The Daily Dish

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Late last night the House approved a $1.1 trillion spending measure that will keep the government funded. The measure passed 219-206, with 162 Republicans and 57 Democrats in favor. The so-called “CRomnibus” now moves onto the Senate where it is expected to pass today.

While a House panel was meeting to discuss eliminating the 1970s era ban on crude oil exports, a group of economists from American Council for Capital Formation urged the president to lift the ban. Even according to the government’s own research, “This reduction in oil prices, if they persist for one year, puts approximately $1.3 trillion in the hands of consumers worldwide.”

The FCC voted Thursday to increase the E-rate program by $1.5 billion, now totaling $3.9 billion per year. AAF has found that, with this vote, the program has expanded nearly 123 percent since 2008. One of the criticisms of the new increase is that the FCC failed to update the program to create a process targeting the neediest schools for assistance.

Eakinomics: Medicaid as “Stimulus”

Everything, seemingly, has been sold as creating jobs or “stimulus.” So it should hardly be surprising that over the past year several studies have claimed that the Affordable Care Act's (ACA) Medicaid expansion will create new jobs and economic activity. By implication, states that decline the expansion are needlessly forgoing jobs and economic growth that could be obtained at no cost. These studies include one by the White House Council of Economic Advisers (CEA). Unfortunately, these studies arrive at the beneficial bottom line by shaky accounting and ignoring offsetting factors. AAF’s Robert Book undertakes a careful review and concludes that their claims are unfounded. Instead, if the Medicaid expansion were adopted by all states it would result in a direct net loss of up to $174 billion in economic growth nationwide over ten years and the loss of over 206,000 full-year-equivalent jobs for the years 2014 to 2017.

How does this happen? Notice that if a state expands Medicaid, the federal government initially foots 100 percent of the bill, and after 2016 continues to pick up 90 percent. That is money flowing into the state that can be used to purchase health services or allow existing health spending to be spread into other sectors; this channel is the focus of most of the studies that find beneficial effects. Unfortunately, the story does not end there. Some of the Medicaid recipients would have otherwise been eligible for insurance subsidies in the exchanges, so the inflow of Medicaid money is in part offset by lower subsidy inflows. It is the net inflow that matters.

Even more important, the money has to come from somewhere. Every state will have higher federal taxes in order to pay for the spending. What really matters to a state is the complete accounting: Medicaid expansion minus lost subsidies minus new taxes. By definition, for the nation as a whole this has to add up to zero, which would be the *accounting* answers to the question of how much stimulus is provided. The *economic* answer, however, includes the fact that higher taxes will diminish economic activity: the overall stimulus is negative.

There are additional nuances that affect the state-by-state bottom lines, but the basic lesson is clear. Be wary of Medicaid analysts selling stimulus.

From the Forum

Primer: Network Neutrality and Title II by Will Rinehart, AAF Director of Technology and Innovation Policy

Modifying The Dodd-Frank Act by Satya Thallam, AAF Director of Financial Services Policy

House on Regulation: Cromnibus Edition by Sam Batkins, AAF Director of Regulatory Policy