The Daily Dish

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It does not come as too much of a surprise to learn that "the White House says it will give states more time to comply with the new health care law after finding that many states lag in setting up markets where millions of Americans are expected to buy subsidized private health insurance." *The New York Times* reports that "Kathleen Sebelius, working with the White House, said she would waive or extend the deadline for any states that expressed interest in creating their own exchanges or regulating insurance sold through a federal exchange." Indeed, delayed or missed deadlines are regular order at the White House.

As the Dish noted last week, the next White House budget proposal will be tardy once again this year. *The Wall Street Journal* reports that "if the budget proposal slips much beyond the deadline, it will bump into President Barack Obama's Feb. 12 State of the Union address to Congress. Complicating matters, the White House and Congress are likely to engage in intense fiscal negotiations in late February over both the debt ceiling and the across-the-board spending cuts known as the sequester that begin March 1."

A more optimistic person might hope that the White House is taking the extra time to add in some serious proposals on spending, but the president made painfully clear yesterday that's not the case. *The Washington Post* notes that "President Obama vowed Monday that he would not negotiate…over the federal debt ceiling…and that he would not trade spending cuts…for an agreement to raise the federal debt ceiling." While the president demagogues over the threat of a default, he has returned to his default setting: point fingers, and ignore the spending problem.

On Our Radar: 8:30 AM: Producer Price Index from BLS; Retail Sales from Census.

Doug's Daily Economic Outlook

America's energy boom is real and a powerful upward lift for economic growth. As a result of technological advances, notably the fracking technique, oil and gas reservist that were previously not economically feasible to tap now hold out the promise of "energy independence"; i.e., the U.S. as a net energy exporter. This raises some new issues for policymakers.

First, does the U.S. really want to export its energy, notably natural gas? Some have argued that passing up the opportunity to sell gas globally — at higher prices — the U.S. can retain the supplies at home, generate lower energy costs, and provide a built-in competitive advantage for energy-intensive manufacturers. Notice, however, that the same thing could be accomplished by exporting the gas, taxing away the higher profits, and subsidizing manufacturers. So, in the end, the question is whether the government should take money from those who own energy supplies, extract gas, and transport it to export markets and hand it to manufacturers. A tradition of avoiding government picking of winners and losers would argue: no.

Second, will the economy be insulated from the devastating impact of global oil price shocks? Notice that when the U.S. imports large amounts of oil a sharp increase in prices transfers dollars from the U.S. to foreign suppliers. That drains purchasing power — often sharply and quickly — and harms households' contributions to growth. If the U.S. supplies it own oil, while remaining linked to world markets, the same price shocks may still occur. In this instance, however, the main effect of higher prices will be to transfer purchasing power from U.S. purchasers to U.S. sellers. This redistribution would be expected to have more modest macroeconomic downsides.

The U.S. energy boom is a real economic opportunity to raise U.S. incomes and simplify the policy decisions facing future leaders.

What We're Reading

Report: New Regulations cost $216B and 87 million hours of paperwork. What do they reap? — If you're a business leader or conservative economist who worries that the federal government is strangling the economy in red tape, 2012 was a banner year. If you're a consumer advocate or an environmentalist anxious for the government to do more to boost public health … ditto. For the anti-red-tape crowd, there's this: The federal government imposed an estimated $216 billion in regulatory costs on the economy last year, nearly double its previous record, the conservative American Action Forum think take calculates in a new report. (WaPo) (Full study here)

McKeon asks OMB why sequester is delaying Pentagon budget — House Armed Services Committee Chairman Buck McKeon (R-Calif.) wants to know why sequestration is suddenly stopping the Pentagon's budget work in its tracks…McKeon asked why the Pentagon now says sequestration is preventing its budget from being completed, when OMB told the Pentagon last year not to plan for the cuts in the months before they were set to take effect…For the Pentagon, the situation is even more precarious, with across-the-board spending cuts still up in the air that could cut the DOD budget another $45 billion in the 2013 fiscal year. (The Hill)

Fed Chief Sees Bond Buys Continuing — Federal Reserve Chairman Ben Bernanke said he still wasn't satisfied with the economy's progress, despite recent signs of improvement, and indicated that he plans to stick with the unconventional programs the central bank is using to lift output. "There are some positives, but I want to be clear that while we've made some progress there is still quite a ways to go," Mr. Bernanke said, speaking about the economy at the University of Michigan's Gerald R. Ford School of Public Policy here. The Fed said that continuing these programs — such as and $85 billion-a-month bond-buying effort — hinges on progress in the U.S. job market. (WSJ)

Younger Americans Have More Credit-Card Debt Problems: Study — American credit card holders in their late 20s and early 30s have more debt than older consumers, repay it more slowly and risk dying in debt if they don't curb their spending habits, a new study showed on Monday. Researchers [found] that people born between 1980 and 1984 had on average $5,689 more debt than their parents had at the same stage of their lives, and $8,156 more than their grandparents. (Reuters)

401(k) breaches undermining retirement security for millions — A large and growing share of American workers are tapping their retirement savings accounts for non-retirement needs, raising broad questions about the effectiveness of one of the most important savings vehicles for old age. More than one in four American workers with a 401(k) and other retirement savings accounts use them to pay current expenses, new data show. The withdrawals, cash-outs and loans drain nearly a quarter of the $293 billion th
at workers and employers deposit into the accounts each year, undermining already shaky retirement security for millions of Americans. (WaPo)

Also From the Forum

"Manageable" — President Obama took to the podium to chastise Congressional Republicans for daring to suggest that the United States remains in a precarious fiscal position. Instead of acknowledging this reality, the president has posited that the U.S. needs only modest deficit reduction to stabilize the debt. As has been documented elsewhere, this assumption is flawed for a number of reasons. (Blog and chart here)

How Much Deficit Reduction? — Debt reduction is a clear imperative. But how much? The right answer appears to be in the vicinity of $4 to 5 trillion. (Brief analysis here)