



The Daily Dish

September 29th Edition

DOUGLAS HOLTZ-EAKIN | SEPTEMBER 29, 2015

Yesterday the Senate easily advanced a measure to fund all government agencies through December 11. The 77-19 vote clears the way for the chamber to pass legislation today, sending a clean funding bill to the House just in time for a vote to avoid Wednesday's midnight deadline. In recent months, the White House has issued six veto threats on various proposals in appropriations bills. The bill sent to the president's desk will likely be clean of any of those policies.

RSVP NOW: At 4:00 PM today, AAF will be hosting an event on the role of global insurers in the Rayburn House Office Building. Wine and light hors d'oeuvres will be served, so don't miss out. [Click here for more details.](#)

Today, Congress will be holding a hearing on the Puerto Rican debt crisis. Senator Hatch, Chairman of the Senate Finance Committee, told the [New York Times](#) that "the devastating effects from unsustainable debt are now being felt by Americans living and trying to work in Puerto Rico." AAF's President Douglas Holtz-Eakin will testify at the hearing on the impending crisis.

Eakinomics: Trump Tax Policy

Presidential candidate Donald Trump unveiled his [tax plan](#) yesterday. I will leave for another occasion a full evaluation of the plan, but one plank raises an important issue in tax policy. The plan includes the provision "If you are single and earn less than \$25,000, or married and jointly earn less than \$50,000, you will not owe any income tax. That removes nearly 75 million households – over 50% – from the income tax rolls. They get a new one page form to send the IRS saying, "I win," those who would otherwise owe income taxes will save an average of nearly \$1,000 each."

Put aside the gimmicky "I win" notice. Taken at face value, the plan would "remove over 50% from the tax rolls." At present, roughly one-half of Americans have no income tax liability; taking half of the remainder off the rolls would mean that only 25 percent of citizens would be paying the income tax. (Trump's plan is also supposed to be revenue neutral, so the 25 percent would be shouldering a higher burden.) The question is whether this is a good idea.

Should one-fourth of the population pay for all of the government that the other three-quarters want? If this topic is raised, progressives are quick to point out that those not paying the income tax are liable for the payroll tax. True enough, but in other settings it is claimed that it is wrong to reform Social Security or Medicare benefits because those benefits have been "paid for." Not so. Medicare is greatly subsidized by general revenue — i.e., the income tax — and Social Security redistributes from high-earners to low-earners. Middle-class and low-income Americans are subsidized across the board by higher-income payers of the income tax.

If you believe that government is an institution by which elites paternalistically take care of the less capable, less affluent — as progressives actions suggest that they do — then this is not alarming. The rich are paying the elite to "do their job" of running the government and the lives of others. If you believe that representative

democracy should reflect the broad ability of people to make intelligent decisions — as conservatives believe — then the key to good decisions is good incentives. Spending “other peoples’ money” is never a good incentive.

The issue is larger than the Trump plan and merits a healthy debate.

From the Forum

[Globalized Risk: The Role of Global Insurers and Their Regulatory Implications](#) by Meghan Milloy, AAF
Director of Financial Services Policy

Fact of the Day

[In President Obama’s second term alone, regulators have finalized \\$108 billion in costs and more than 59 million paperwork burden hours.](#)