



The Daily Dish

May 12th Edition

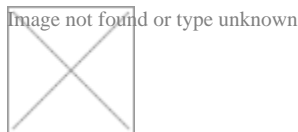
DOUGLAS HOLTZ-EAKIN | MAY 12, 2015

The vote for Trade Promotion Authority, or “fast track,” will finally come to the floor today with Senate Majority Leader Mitch McConnell urging fellow senators to at least allow for a vote and not to filibuster. TPA will give the president the ability to negotiate trade agreements, but according to [Douglas Holtz-Eakin](#), it actually allows congress to “constrain the latitude of the president during negotiations.” There are [billions of dollars and hundreds of thousands of jobs](#) at stake that TPA could jump start.

Is the economy getting better? Tracking a number of different criteria, experts think that this year’s economic growth will be even less than last year. Hiring has slowed down, and even though April’s jobs numbers were better than others this year, it still lags behind past years. From [Market Watch](#), “The Federal Reserve’s index of labor market conditions fell to -1.9 in April from -1.8 in March, the first time the gauge has been negative for two months in a row since the middle of 2012.”

Eakinomics: Oil Prices and U.S. Economic Performance

According to news [reports](#), the Organization of the Petroleum Exporting Countries (OPEC) doesn't expect oil prices anywhere near \$100 per barrel over the next decade. The main reason: the emergence of North America, in general, and the United States, in particular, as a world production powerhouse. In the presence of new supply from North America, OPEC gave up using production limits or quotas to keep global oil prices high. The table below — reproduced from the [Wall Street Journal](#) — is instructive in this regard. Aggregate OPEC production, excluding Iraq, is actually 600,000 barrels a day lower now than in December 2011 when production limits were halted. But that hasn’t kept prices high. Brent crude, the international benchmark, is trading in the mid \$60s and bottomed out at less than \$50 a barrel in January.



The low Brent prices translate directly into low gasoline prices. (Because gasoline prices are pegged to the global price, U.S. [oil exports](#) remain a viable policy option to further bring down gasoline prices.) This is good for consumers. The drop in oil prices, however, has also led to sharp cutbacks in U.S. oil exploration. This translates directly into reduced purchases of drilling equipment and supplies, and reduced demand for steel and other inputs to their manufacture. The drop in oil prices is one part of the sluggish business investment performance in the first quarter.

Fortunately, the tech-savvy U.S. drilling sector can respond quickly and the rebound in global prices will bring new supply quickly on to the market. This is a new dynamic: relatively low prices for consumers and less threat of an oil-induced downturn, but much more short-term volatility in investment and production as global prices fluctuate.

The energy renaissance in the U.S. has reshaped both the politics and economics of global oil markets.