



The Daily Dish

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President Obama will deliver his final [State of the Union](#) this evening. The president plans to utilize the massive television audience to [set the agenda for the 2016](#) campaigns rather than focus on specific policy proposals. In addition, it is likely that he will encourage the election of a president who will embrace the policy agenda he has outlined during his presidency.

AT&T announced that they plan to [bring back unlimited wireless data plans](#), but customers would have to sign up for one of AT&T's TV packages to participate in the plan. AT&T recently acquired DirecTV, so this offer aims to encourage those users to switch from their current plan to AT&T. Today, 15 million homes use DirecTV but do not have AT&T wireless as their mobile service.

Eakinomics: [Other People's Money: The Policy "War" on the Left](#)

Proposals for [paid family leave](#) have ignited a [policy war](#) on the left. Recall that the basic proposal is the same for all the candidates. Employers should be obligated to permit up to 12 weeks of paid (at a rate at least equal to two-thirds of normal pay) leave to each employee for family or medical purposes. Candidate Clinton plans to cap the maximum pay rate as well. Payments would come from a family leave fund (probably named a "trust fund" for irony).

The disagreement is how finance the fund. Bernie Sanders proposes a dedicated payroll tax of 0.4 percent (based on the [Family Act](#)) while Hillary Clinton promises to pay for this (and a trillion dollars of other proposals) solely by taxing the "rich." Advocates of the Sanders approach point to the durability of Social Security, and Franklin Roosevelt's political instinct that if people paid payroll taxes they would feel they deserved the benefits, making it difficult for them to be reformed. They also argue that Clinton's approach might make paid leave look like a luxury; while a payroll tax is believed to convey an importance to paid leave. Clinton, in contrast, points to the importance of not taxing the middle class and the basic "need" for redistributive policies.

It is an interesting debate with some tough political calls. But as a matter of the policy foundations, it is irrelevant. No matter what people may think, as a whole workers do not pay for their Social Security benefits. That's why — in the absence of reform — Social Security beneficiaries face a 25 percent cut (across-the-board, including retirees) in roughly 20 years. Medicare is even worse. While there is a payroll tax for hospitalization coverage and some Medicare fees, three quarters of outpatient physicians and pharmaceuticals are covered by general revenue. That's why Medicare runs a cash-flow deficit over \$300 billion. In each case, the perception was not that workers were funding their own benefits; the perception was that someone else would pick up the tab. And, predictably, the tab got larger and larger over time. Dedicated payroll taxes do not mean a reliable policy design. Clinton's approach is clearly founded on the "other people's money" strategy; it is simply more transparent. But it will fail just as badly.

In the end, there is no policy war. The policy will fail either way. The real disagreement is how to sell this clunker to the American people.

From the Forum

[The Year in Regulation: EPA, Health Care Rules Drive Burdens](#) by Sam Batkins, AAF Director of Regulatory Policy

[Week in Regulation](#) by Sam Batkins, AAF Director of Regulatory Policy