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The administration expects that they have the votes in congress to pass the Trade Promotion Authority bill. According to Reuters, the legislation could receive a vote as year as this month. TPA, also known as "fast track," is a cooperative tool between the legislative and executive branches to facilitate and expedite free trade agreements with foreign governments. AAF has a short video on how TPA and other trade agreements could have a positive impact on the economy.

Shot: The USPS has posted an operating profit of $1.4 billion. This is the first time in six years that the postal delivery service has been able to claim a profit.

Chaser: The USPS actually lost $5.5 billion in their total budget due to costs including prepayment for future retiree healthcare. Since 2007, the USPS is $51.7 billion in the red.

Eakinomics: Water Policy is All Wet

California finds itself in the 4th year of drought, with the result that Governor Jerry Brown yesterday announced an executive order restricting water use (for the 1st time in California), with the goal of reducing usage by 25 percent. Specifically, the order "…directed the State Water Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25 percent." In addition, the order also promises to:

- Replace 50 million square feet of lawns throughout the state with drought tolerant landscaping in partnership with local governments;
- Direct the creation of a temporary, statewide consumer rebate program to replace old appliances with more water and energy efficient models;
- Require campuses, golf courses, cemeteries and other large landscapes to make significant cuts in water use; and

- Prohibit new homes and developments from irrigating with potable water unless water-efficient drip irrigation systems are used, and ban watering of ornamental grass on public street medians.

If you are keeping track, that is three mandates and a subsidy, but nowhere featured is charging people more for use of scarce water. More generally, market forces are deployed far too little in water policy ranging from interstate water compacts, to industrial uses, to residential water consumption. (California, for example, does not even have the ability to meter water in every household.) Yes, water is a necessity for life, but so are food, shelter, and clothing, each of which is created, distributed, and assembled in nearly infinite variety and startling quantities by deploying the knowledge skills of hundreds of thousands (if not millions) of people at all stages of research, development, production, management, sales, and so forth. Instead, California is going to count on (well-intentioned, for sure) thoughts of a relative handful of government bureaucrats with little knowledge of the needs, desire, and capabilities of families themselves.

The economics of a drought policy is just like traffic congestion — too many people trying to use a limited supply of water. In the congestion policy world, toll roads, pay lanes, charges for driving during rush hour and the like have proven to be cheaper and more efficient than other approaches. Those tactics deserve a place in the future of water policy.

From the Forum

Pharmaceutical Mergers at a Ten Year High by Conor Ryan, AAF Senior Health Care Data Analyst

Income Support Programs and Low-Wage Work by Douglas Holtz-Eakin, AAF President

Administration Data Hiding Unfunded Mandates by Sam Batkins, AAF Director of Regulatory Policy