



The Daily Dish

## May 25th Edition

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This week, the [White House](#) will be posting health insurers' preliminary 2017 rate requests. Prices are projected to sharply increase after companies suffered huge losses over the last few years. In response to Obamacare's growing problems, two Republican lawmakers unveiled a [plan](#) to repeal some of the law's more burdensome mandates.

Yesterday, the American Action Forum released its Weekly Checkup report that shows how Medicare and Medicaid have been responsible for [over half of all improper payments](#) made by the federal government over the past five years. The total amount of improper payments has amounted to \$349.2 billion, and is more than what the federal government spends on Medicaid in an entire year. Click [here](#) to view the Weekly Checkup.

### ***Eakinomics: Should Policy Focus on Places or People?***

The Economic Innovation Group ([EIG](#)) — a new, bipartisan policy organization — released a fascinating [report](#) earlier this week. It has been widely recognized that the recovery from the Great Recession has been sluggish, characterized by slow job creation, and encompassing a sharp decline in new business formation. The report compares this recovery (the recovery of the “2010’s”) to the recoveries from the early 1990s recession (“1990s”) and early 2000s (“2000s”). It finds fascinating differences in the geography of business formation and employment growth in this recovery.

To begin, there are far fewer new businesses. The 1990s recovery saw a net increase of nearly 421,000 business establishments ( 6.7 percent growth) and the 2000s saw 400,500 (5.6 percent). The recovery of 2010s had only 166,500 net new businesses — a tiny 2.3 percent. As has been documented, this was mostly due to a lack of startups rather than a jump in the death rate of firms. Now comes the kicker: (a) Almost 60 percent of counties saw more closures than births from 2010 to 2014, (b) Only a fourth of counties added businesses at the same rate as the overall economy, and (c) 20 counties produced half of the country's new establishments.

The employment pattern was similar. Overall, the economy added 9.1 million new jobs from 2010 to 2014, compared to 7.5 million in five years of the 2000s recovery and 9.4 million in five years of the 1990s recovery; growth rates of 8.1 percent, 6.7 percent, and 10.1 percent, respectively. Looking at the geography: (a) an unprecedented number of counties lost jobs during the recent recovery, (b) a majority of the population lives in counties with job growth slower than the overall average, and (c) 50 percent of the recent job growth accrued to only 2 percent of U.S. counties.

Clearly, there is tremendous unevenness to economic growth across the states. Some of this is understandable — relatively few places could take advantage of the oil/gas extraction boom and bust that came with horizontal drilling and hydraulic fracturing. Relatively few places are tech-heavy and have benefitted from this boom. But it is still troubling and raises a serious policy question: should federal economic policy target specific locations?

I have always had a bias against “place-based” strategies like enterprise zones, targeted infrastructure projects and the like. After all, capital and people are (globally) mobile. What good does it do to preferentially help (or hurt) one U.S. location over another when the building blocks of economic activity can be located anywhere? Indeed, such a strategy could have the unintended consequence of luring capital and workers to inefficient

locations. But these prolonged differences in performance, combined with some evidence of reduced geographic mobility in the Census data, give me pause.

One middle ground could be federal grants to states for the purpose of new place-based economic strategies, while focusing new federal policy on capital and labor as a whole. But these findings do suggest that one must confront the issue: places or people?

### ***From the Forum***

[Improper Payments In Medicare And Medicaid Over Five Years Enough To Fund Medicaid For Entire Year](#) by Tara O'Neill, AAF Health Care Policy Analyst

[Four More Things We Know About Fixed And Mobile Broadband Competition](#) by Will Rinehart, AAF Director of Technology and Innovation Policy

[How Trade Continues To Drive Growth](#), AAF Infographic