



The Daily Dish

## June 23rd Edition

DOUGLAS HOLTZ-EAKIN | JUNE 23, 2014

Medicaid wrongly paid out \$14 billion last year. How can an agency falsely pay out that much? According to the [Washington Examiner](#), “the wrong payments made were for treatments or services not covered, not necessary, or billed for but never provided.” The GAO expects this problem to get even worse with the implementation of the ACA. The problem lies with the rapid growth of Medicaid at the state level and now confusion between state and federal governments over who to oversee payments. Though, it doesn’t look like either is doing their job here.

House GOP members have introduced legislation to encourage energy production in the U.S. by opening up more offshore drilling and public lands. From [The Hill](#), “The bill would force the Obama administration to move toward offshore drilling on the Atlantic and Pacific coasts, conduct lease sales off Virginia’s coast, establish revenue sharing for offshore drilling, reform the permitting process for federal land and other changes.”

### *Eakinomics: Politics versus Economics and the Export-Import Bank*

Congress is faced with the decision to reauthorize the Export-Import Bank (Ex-Im). Ex-Im is an export credit agency (ECA) that provides insurance, direct loans, and loan guarantees to facilitate export transactions. Its reauthorization has already become a political flashpoint, in part because Ex-Im is easily demagogued. Why should the government be helping exporters? Isn’t exporters success the responsibility of the private sector? If international trade was starting from a blank slate, the answer would be yes. Unfortunately, ECAs abound around the world, so [reauthorizing the Ex-Im](#) can be one part of a trade strategy that includes competing while pursuing the long-run objective of eliminating ECAs.

Ignoring that reality makes it easy to argue the only rationale for the Ex-Im is crony capitalism and the undue political influence of big business. Critics additionally argue that Ex-Im disproportionately helps large firms, something that could only be the result of politics. Is that true?

AAF expert Andy Winkler has a nice [paper](#) out today that takes a close look at the data points to three basic findings. First, Ex-Im’s activities reflect the structure of U.S. trade itself. U.S. exporters are largely small and medium sized firms, but the largest dollar volumes of exports are concentrated among large firms. Ex-Im’s activities reflect this; the greatest number of transactions are those for the smaller firms, but the dollar volumes are associated with large-firm transactions.

Second, the Ex-Im provided disproportionate support for small and mid-sized firms during the aftermath of the financial crisis. That suggests market conditions and the absence of private credit drive Ex-Im activity; not politics.

Finally, because large firms rely on small and middle-market firms in their supply chains, even the impact on large exporters has beneficial impact across the distribution of firms sizes, making the volume of support for large firms a misleading indicator of the impact of Ex-Im.

Ex-Im's future is all politics. But its loans, guarantees and other activities are not.

***From the Forum***

[Primer: The Social Security Disability Insurance \(DI\) Program](#) by Gordon Gray, AAF Director of Fiscal Policy

[Connecting America's Small Businesses to Foreign Buyers: The Role of the Export-Import Bank](#) by Andy Winkler, AAF Director of Housing Finance Policy

[Week in Regulation](#) by Sam Batkins, AAF Director of Regulatory Policy

[International Disability Programs: Recent Reform](#) by Gordon Gray, AAF Director of Fiscal Policy, and Hannah Yee