The Daily Dish

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According to CNN Money, economists from both Republican and Democrat administrations agree that the economy is not growing fast enough. Last year the economy grew 2.4 percent, however since World War II the economy has grown at an average of 3 percent per year. The US has yet to see that type of grown during the "recovery." Stagnant (or even declining last month) wages have also been a constant issue in monthly jobs reports. A recent report, *The Growth Imperative*, by AAF President Douglas Holtz-Eakin gives insight into the historical rate of growth versus what we are facing today, and outlines policies needed to get back on track.

The closer they live to the proposed Keystone XL pipeline, the more likely it is for someone to approve of the project, no matter how liberal. According to a new study of Pew polling data, those who would live close to the pipeline have an "inverse NIMBY" reaction. The Washington Post suggests that this may be due to more people being better informed on the project in that area. The more they know about Keystone XL, the more they are likely to approve.

Eakinomics: Too Big to Fail Redux

The role of large banks in the financial system has been a contentious political and policy debate. In particular, critics have argued that big banks benefit from an implicit taxpayer subsidy stemming from their ability to borrow at lower cost. The argument pins this lower borrowing cost on perceived reduced risk due to the fact that these banks will be bailed out by the government if they get in trouble. That is the heart of the notion of "too big to fail" (TBTF).

In previous work, AAF has taken a close look at the research purporting to support the idea of TBTF and testified regarding the topic. Now, researchers at the Federal Reserve have concluded that large banks *can* borrow more cheaply than small banks. However, large non-financial firms can borrow more cheaply than small non-financial firms. Importantly, the borrowing advantage that comes from size is no larger in banking than in other industries. As the authors say: "Using pricing data on credit default swaps (CDS) and corporate bonds over the period 2004 to 2013, however, we find that the CDS and bond spreads of financial firms are no more sensitive to borrower size than the spreads of non-financial firms."

These findings arrive at a crucial time. Critics continue to call for breaking up the large banks. This summer, the large banks will submit their so-called living wills — the procedures to unwind the banks should they become distressed. These special procedures are designed specifically to address the presumption of TBTF. In evaluating the future of both the existing Dodd-Frank regulation and any new proposals it is important to have the arguments based on the facts.

From the Forum

Week in Regulation by Sam Batkins, AAF Director of Regulatory Policy