The Daily Dish

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It has taken a number of steps in legislative acrobatics, but the Obama Administration may have killed their own individual mandate. Recognizing faults in the policy, the Obama Administration has granted numerous exemptions over the years since Obamacare's passage. From Roll Call, the exemptions "mean 87 percent of the 30 million people who will still be without insurance will be able to avoid the tax. That includes illegal immigrants — who aren't eligible for Obamacare benefits — and low-income people." This is what happens when you pass a bill in order to find out what's in it.

Out of the six million to sign up, more than 1.7 million are still waiting for their Medicaid application to be processed. According to the Washington Post, some have been waiting for over eight months. "For states that used the federal marketplace, HealthCare.gov, a major complication was the technical issues that kept the federal site from sending complete applicant data to the states."

Eakinomics: The President and Student Debt

The president will announce today executive actions to reduce the repayment obligations of student loan borrowers. According to the New York Times: "Mr. Obama's main action will be to expand on a 2010 law that capped borrowers' repayments at 10 percent of their monthly income. The intent is to extend such relief to an estimated five million people with older loans who are currently ineligible — those who got loans before October 2007 or stopped borrowing by October 2011. But the relief would not be available until December 2015…"

One could dismiss this as a politically motivated stunt — it is — and leave it at that. But if the president is serious about policy, there are a number of questions that arise:

1. Why "discretionary" income? The White House describes their pay as you earn initiative thusly: "Pay based on what you earn—Under Pay As You Earn, your monthly payment amount will be 10 percent of your discretionary income…" where "discretionary income is defined to be the adjusted gross income minus the federal poverty line that corresponds to your family size and the state in which you reside." Why is this a legitimate measure of income? Why exclude the poverty level? If you voluntarily incur debt why is not all of your income appropriate for repaying it? In tax-based discussions, there are well-defined measures of ability to pay — Adjusted Gross Income, Taxable Income, and so forth. Economists have corresponding definitions of comprehensive income — Haig-Simons income, disposable income, and others. Why is discretionary income a legitimate policy objective?

2. Why 10 percent? The definition of affordable health insurance is that it should not cost more than 9.5 percent of income. The current "Household debt service payments and financial obligations as a percentage of disposable personal income" is 9.96 percent — roughly 10 percent. But that includes all mortgages and other consumer debt. Why is 10 percent the right number?

3. Does the borrower have to display evidence of distress?

4. How much will this cost? Who will pay for it?

5. How will this help college attendance, achievement, and completion? It won't. This is targeted at those who stopped borrowing by 2011.

6. What is the economic impact of this proposal? The administration emphasizes that student debt limits the ability of those borrowers to obtain mortgages, car loans, and other borrowing for life-cycle expenses. If so, then a policy with identical effects would be to provide a mortgage subsidy, car loan subsidy, and credit card subsidy to new college graduates. Really? Is it in our national interest to identify a young cohort with the best earnings potential and subsidize their borrowing?

The president promised this would be a year of executive action. He did not promise a year of wise executive actions. Now we know why.

From the Forum

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