The Daily Dish

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ICYMI: Fox & Friends yesterday featured AAF's research on the ACA's regulatory burdens. Video can be found here.

New AAF Insight- Senate on Regulation: National Regulatory Budget Act: Senator Rubio introduced new legislation to attack federal regulations that could hamper economic growth. According to AAF's Sam Batkins and Dan Goldbeck, "If fully implemented, the legislation has the potential to save billions of dollars in regulatory costs."

"The idea of a regulatory budget is not new, but it is needed. A comprehensive approach, such as the one proposed in this bill, provides the opportunity to balance certain regulatory priorities with outdated, superfluous rules that restrict economic growth."

Eakinomics: How Debt Matters

The federal government has piles of debt; oceans of debt; epic amounts of debt … but enough technical terminology, you get the idea. But what does it mean?

It means trouble. Suppose that a collective failure of leadership and common sense permitted the federal budget to continue for a decade without the spending reforms necessary to control the red ink. By 2024, interest on the debt would be large enough to cause a dangerous deficit all by itself (over 3 percent of national income), exceed $1 trillion, and constitute a larger spending program than the defense department.

Worse, international lenders would eventually say "enough" and demand that the red ink be staunched before lending more to the U.S.. If that moment arrived in 2024 — and there is no way to be precise about when the fateful moment would occur — then the federal government would have to cut the deficit by $885 billion to keep the debt from rising. (See my testimony before the House Financial Services Committee yesterday for details.) If half of this came from cutting the annual ("discretionary") spending, it would mean a 30 percent across the board slash. The other half would require a 9 percent tax hike that would take the average rate up to 22.0 percent.

Worse, that patch alone would not indefinitely stave off global financial markets. When the crunch arrived, the interest rate on Treasuries would likely rise by about 10 percentage points. And that is really bad for Americans. Today's prevailing mortgage rate of 4.32 would jump to 14.32. For the sake of comparison, at today's rates, monthly interest and principal payments on a $250,000 home loan would amount to $1,240. At 14.32 percent, payments would jump to $3,026.

Or, consider a 5-year car loan that can be had at present for 3.06 percent. Under these terms, payments on a $20,000 car loan would amount to $360 per month. At 13.06 percent, payments would jump to $456. That amounts to $5,706 in extra payments just toward interest – and more than a quarter of the car's loan value.

It would hurt students. Some student loans are pegged to the PRIME lending rate. At present monthly payments would total $351 on a $50,000 loan, with total interest payments amounting to $13,240. Under a high interest rate scenario, this would jump to $641 per month, with total interest payments running to $65,355.60 – more than the underlying loan value.

Piles, oceans, and epic amounts of debt mean slower growth, reduced wages and limited budget flexibility. But failure to tame the debt means higher taxes and slashes in government services in the midst of a crisis, which would in turn crush conventional family finances under higher interest rates.