



The Daily Dish

Would Bailouts for Power Plants Improve National Security?

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Eakinomics: Would Bailouts for Power Plants Improve National Security?

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“Americans love to hedge,” was the opening line of my college class on national security strategy. Americans are uniquely willing to spend a lot for even marginal improvements to military capabilities, the professor noted, and that’s an inefficient approach to strategy. Expenses should match the risks they address.

This lesson is especially salient after a National Security Council meeting on whether the government should [intervene in electricity markets](#). The Trump Administration is considering bailing out unprofitable coal and nuclear power plants because they supposedly are “fuel secure,” and thus preserving them would benefit national security. This proposal is a classically bad approach to national security policy.

As my latest insight piece explains, the idea that a bailout for these plants will benefit national security fails on three fundamental levels.

1. It fails to establish the existence of reliability as a threat to national security. The administration is operating under a premise that the grid is not sufficiently reliable, but grid operators have [openly refuted](#) these reliability concerns. And ironically, in recent years, coal and nuclear plants have been plagued by their own reliability issues—especially during times of natural disasters.
2. This policy would not remedy the projected threats. A cyberattack could theoretically cripple our grid, but preserving these old (and likely somewhat outdated technologically) power plants might even make the grid more vulnerable. Furthermore, transmission problems cause the [vast majority](#) of power disruptions, yet a government bailout of legacy plants does not address this risk.
3. A policy intervention would rely upon an extraordinarily broad interpretation of government powers that may not be legal. To justify using such power, the administration would have to assume that any threat to electricity reliability, however minor, is intolerable. Such an approach to policymaking assumes infinite risk and could justify any policy no matter the cost, setting the government down a slippery slope.

To be sure, there are many legitimate policy concerns in electricity markets right now. But good policymaking does not need to stretch our credulity to be justified. It should address real problems in economically feasible and legal ways. A government bailout for power plants does not.