



**The Daily Dish**

## September 16th Edition

DOUGLAS HOLTZ-EAKIN | SEPTEMBER 16, 2014

The U.S. tax code ranks [near the bottom](#) of industrialized nations according to a new study by The Tax Foundation. Out of the 34 nations tallied, the U.S. was only above Portugal and France. Among the reasons for the poor ranking is the current high statutory corporate rate of 35 percent and for taxing companies on worldwide income. The rankings are based “on more than 40 separate factors in five key areas of tax policy — corporate taxes, consumption taxes, property taxes, individual taxes and international tax rules.”

The Government Accountability Office (GAO) [announced](#) that power companies already have plans to close 13 percent of all coal power capacity by 2025 due to federal rules. GAO admits that the number could rise even more to 16 percent. Just one regulation, the EPA’s MATS rule, was found to possibly force the closure of 11 percent of U.S. coal power capacity. Even worse, the EPA admits that the number of closures could be even higher -up to 19 percent- when including the new proposed [greenhouse gas regulation](#).

### *Eakinomics: The Financial Crisis In Retrospect*

Yesterday marked the anniversary of the fall of Lehman Brothers and the rapid worsening of the financial crisis that began in late 2007. Consistent with its style-over-substance approach to policy, the White House National Economic Council used the occasion to [tout](#) the state of the [economy and its regulatory response](#) to the crisis.

I am unclear as to why Americans are supposed to be happy with the state of the economy (oh, wait, they are [not](#))? The Administration’s usual defense is that their approach was better than a 2nd Great Depression, and I’ve always thought we should set the bar a bit higher. In any event, when the president pivots to the economy, it usually reflects a really bad state of the rest of his agenda.

The administration’s response to the financial crisis was built on the canard that the cause of the crisis was either de-regulation or under-regulation. As spelled out in my (along with Keith Hennessey and Bill Thomas) [report](#) on the Financial Crisis Inquiry Commission, the causes were much more complex. State-supervised mortgage brokers were poorly regulated, Fannie/Freddie affordable housing goals were over-regulated, and the only major financial regulation during the Bush-era was the Sarbanes-Oxley law that could never be confused with deregulation.

Moreover, some of the regulatory response simply makes no sense from the perspective of the crisis. Derivatives had nothing to do with the crisis, with the sole exception of one product (credit default swaps) in one unit of one firm (AIG). Proprietary trading had nothing to do with the crisis. Yet the White House touts their efforts in these areas.

Some of the claims are simply overstated. Despite the alphabet soup of mortgage-modification programs, metropolitan housing markets across the country remain in a muddle. Despite violating the standard priority of claims in bankruptcy and handing Chrysler to its union pals, the administration did not save the “auto industry.” Ford, Honda, Toyota, Hyundai, and others simply saved themselves through more effective and prudent management.

Finally, some of the policies look increasingly like bad mistakes. The Financial Stability Oversight Council looks to have overstepped with [insurance companies](#) and might yet do so with [asset managers](#). And the Consumer Financial Protection Bureau is amassing an impressive list of [regulatory](#) overreach.

The financial system *is* stronger than prior to the crisis, largely due to increased capital in large banks. But even six years later, the administration is premature to pat itself on the back.

### ***From the Forum***

[Who Still Needs CHIP?](#) By Conor Ryan, AAF Health Care Data Analyst