

4 February 2010

Today's Tabbloid

PERSONAL NEWS FOR craig.kirchoff+fisccon@gmail.com

FISCALLY CONSERVATIVE BLOG FEEDS

Criminalizing Politics [Cato at Liberty]

FEB 03, 2010 04:54P.M.

By David Boaz

Steve Poizner, the California insurance commissioner who is seeking the Republican nomination for governor, created a stir this week by charging opponent Meg Whitman's campaign with attempting to coerce him out of the race. He said he had reported her campaign to state and federal law enforcement authorities.

What did Whitman actually do? Well, Poizner said that Whitman consultant Mike Murphy had contacted a Poizner staffer by phone and email to urge him to withdraw from the race. The email, released by Poizner, said: "I hate the idea of each of us spending \$20 million beating on the other in the primary, only to have a badly damaged nominee. And we can spend \$40 million tearing up Steve if we must; bad for him, bad for us, and a crazy waste to tear up a guy with great future statewide potential." In the email, Murphy went on to suggest that if Poizner dropped out of the race before the June 8 vote, Whitman and her team would immediately get behind him for a 2012 challenge to Sen. Dianne Feinstein.

Poizner says that's not only "strong-arm tactics" but possibly an *illegal* inducement to get him to withdraw. But isn't this really just politics as usual? Don't candidates as a matter of course say "support me this time, and I'll support you next time" or "run for a different office and I'll endorse you"? Presidential candidates, or their campaign managers, are often said to have promised the vice presidency to more than one rival to clear the field.

The point about spending \$40 million of Republican money tearing up fellow Republicans is a pretty common complaint about party primaries. In fact, National Review correspondent John J. Miller raised just that concern about the Rick Perry-Kay Bailey Hutchison showdown in Texas.

Even during the Rod Blagojevich flap over "selling" a Senate seat, the always-provocative Jack Shafer and Jim Harper both asked, Isn't this what politicians do? They make deals — including deals like "I'll support your campaign if you'll make my buddy (or me) a Cabinet secretary." No doubt the promises are often worthless, but they still get made. Blagojevich and Murphy have reminded pols all over the country that such deals are better made in person, not via email or telephone.

Politics ain't beanbag, Mr. Poizner. Accept the deal or reject it. But "let's clear the field and spend our money fighting the other party" is pretty standard politics. And a darn sight better than another standard political practice, using the taxpayers' money to bribe the voters to support you.

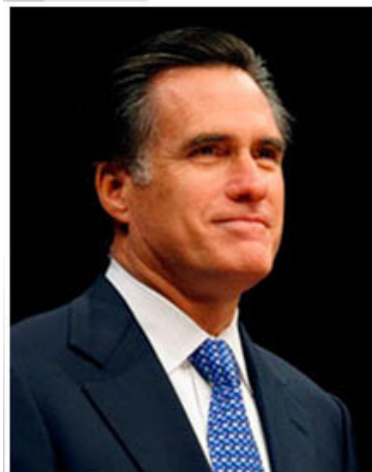


FISCALLY CONSERVATIVE BLOG FEEDS

'Father of HSAs' John Goodman Plays Host to 'Father of the Individual Mandate' Mitt Romney [Cato at Liberty]

FEB 03, 2010 04:52P.M.


By Michael F. Cannon



"Father of the Individual Mandate" Mitt Romney

The former nickname came from *National Journal* or *The Wall Street Journal*, I'm not sure which. The latter nickname comes from Institute for Health Freedom president Sue Blevins.

See here for details on an upcoming event in Dallas where Goodman's National Center for Policy Analysis will play host to Romney.

It should be an interesting event. With all 40 Republican members of the U.S. Senate, including moderates like Sen. Olympia Snowe (R-ME), voting to declare an individual mandate unconstitutional...with 35 states moving legislation to block an individual mandate...with the *Heritage Foundation* rebuking an individual mandate...and with Virginia's Democratically controlled Senate approving legislation to block an individual mandate...well, Romney may have a tough road to hoe with the conservatives who typically attend NPCA events. 

FISCALLY CONSERVATIVE BLOG FEEDS

Fed Governor Starting to Make Sense [Cato at Liberty]

FEB 03, 2010 03:36P.M.

By Mark A. Calabria

Despite still defending the Fed's bailouts, Fed Governor Kevin Warsh gave a speech this morning offering a few insights about reforming our financial system that seem to be lost on both Obama and Bernanke.

A few highlights:

The mortgage finance system is owed far stricter scrutiny to gather a fuller appreciation of the causes of the crisis. The government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, for example, were given license and direction to take excessive risks.

One has to hope that both Bernanke and Obama are listening. The silence of the Obama administration on fixing Fannie and Freddie is nothing short of shocking and irresponsible. Any commitment to real reform has to include the GSEs.

Granting new powers to resolve failing firms in the discretionary hands of regulators is unlikely, in the near-term, to drive the market discipline required to avoid the recurrence of financial crises.

