The Daily Dish

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The U.S. trade deficit surged last month by 15.6 percent to $48.3 billion in August. According to Fox News, as exports slowed last month, "…imports rose 1.2 percent, even though America bought the least petroleum from abroad since September 2004." Just this week, Congress will bring a bill to end the crude oil export ban, a policy that has cost the U.S. over $1 trillion in lost revenue over its lifespan.

The Senate voted overwhelmingly to limit debate and avoid a filibuster of the National Defense Authorization Act 73-26 yesterday. The White House had promised to veto the legislation if it made its way to the president's desk. However, this would put into question much needed reforms such as an overhaul of the military's retirement system and updating the Pentagon's acquisition system to avoid runaway costs.

Eakinomics: Family (Wages) Leave

The District of Columbia got headlines yesterday with a proposal that everyone be "entitled to 16?weeks of paid family leave to bond with an infant or an adopted child, recover from an illness, recuperate from a military deployment or tend to an ill family member. The broad new worker benefit, enthusiastically supported by the Obama administration, would be paid from a fund created by a new tax on D.C. employers." This is only the latest in a series of proposals for a new worker benefit. Sen. Sanders would require employers to provide at least 12 weeks of paid family and medical leave, while Secretary Clinton would "Fight for paid family leave."

Notice that the DC/Obama Administration approach is to create a new entitlement. Employers would pay a sliding-scale payroll tax into a fund that would cover the benefits claimed by workers. This is a classic tax and spend, pay-as-you-go entitlement program that could have been designed in the 1930s. In contrast, the Sanders proposal would mandate that employers provide, at their expense, the family leave. From the description, it is not clear which approach Secretary Clinton would pursue.

The more important insight is that in both cases workers end up footing the bill for the new benefit. The mandate is the easiest to see. It directly raises employers' labor costs, providing an incentive to recoup those increases by slowing the growth of other parts of the labor budget — namely, wages. For this reason, the research literature broadly recognizes that mandated benefits come out of wages over the longer term. A similar finding prevails for payroll taxes. In Social Security, for example, the payroll tax is in principle evenly divided between employers (6.2 percent) and employees (6.2 percent), but the data indicate that wages are lower by the full 12.4 percent of the payroll tax. The new 1930s entitlement would have the same economics as the old 1930s entitlement.

To be clear, there would be winners and losers among the workers as a whole. Some individuals would see their wages grow less even though they did not want, value, or use the family leave. And vice versa. But the real lesson is that the mirror image of proposals to "give" workers a new benefit is just waving good bye to wages that families might value as much or more.

From the Forum

Hospitals with Higher Net Income More Likely to Receive Bonus Payment by Tara O'Neill

The Trans Pacific Partnership Agreement is Finalized by Jacqueline Varas, AAF Data Analyst

Primer: The Veterans Health Care by Tara O'Neill, AAF Health Care Policy Analyst

EPA's Effluent Discharge Elimination by Sam Batkins, AAF Director of Regulatory Policy

Fact of the Day

The nations involved the Trans-Pacific Partnership represent 40% of global GDP.