## The Daily Dish

# April 17th Edition

DOUGLAS HOLTZ-EAKIN | APRIL 17, 2015

Senator Murkowski pointed out incongruence in lifting sanctions on Iran and not approving updates to the United States' outdated oil export laws. US oil export laws are relics of the bell bottom era. However, updates could help national security concerns and lower gas prices for the average person.

The White House and lawmakers on the Hill have reached an agreement on bills that would fast track approval for new international trade deals. The trade bills (TPP and TPA) could be worth billions to the economy. If passed, they could help boost U.S. GDP by $77 billion and create 550,000 jobs over the next ten years.

ICYMI: The administration's burdensome EPA rules could shutter 93 power plants and put nearly 300,000 jobs at risk.

***Eakinomics: House Repeals Estate Tax***

The House has voted to repeal the estate tax. Viewed in partisan terms, the reaction from the left was predictable: "Today's vote to repeal the estate tax is just the Republicans' last attempt to tilt the U.S. tax code in favor of the ultra-wealthy campaign donors," said Washington State Congressman Jim McDermott. The left clings to its view of the estate tax as an instrument of social justice. By taxing wealth at death, it is deemed to preclude the inappropriate and unjustified concentration of wealth in the hands of a minority. Importantly, at the same time, it is viewed to be an economically benign tax that does not affect the overall path of capital accumulation, productivity growth, innovation, or employment in the economy.

Research on the estate tax has engendered a dramatic rethinking of the appropriate policy. To begin, early research suggested that the tax did little in practice to achieve its stated goals of stopping the concentration of wealth, either because it was far too easily legally avoided, or because research indicated that it had the perverse impact of actually increasing the concentration of wealth. Because the estate tax diminished capital accumulation, it hurt wage growth. And wage growth — as the middle class has learned to its chagrin during this recovery — is at the heart of economic mobility.

The new view of the estate tax is quite different. The estate tax *is* a tax on the accumulation of capital. Thus, it affects myriad economic decisions on the size and composition of assets, as well as the decision to provide charitable contributions at death. Historically, among the most vociferous opponents of the estate tax have been small and family businesses as well as entrepreneurs. Recent research fleshes out the foundations of this opposition – the estate tax has a disproportionate impact on the overall economy precisely because it has such dramatic impacts on these individuals and their enterprises. The reduction in capital accumulation and the diminished ability of entrepreneurs to augment productivity shift the burden of the estate tax away from the estates and onto workers as a whole.

The modern view of the estate tax is that its costs — in the form of decreased small business capital, reduced probability of hiring, smaller payrolls, stifled investment, and fewer jobs — are too high for the tiny wealth redistribution it achieves.

***From the Forum***

Suspiciously Large Price Increases Among Some Generics by Conor Ryan, AAF Senior Health Care Data Analyst

Regulation Review: Fiduciary Proposal Redux by Andy Winkler, AAF Director of Housing Finance Policy; and Sam Batkins, AAF Director of Regulatory Policy

93 Power Plants in Danger from EPA's Climate Rule by Sam Batkins, AAF Director of Regulatory Policy; and Catrina Rorke, AAF Director of Environmental and Energy Policy