The Daily Dish

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DOUGLAS HOLTZ-EAKIN | JUNE 23, 2015

A bipartisan group of Senators have introduced a “six-year highway reauthorization bill titled the Developing a Reliable and Innovative Vision for the Economy Act (DRIVE Act).” The goal of the bill is to cover the annual $16 billion gap per year that the government currently faces with transportation funding.

Yesterday, Senator McConnell began the process of fast tracking the repeal of Obamacare’s medical device tax. The 2.3 percent tax on the industry hits the 7,000 different U.S. manufacturing firms. What do you need to know about this? 80 percent of those firms are small businesses, employing 50 people fewer. The tax on small businesses has been scrutinized since the ACA’s passage.

Eakinomics: Lagging State Recoveries

The sluggish pace of the U.S. recovery from the financial crisis and Great Recession has been well-documented. However, it is less well-recognized that 15 states have not recovered to their pre-recession levels of employment. These states are shown in the table (below). One thing that jumps out is that these states are notorious housing bubble victims; e.g., Arizona. Slow recovery in the housing market and construction sector, more generally, may tell a bit of this story. Also, there are few of the energy-producing states that have benefited from the explosion in oil and gas exploration. Indeed, to the extent that there are energy states, they are coal-producing states like West Virginia and Wyoming that have suffered from the regulatory initiatives of the Obama Administration.

While there is no single, monolithic explanation for slow job growth, it is not all individual-specific factors either. The first thing to note is that these states had a history of poor growth coming into the recovery. Only four — Nevada, Arizona, New Mexico, and Wyoming, with the latter a clear outlier — ranked in the top half of the country for average growth rate in Gross State Product (GSP). Poor recoveries reflect a history of weak economic policies. This is mirrored by the fact that these states are weak at producing new businesses. Again, only six of these states ranked in the top half of the states for the (percentage) increase in the number of businesses in their borders.

One reason may be the presence of big government. Using government spending as a fraction of GSP as a measure of the size of government, these are big government states. Using a system where, 1 is the smallest ratio of spending to GSP and 51 the largest, the slow growing states are clearly among those with the largest public sectors. Connecticut stands out as an exception and the next smallest (Missouri) ranks 15th. The vast majority are ranked poorly on controlling the size of government.

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Good growth is not an accident. It is also not a single bill, like President Obama’s failed stimulus. It is a continuous attention to low taxes, controlled spending, efficient regulation, and a quality labor market. To achieve this means erring on the side of growth at all key points in the policy process.

From the Forum

Heavy-Duty Truck Efficiency: Part II by Sam Batkins, AAF Director of Regulatory Policy