The Daily Dish

Fixing the NDAA

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What will Congress get done in the upcoming lame-duck session? It is the topic of a lot of speculation, but certainly the National Defense Authorization Act (NDAA) should be on the list. After all, it has passed in regular order for 66 straight years. This year the House has passed its version of the NDAA. Before the Senate proceeds to a vote, however, it should be amended to remove a major policy blunder.

Readers are aware that Eakinomics has some quibbles with Trumponomics. Among the least desirable policy choices of the administration is its propensity to take equity positions in private firms. The count is up to 41, which is 41 too many, and another would forever muddle the meaning of life.

Equity investments are simply unnecessary, as the government in each instance could achieve its policy goals using long-term contracts with the firms. And there are myriad downsides. Government ownership distorts decisions by the government: Should it buy products from its firm or a cheaper competitor? It distorts decisions by the private sector: The government backing distorts risk-taking and cost controls by reducing the threat of bankruptcy. And the list goes on.

So it is troubling that Section 1051 of the Senate NDAA authorizes equity investments by the Office of Strategic Capital in the Department of Defense:

> *There is established in the Treasury of the United States a Department of Defense Equity Investment Account (in this subsection referred to as the 'Equity Investment Account'), to be used to make equity investments under this subsection.*

The voters delivered a resounding rejection of the administration's economic stewardship. This is precisely the wrong time for Congress to embrace one of its most damaging tactics.

The NDAA should be passed for the 67th straight year, but not before eliminating the authority for equity investment.