The Daily Dish

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Good news: "The number of workers being laid off is steadily declining." But *Wall Street Journal* reports the bad news, too, "total hires have leveled off during the past year at about 4.3 million a month." So fewer people are losing their jobs, but also, fewer people are being hired for new jobs. "Expanding payrolls needs animal-spirits optimism about future demand and economic conditions."

And the health care law is certainly not helping with that. The *Wall Street Journal* reports that "employers are bracing for a little-noticed fee in the federal health-care law that will charge them **$63 for each person** they insure next year, one of the clearest cost increases companies face when the law takes full effect. Companies and other plan providers will together pay **$25 billion** over three years to create a fund for insurance companies to offset the cost of covering people with high medical bills."

So while applicants struggle with the paperwork to receive health insurance under the law, employers will struggle with the costs. Who ultimately pays? The unemployed who will remain unemployed, and the employed, whose premiums will continue to rise.

Doug's Daily Economic Outlook

Yesterday I testified at the Joint Economic Committee, where I was pleased to see a bipartisan consensus (former Senator Judd Gregg, founding CBO Director Alice Rivlin, MIT scholar Simon Johnson, and myself) on the need for immediate, serious measures to reduce the debt — a consensus immediately belied by the tax, spend, and borrow Senate budget. Alas. There was also a striking agreement that entitlement reform had to be at the heart of addressing the debt, and that Social Security was the best place to start. But the real insight was why — this wave of agreement notwithstanding — it was going to be hard to get that reform done: Social Security has a sequester problem.

Literally. Social Security is considered solvent when the combination of payroll taxes and trust fund bonds is enough to pay benefits. It remains solvent over the next 75 years because when the bonds run out in 20 years, benefits gets slashed 35 percent across-the-board to those in retirement, new retirees, rich, and poor. It's the Social Security sequester.

Like the current budget sequester, it is the mechanical backstop to keep spending within limits. Like the budget sequester, it is mindless, bad policy that should not be permitted to take place. Like the budget sequester, it should be replaced. But how? Will it be replaced by more targeted reductions in the growth of benefits for affluent Americans and better measures of inflation during retirement? Or would the president insist that getting rid of the payroll tax holiday in January was not enough and it should be replaced by jacking payroll taxes?

Keeping Social Security solvent via sequester is a disgraceful way to run a pension program. Entitlement spending is at the heart of the debt threat. Will the problems be addressed, or does the future hold a Social Security sequester?

What We're Reading

Senate Budget panel approves first spending blueprint in four years — The Senate Budget Committee on Thursday evening approved its first budget in four years and, as expected, the 12-10 vote came down right along party lines. The fiscal blueprint produced by Senate Budget Chairwoman Patty Murray (D-Wash.) makes modest cuts to the federal deficit over the next decade and contains $975 billion in tax increases by ending tax breaks for corporations and wealthier individuals. (The Hill)

Congress begins meetings on tax reform — This year, individual and companies are expected to pay $1.3 trillion less intakes as a result of deductions, loopholes and special rates — including breaks as varied as the deduction for mortgage interest, the exclusion for employer-sponsored health insurance and special rates on investment income. For the most part, the two sides agree that the tax code creates enormous complications and that it would be better to be simpler. (WaPo)

Senators introduce bill to approve Keystone XL pipeline — A bipartisan bill introduce in the U.S. Senate on Thursday would give Congress the power to approve TransCanada Corp's Keystone XL pipeline project to link Canada's oil sands with refineries and ports in Texas. The measure, unveiled by John Hoeven, a North Dakota Republican, and Max Baucus, a Montana Democrat, would take approval of the more than 800,000-barrels-per-day pipeline out of the hands of the Obama administration. (Reuters)

Fed to hold course on stimulus despite debate over risks — Federal Reserve officials will spend much of a meeting next week debating the potential risks from the central bank's stimulus plan, but Chairman Ben

Bernanke has already signaled he believes the costs of inaction are even greater. The U.S. central bank looks set to keep buying $85 billion a month in mortgage and Treasury bonds in an effort to encourage investment and bolster a weak economic recovery. (Reuters)

Lew Says He Is Optimistic About Agreement Over U.S. Budget — U.S. Treasury Secretary Jacob J. Lew expressed optimism the Obama administration and Republicans can reach a budget agreement and warned that the lack of a deal would hurt the economy and job growth. (Bloomberg)

OBama asks House Dems to make concessions for big deficit deal — President Obama asked House Democrats on Thursday to give him the political room to make concessions to Republicans on entitlements as part of a deficit-reduction deal. In a meeting with the House Democratic Caucus in the Capitol Visitor Center, Obama said he won't accept anything less than a balanced approach to deficit reduction that includes new tax revenues, according to numerous lawmakers in the room. (The Hill)

Also From the Forum

The Economic Benefits of Balancing the Federal Budget — Under current law, Gross Debt will be 101 percent of GDP in 2023. Under the House-proposed plan which balances in ten years, debt
would be reduced to 79 percent by 2023. Prior research by noted economists Carmen Reinhart and Kenneth Rogoff has indicated that gross debt greater than 90 percent of GDP leads to slower growth, fewer jobs, and lower incomes. (Report here)