would have to conduct a review and make an affirmative designation of systemic risk. Similarly, among non-banks the FSB recently argued that asset managers (e.g., mutual funds) with over $100 billon in assets under management should be designated SIFIs. This arbitrary threshold generates 14 funds, all of which are already-regulated U.S. funds, that would be subject to stricter oversight by the FSB. Unfortunately for the FSB, the FSOC had already examined asset managers and discarded the notion that size alone was a good criteria. Instead, the FSOC ordered the Office of Financial Research (OFR) within the Department of Treasury to conduct a study on asset managers and whether an open-ended approach that focused on the various activities and products rendered them systemically important.

The other major development in non-bank designations is MetLife. MetLife has chosen to file a lawsuit contesting its designation as a SIFI. However, the lawsuit cannot contest the substance of the analysis. Instead, it must demonstrate the process that led to designation was "arbitrary and capricious." Most observers had been skeptical on this point, but the recent court filing by MetLife makes two very key points. First, MetLife does not even meet the threshold requirement of 85 percent of its assets or revenues deriving from financial services that would put it under FSOC's purview. And FSOC seemingly violated standards of due process by refusing to respond to Freedom of Information Act requests by MetLife and introducing new data and arguments as the review continued. Ultimately the court will decide, but the idea that an entity can be regulated simply for being large is in question.

The upshot is a growing realization that the FSOC may be off-track. Indeed, the basic flaw of the FSOC is its pursuit of the idea that any institution should be able to withstand a financial crisis of the likes of 2007-08 or worse. That is IF, all assets have to be sold overnight and IF every customer demanded all their money back overnight, and IF there is generalized panic. But this makes no sense. It is at odds with history. And IF every institution stands independent of the remainder, then there is no financial system per se. Instead, the key is to make sure that there is good prudential regulation of each institution. The problem children of the financial crisis — Bear-Stearns (Securities and Exchange Commission), AIG (Office of Thrift Supervision), Fannie Mae/Freddie Mac (Federal Housing Finance Board) — were all institutions with very weak primary, prudential regulators. The key to avoiding another crisis is not making sure every institution can withstand the tsunami; it is making sure that nobody starts one in the first place.

From the Forum

Three Lessons from CBO's Analysis of Obamacare Repeal by Gordon Gray, AAF Director of Fiscal Policy; and Conor Ryan, AAF Senior Healthcare Data Analyst

Week in Regulation by Sam Batkins, AAF Director of Regulatory Policy