Baum on Money: Another Broken Obamacare Promise

By Caroline Baum

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It may feel as if the week is just getting started, but it's Friday. So hunker down and get started on your daily reads.

So much for the president's repeated assurances -- documented by Cato's Michael Cannon -- that expanding Medicaid would reduce emergency room visits. Evidence from Oregon's Health Insurance Experiment, published in the journal "Science," shows that an expansion of Medicaid coverage "significantly increases overall emergency use" by 40 percent. That was true for a broad range of types of visits and conditions, many of which could be readily treated in primary care settings. "Unfortunately, the hypothesis that free preventive and primary care would reduce ER use was largely untested," Cannon writes in Forbes. At the same time, we can be pretty sure what happens to demand when the cost of something drops to zero.

At least that's what some economists are predicting following the expiration of extended unemployment benefits for about 1.4 million Americans. If these people drop out of the labor force, there would be more of the same: the unemployment declining for the wrong reason. That's what happened in North Carolina last year, viewed as a test case for the nation. Alternatively, the loss of that income could motivate prior recipients to search a little bit harder for a job, in which case the rate wouldn't fall. And there's no guarantee they'll be successful in their job search.

Economist Peter Ireland writes about a subject near and dear to my heart: Why rising long-term interest rates aren't sounding the death knell for the U.S. economy. The recent increase in long rates has been driven by the real rate, or the real cost of borrowing. An improved economic outlook, a result of recent upbeat data, implies an increased demand for credit, which pushes up the price. I wrote a short blog post on this very subject yesterday. It's not that tough a concept to understand. Unfortunately, very few economists do. They forget that prices can be driven by both supply and demand, with very different implications.

Given the growing popularity of "secular stagnation," I was pleased to hear NPR reprise the famous bet between Paul Ehrlich and Julian Simon. (The excuse was the publication of a new book, aptly titled "The Bet.") Ehrlich wrote "The Population Bomb" in 1968, claiming the world would run out of food and other essential commodities to provide for a growing population. Simon said a rise in the price of these commodities would encourage production or stimulate society to find alternatives. Simon proposed a bet on what would happen to the price of five metals between 1980 and 1990. Prices fell. Simon won the bet. Which brings us back to secular stagnation: You shouldn't put too much faith in the idea that everything that can be invented, has been.

Allied Van Lines has a cool infographic on 2013 migration patterns for the U.S. and Canada. Red is balanced, blue is good, yellow is bad. Last year's winners in terms of inbound traffic (people and goods) were Newfoundland, North Dakota and North Carolina. The biggest outbound traffic was from Saskatchewan, Ontario and Quebec. In the U.S. the biggest losers were Connecticut, New York and Indiana. You can draw your own conclusions what it all means, but it's worth checking out.