

Insight

The Policy Implications of the Progressive Platform

SAM BATKINS, GORDON GRAY, CHRISTOPHER HOLT | AUGUST 24, 2016

Last month, Democrats gathered in Philadelphia to nominate Secretary Hillary Clinton and approve their policy platform. For those curious about the regulatory implications of their platform, they are largely a reaffirmation of President Obama's policies, with several nods to the candidacy of Senator Bernie Sanders. President Obama's regulatory platform will cost Americans roughly \$800 billion. The DNC platform doublesdown on that agenda and it could cost Americans even more. We touch on specific policy areas below, including labor, financial, energy, health, and tax policy.

Labor Policy

- \$15 minimum wage: an explicit federal minimum wage increase is spelled out in the Democratic platform. As AAF's Ben Gitis and Douglas Holtz-Eakin found, raising the minimum wage to \$15 an hour by 2020 would affect 55.1 million Americans, reduce employment by 6.6 million workers, or roughly the population of Indiana.
- Arbitration double standard: generally, progressives oppose binding arbitration in contract situations. However, the DNC platform unapologetically supports arbitration for establishing more union representation. It reads, "We support binding arbitration to help workers that have voted to join a union reach a first contract." Later on in the platform, when discussing right to work laws, the platform notes, "we will support efforts to limit the use of forced arbitration clauses in employment and service contracts that unfairly strip workers, consumers, and students of their right to their day in court." As AAF's Ben Gitis and Sara Rizik recently found, the recent decline in union membership has resulted in economic, job, and earnings growth.
- There is also a serious discussion about paid family and sick leave. The benchmark of this plan calls for 12 weeks of paid leave for a new child or a serious health issue. As AAF has found, a similar proposal introduced in the House would cost between \$159 billion to \$997 billion. However, the proposed payroll tax increase, 0.4 percent, would only cover about \$30.6 billion in benefits, leaving anywhere from 80 percent to 96 percent of the benefits unfunded. A more sensible proposal might be to target this benefit to those who are low-income, or don't already have access to leave benefits.

Financial Policy

• The DNC enthusiastically supports Dodd-Frank and the CFPB. According to RegRodeo, AAF's tool to track all federal regulation, Dodd-Frank financial reform has already imposed \$36 billion in costs on Americans, along with 73.9 million paperwork burden hours. In addition to promoting more expensive mortgages, the law has contributed to a 5 percent drop in revolving consumer credit since 2010. On its own, CFPB has imposed at least \$2.8 billion in burdens and generated 16.9 million new paperwork burden hours.

The platform goes out of its way to highlight the "Conflict of Interest Rule," otherwise known as
the Fiduciary Rule. In addition to the rule's \$31.5 billion cost estimate and 56,000 paperwork hours,
AAF has found the rule could cost investors \$1,500 and reduce retirement savings by \$4.2 billion

Energy Policy

- Beyond the Clean Power Plan, the platform specifically targets Senator Sanders' proposal to reduce greenhouse gas (GHG) emissions by 80 percent. When AAF analyzed the president's Paris agreement, we found the U.S. would need to spend an additional \$38 billion to \$45 billion to meet the 2025 benchmarks. This would be in addition to the \$26 billion regulators have already finalized.
- Renewable Energy: The platform reads, "We are committed to getting 50 percent of our electricity from clean energy sources within a decade, with half a billion solar panels installed within four years and enough renewable energy to power every home in the country." Last year, AAF modeled the cost of a 700 percent solar power increase by 2020 and we found the cost of such expansion could reach \$67 billion
- The platform also supports the administration's ambitious appliance standards and energy efficiency programs. For comparison, the Obama Administration has already published 27 "economically significant" (impact of \$100 million or more) efficiency standards, with six more under review now. The price tag for President Obama's action on the efficiency front is \$174 billion and similar action during the next eight years will only grow more expensive.

• Health Policy

- o Universal health care coverage: The platform supports a "public option" and using "state innovation waivers" as a means to achieving universal health care coverage. We have seen the results of the closest thing to a public option implemented thus far—the co-ops. Of the 23 taxpayer-funded co-ops established through the Affordable Care Act (ACA), just seven remain. All the others have had to close their doors because their medical claims outweighed their revenues, despite being provided billions of dollars in start-up loans. Time and again, Democrats try to convince the world that government-funded and administered health care is the solution, and time and again, it results in the loss of billions of dollars and patients with nowhere to go.
- Health care costs: Democrats will address "unaffordable" health care costs by "making premiums more affordable, reducing out-of-pocket expenses, and capping prescription drug costs." If only it were that simple. Over the last few years, the administration has worked hard to prohibit insurance companies from raising premiums "too" high. Consequently, insurers have brought in less revenue while their medical claim costs continue to soar; as a result, insurers large and small have lost billions of dollars and many have decided to stop offering plans in the exchanges. The government cannot simply mandate its way to lower prices. Further, out-of-pocket expenses for prescription drugs have been steadily declining since 2005, and very few patients have been affected by high-cost pharmaceuticals.
- Medicaid expansion: Democrats will not rest until Medicaid is expanded in every state. But Medicaid is increasingly costing more and more, and crowding out funding for other programs and services in the states. And despite the amount of money spent on Medicaid, it does not provide beneficiaries with quality health care. Medicaid expansion will not create new jobs or economic activity. Medicaid needs serious reforms to ensure it provides a real safety net to those most vulnerable. Continuing to expand a failing program is not a solution.

Tax Policy

- The Democratic platform proposes at least 10 specific tax increases aimed at various sectors of the U.S. economy, including the energy sector, the financial sector, and large U.S. firms. Specifically, the platform calls for a new financial transaction tax, at least two new tax increases on multinational firms, higher taxes on oil and gas producers, a new surtax on individuals, taxing carried interest, raising estate or "death" taxes, creating a new alternative minimum tax in the "Buffett Rule," and hiking Social Security taxes. Each of these proposals run afoul of the imperative to pursue progrowth tax reform.
- The platform recapitulates a number of tax policies from the Obama administration's budget including, taxing carried interest, limiting deferral, and the "Buffet Rule," among other proposals that would worsen an already anti-growth tax code with little improvement to nation's fiscal outlook.
- Multinational Firms: Perhaps the most favored targets of the progressives' tax increases are large U.S. firms, specifically multinational firms. Notwithstanding the fact that about one-fifth of working Americans are employed by such firms in America, the platform proposes increasing taxes in at least two important ways on such firms, and more importantly ignores existing anti-competitive features of the existing code. First, the platform wants to double down on the Obama administration's attempt to limit deferral, which helps mitigate the U.S.'s antiquated approach to international taxation. Upending this tax policy as the platform suggests, could threaten over two million jobs. The platform also supports a "crackdown" on inversions firms leaving the U.S. because of its harmful tax environment. This approach ignores these pressures and instead threatens tens of thousands of high-quality U.S. jobs.

 Financial Transactions Tax: The platform takes a far more strident tone on taxation than did the 2012 platform, and proposes for the first time a new tax on financial transactions, which like other such taxes would invariably harm savings and investment, while complicating an already burdensome tax code.

Conclusion

President Obama is on pace for more than 600 major rules and \$800 billion in regulatory costs in just eight years. Judging from a brief review of the DNC platform, President Obama did not go far enough. Price and wage controls need to be more stringent, inefficient climate policy should be more onerous, and financial policy should continue to punish middle-class investors and potential homeowners. If the American public viewed this administration's regulatory policy as burdensome, the next four to eight years under a left-of-center administration could portend a government-knows-best mentality with few obstacles in its way.