The Daily Dish

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On Friday, the President told reporters that the Keystone XL pipeline was of “not even nominal benefit” to the American people. While touting a new agenda for the coming year, he continued to discount benefits from the pipeline, “there has been this tendency to really hype this thing as some magic formula to what ails the U.S. economy…” There may not be a magic formula, but tens of thousands of construction jobs, slowing billions of dollars from being sent to Persian Gulf oil suppliers, and preventing possibly one million gallons of crude from spilling can hardly be called nominal.

Rising health care costs are driving up the deficits of local and state governments. According to a study by the Government Accountability Office, the rapidly increasing prices are a large reason that these governments could see their deficits double by 2064.

Soon, President Obama will be releasing specifics on his vision for corporate tax reform. In the past, the administration has focused its attention on tax inversions. AAF President, Douglas Holtz-Eakin, corrects the record on inversions in this *Eakinomics video*.

Eakinomics: The Financial Crisis Response in Retrospect

Advocates, the Obama Administration in particular, wish to portray the government response to the crisis at Bear Sterns, Lehman, AIG, Fannie Mae, Freddie Mac, General Motors, Chrysler and ultimately the financial system and Great Recession as driven by necessity and all that stood between the United States and a second Great Depression. But the value of these interventions remains unknowable and open to questions, while the abandonment of principle in favor of event-driven pragmatism always comes with a cost.

On the first point, consider the administration's announcement Friday that the Treasury had sold its final stake in Ally Financial, and thus exited its bailout of U.S. auto firms. The press release crowed, “The U.S. Department of the Treasury today announced that it agreed to sell all of its remaining 54.9 million shares of Ally Financial Inc. (Ally) common stock, exiting the last major Troubled Asset Relief Program (TARP) investment and winding down the Auto Industry Financing Program. The shares were sold at $23.25 per share, recovering $1.3 billion to taxpayers. 'The Auto Industry Financing Program helped save the auto industry, more than one million jobs, and prevent a second Great Depression,' said Treasury Secretary Jacob J. Lew.”

The former claim is simply a *non sequitur*. It makes no sense to check whether the taxpayer makes money on a private sector investment. Of course it can. The point is that we do not invest taxpayer dollars in private enterprise — otherwise known as nationalization — without a good public policy reason. Thus the key is the latter claim, which is just silly. The auto bailout “saved” General Motors (questionable, since we’ve seen recently the problems that remain) and Chrysler. Not Ford. Not Honda, Not Toyota. Not Hyundai. You get the point; it is a lot less than the U.S. “auto industry.” And the economy was saved much more by the Federal Reserve response than by the targeted actions at two auto firms.

Moreover, it came with a deep cost because the bankruptcies of General Motors and Chrysler overturned the traditional priority of claimants in bankruptcy — seemingly to match the political tastes of the administration. In the same way, recent information puts the integrity of the government actions toward AIG in question. In both cases, policymakers came to the moment seemingly without a set of policy principles to guide them, even in a crisis. Instead, an attitude of getting it done at all costs. The legacy is far from unmixed.

From the Forum

NLRB Leaving Some Presents for McDonald's Franchises by Dan Goldbeck, AAF Research Analyst; and Ben Gitis, AAF Policy Analyst

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