The Daily Dish

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President Obama plans to propose a $2.5 billion tax credit to require businesses to invest in programs at their local community colleges and hire their graduates. The tax credit would be given over five years and offer a $5,000 tax credit for each individual hired on. AAF research found that about 50 percent of community college students begin college but never complete a degree.

On Sunday, North Korea launched a satellite into space for scientific and "peaceful purposes", causing condemnation from the U.N. Security Council who held an emergency meeting yesterday to discuss the threat. In January, North Korea conducted a failed hydrogen bomb test in defiance of international sanctions.

Eakinomics: Obama's $10 Oil Tax

The president's budget will be out Tuesday, and the White House has leaked that it will propose a $10 per barrel tax on U.S. oil producers. As *Politico* reported, it "will propose more than $300 billion worth of investments over the next decade in mass transit, high-speed rail, self-driving cars, and other transportation approaches designed to reduce carbon emissions and congestion. To pay for it all, Obama will call for a $10 "fee" on every barrel of oil, a surcharge that would be paid by oil companies but would presumably be passed along to consumers."

The proposal is dead on arrival, but it is worth thinking about both parts. On the spending side, the president revisits his stimulus-era ideas for high-speed rail — something that has, at best, limited geographic feasibility — suggests that the government needs to get in the game on self-driving cars (what is it that the West Wing knows that Google, Mercedes, BMW, and Tesla don't?), and pours money into more traditional mass transit (an abyss of metropolitan corruption). Until the details are released, one cannot be sure, but there is likely to be little of policy merit in these spending proposals.

The impact on oil and related markets is more interesting. Of course, the tax would lead to an increase in gasoline prices; the only question is how much. Most analysts suggest that it will be in the range of $0.25 per gallon. From this perspective, one question is why the Administration did not simply propose a 25 cent increase in the federal gasoline tax to fund its infrastructure initiatives. Doing it at the retail level is closer to the traditional user-fee model for the highway trust fund, although the rise of electric and hybrid cars weakens the link between gasoline use and highway wear and tear.

But there will be broader impacts as well, since the tax will raise the retail prices of jet fuel, heating oil, diesel fuel and others. It will interfere with global petroleum markets. While it appears that imported oil will also be subject to a $10 tax, it does not appear that the tax would be rebated on exports. If so, then having finally won long-overdue ability to export oil, U.S. producers will immediately be at a disadvantage on global markets.

In introducing the proposal, the administration argued that is was a fair *quid pro quo* for permitting oil exports and that, with oil prices low, now is a good time to introduce a tax. The latter is simply an inappropriate managing of prices (something the administration has tried before), while the former simply doesn't make

sense. Oil companies should not have to “pay” for policy that is beneficial for the economy as a whole.

The president’s oil tax is going nowhere. Nor should it.

From the Forum

The U-6 Fix by Douglas Holtz-Eakin, AAF President

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