Economics in Brief

Obamacare

Americans Lose Health Care Along with Jobs

April 12—The Chairman of Subcommittee on Health of the House Ways and Means Committee, Rep. Kevin Brady (R-Tex.), repeatedly tore into President Obama's killer health-care program, and into Health and Human Services Secretary Katherine Sebelius today, over the fact that 25 million Americans will *lose* their health care insurance because they are losing their full-time jobs. Brady made the jobs issue the center of the attack on Obamacare, in his opening statement, and repeatedly during the two-hour hearing, where Sebelius evaded answering questions about the cuts in Medicare and other programs for the poor and elderly.

Brady hit Sebelius with her earlier admission that "almost 25 million Americans will lose the insurance they get at work," and he added that, in addition to these 25 million who will be unemployed in the next year, "to add insult to injury, as our economy continues to struggle ... millions of Americans have given up looking for work." Brady also said that America's unemployed are more likely to get food stamps than to get a full-time job. Unfortunately, Chained CPI, and the cuts in cancer treatments due to the sequester were never raised, despite the growing protest movement against them.

NASA

White House Budget Slams Planetary Science

April 11—The FY 14 budget for NASA, released yesterday by the White House, brings planetary-science funding down to the level that it was in 2007, and starts none of the space-science missions that have been designated as priorities by the National Academy of Sciences. Missions already under development will continue, but the future looks bleak. From the $1.5 billion that planetary-science programs received in 2012, the request for the next fiscal year is $1.2 billion.

Following the uproar from the scientific community a year ago, when the Mars exploration budget was slashed by 40%, the Administration threw it a bone by proposing that a "Curiosity-type" rover be developed for a 2020 launch to Mars. This would be "cheaper" than the operating rover, it was proposed, because it will use "spare parts" from Curiosity.

Now, it is revealed that one of the major innovations on Curiosity—using a nuclear isotope for power, rather than solar panels—will not be used on the 2020 rover. Not only does its nuclear source allow it operate 24/7, regardless of the time of day or season, Curiosity's power system provides its science experiments with 2,700 watt-hours per day of electricity, as compared to about a third of that on the solar-powered Opportunity rover. It is pure sophistry to claim that this will be "another" Curiosity.

During the press briefing, NASA Administrator Charles Bolden admitted that the cuts were based on a demand that the agency be "more frugal." Not so frugal, however, is the more than $800 million requested for commercial companies to develop "privately funded" (and, heavily NASA-subsidized) transportation to the space station. Every year, Congress has cut the requested amount by half, which it will most likely do again, with the current budget.

Banking

Big Banks Are Partying Like It's 2006

April 11—A *New York Times* DealBook blog posting today describes in detail how the largest international banks are "distributing risk" of their assets via credit default swap (CDS)-type derivatives, repo agreements, and off-balance-sheet entities.

"Seeking Relief, Banks Shift Risk to Murkier Corners," could have been written at any time between 2003 and early 2007, to describe the merriments of debt securitization and the "distribution of risk" of potentially toxic assets to pension funds, hedge funds, mutual funds, etc. The piece points out, with the benefit of recent hindsight, that all these "innovative financial products" wound up blowing "risk" like shrapnel through whole regions of the global financial system.

In other words, unrestrained by Glass-Steagall, the big banks are blowing all the same bubbles—junk bonds, leveraged loans, buyout loans, derivatives—at even faster rates of expansion than they did 5-10 years ago, and heading straight for an even bigger financial blowout.

IMF

QE Not Inflationary, So Damn the Torpedoes

April 10—The International Monetary Fund (IMF) is about to publish its annual World Economic Outlook, and in one of the chapters that was just pre-released, the authors reach the happy conclusion that "billions of [British] pounds of QE [are] unlikely to cause inflation," as today's *Telegraph* put it. The reason, they assert, is that inflation is not caused by wild speculation, monetary incontinence, collapse of the physical economy, or even price rises, for that matter—as some might think—but rather by unwarranted "expectations." And since "expectations" are at a reasonable level, "any temporary over-stimulation of the economy ... is likely to have only small effects on inflation."

The *Telegraph* notes that British Chancellor of the Exchequer George Osborne will be very happy to hear this, since he is waiting with bated breath for Mark Carney to come in as head of the Bank of England in July, because "Carney has indicated he is willing to take radical action to revive growth in the UK," i.e., to launch full-tilt QE.

On the same note, IMF head Christine Lagarde praised Japan's huge new QE as "a welcome step."