The Daily Dish

December 1st Edition

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The final and long anticipated language of the federal No Child Left Behind reauthorization has been released to the public. The House is planning to consider it shortly. The bill, named the Every Student Succeeds Act, would limit the U.S. education secretary's power and puts the decision-making back in the hands of the states.

Yesterday, the IMF admitted China's yuan to the Special Drawing Rights basket, recognizing the currency as a global economic power. This addition makes the yuan the third biggest currency in the elite basket of reserve currencies. Recognition was given after several months of economic reforms in China, including increases for foreigners to access China's currency markets and expansion of the yuan's trading hours. This marks the first change in the IMF's basket since 1999 when the euro replaced the mark and franc.

Eakinomics: Shoddy Infrastructure (proposals)

Presidential candidate Hillary Clinton unveiled her proposal to spend $250 billion on infrastructure and $25 billion to create an infrastructure bank. I'm no reflexive opponent of infrastructure proposals (and have written in favor of getting them evaluated on a level budgetary playing field), but these ideas are a shoddy foundation for infrastructure policy.

First, observe that the basic structure of the proposal is to spend more on infrastructure and pay for it with higher taxes on corporations. Politically, it sounds so appealing: "good stuff" like infrastructure for all (and a nice payoff to the unions for their support), with the bill being footed by bad guys like big corporations. But exactly the same structure was tried in both the House and Senate in the context of the highway bill and it failed. This is a policy non-starter and constitutes messaging trumping substance.

The same is true of her infrastructure bank proposal. The president had infrastructure bank proposals for both terms. (Clinton renamed it the "strategic" infrastructure bank. Is this a subtle rebuke?). Has anyone seen it as a living, breathing, pass-by-Congress, signed-by-the-president entity. No.

Consider, third, the idea of raising corporate taxes to pay for new spending. There is bipartisan agreement that the corporate rate is too high and lots of evidence that even a revenue-neutral reform has great difficulty addressing the problems of growth and international competitiveness. A tax hike is bad news for anyone who wants to keep or get a job that is not at a hot dog stand or in the government. This is a strange notion to include in a proposal that is supposed to strengthen jobs in America. Another possibility is that the increased revenue would come from a 1-time tax on overseas earnings. That might mitigate the ongoing economic drag of the proposal, but it creates a dangerous budgetary commitment of permanent new spending programs without permanent new funding sources (or spending offsets elsewhere).

And about those jobs, forget it. The economy is nearing full employment, so any success in hiring for infrastructure jobs would come at the expense of employment elsewhere in the economy. This is a general problem with liberal/progressive proposals to "create jobs" by federal spending. They can only work when in a recession and if the money is spent quickly and well. The result is a dismal record for public works proposals. It is possible for well-targeted infrastructure proposals to raise productivity and, thus, wages. But that requires the ratio of policy to pork-barrel needs to be lower in this proposal than historically, and it's only distinguishing feature is that the spending faucet is cranked farther open than in the past.

America benefits from quality infrastructure, a good value proposition of excellent services and low taxes, and a competitive tax code. This is too many steps in the wrong direction to be taken seriously.

From the Forum

Administration’s Fall 2015 Regulatory Agenda Imposes $118 Billion in Costs
by Sam Batkins, AAF Director of Regulatory Policy

Final Food Distribution Safety Rules
by Dan Goldbeck, AAF Research Analyst

Fact of the Day

Nearly 16 million Medicare Part B beneficiaries will see premiums increase by 16 percent year.