...Some newly-empowered and untested regulatory structure is not likely—in and of itself—to be sufficient to tackle institutions that are too-big-to-fail, particularly as memories of the crisis fade. Regulation is too important to be left to regulators alone.

I believe these two points cannot be stated more strongly: what we need is more market discipline, rather than less. Putting the entire weight of our financial system on the backs of our financial regulators is a crisis just waiting to happen. Sadly the direction of both President Obama and Congress seems to be in undermining market monitoring of firms and relying solely on regulators to “get it right”. The very same regulators


who were asleep at the wheel prior to the last crisis. 

FISCALLY CONSERVATIVE BLOG FEEDS

Wednesday Links [Cato at Liberty]

FEB 03, 2010 01:40P.M.

By Chris Moody

- David Boaz debates at *The Economist*: Is Obama failing? “In many ways, Obama has just doubled down on George W. Bush’s policies of bailouts, takeovers, expanded Fed powers and nationalizations. In a recession he is adding debt, taxes and regulation to the burdens already felt by business.” Readers can vote and join the debate.
- Ever wonder why weather forecasters can get things so wrong?
- Looking for a primer on the causes of the financial crisis? The new Cato Policy Report has answers.
- How to tell when the government health care overhaul is dead.
- Podcast: “Citizens United and SpeechNow.org” featuring Steve Simpson of the Institute of Justice. 

FISCALLY CONSERVATIVE BLOG FEEDS

Liberty, Even for People You Don't Like [Cato at Liberty]

FEB 03, 2010 01:21P.M.

By Jason Kuznicki


In a conversation about “Don’t Ask, Don’t Tell,” Peter Sprigg of the Family Research Council admitted that he wants to re-criminalize sodomy:

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...which is easy for him to say, of course, because he’s unlikely to be affected by the law. As someone who is likely to be affected by the law, I’m tempted to criminalize Peter Sprigg. Liberty is never more negotiable than when it’s liberty for someone you don’t like.

What is it that I don’t like? I don’t like putting people in cages. Whenever we can reasonably avoid it, we should. Liberty means liberty even for

people we think are weird, or disgusting, or immoral — provided that they do not hurt us or our own legitimate interests. *Lawrence v. Texas*, for which the Cato Institute filed an amicus brief, is one of the most important expressions of this idea in our time.

Once liberty applies only to the things that we like, we have abandoned the true idea of liberty entirely. From that point on, you and I, as enforcers, must cling ever more tightly to arbitrary power. If we don't, then someone else may come along, take that power, and criminalize us. A free society leaves the misfits alone, because sooner or later, everyone is a misfit, in some way or another. 

FISCALLY CONSERVATIVE BLOG FEEDS

Charters no Substitute for Private Innovation [Cato at Liberty]


FEB 03, 2010 12:16P.M.

By Adam Schaeffer

I wrote about this private school in South Carolina last year. The Voice for School Choice has a new video highlighting the great work of the Eagle Military Academy, which works with many kids the public schools cannot or will not educate.

There's a lot of talk lately about the transformative power of some charter schools, and it's easy to lose sight of the fact that many secular and religious private schools have been saving kids all along with no public funds and little or no recognition from the elite opinion class.


We need to open up choice to these schools as well, not just public charter schools that cannot provide the breadth and depth of experiences offered by private schools.

Public charter schools are no substitute for full school choice through education tax credits. 

FISCALLY CONSERVATIVE BLOG FEEDS

De-Facto Card Check Vote Coming Soon [Americans for Tax Reform]

FEB 03, 2010 12:03P.M.

Originally posted at WorkerFreedom.org: This week, the United States Senate will be considering President Obama's nomination to the National Labor Relations Board (NLRB), Craig Becker. Mr. Beck... 

FISCALLY CONSERVATIVE BLOG FEEDS

Obama Small Business Lending Fund Likely A Bust [Cato at Liberty]

FEB 03, 2010 11:45A.M.

By Mark A. Calabria

President Obama has announced his intention to use \$30 billion in TARP funds to create a new small business lending fund. In all likelihood, this is \$30 billion the taxpayers will never see returned.

First of all, the problem facing small business, outside of the massive uncertainty being created by Washington, is one of credit availability, not cost. For those who can get credit, its quite cheap, arguably too cheap. So if the president doesn't intend to lower the cost of credit, the plan must be to lower the quality; using the \$30 billion to cover expected credit losses. Of course, we tried throwing lots of taxpayer money at unsustainable homeownership, is there any reason to believe throwing taxpayer money at unsustainable businesses is going to work any better?

Using TARP funds for this program is also somewhat disingenuous. This program adds \$30 billion to the deficit regardless of whether it's funded by TARP or by Congressional appropriations. Taking from the TARP only allows the President to keep treating the TARP as his personal slush fund. Nowhere in the TARP legislation can you find language authorizing the use of funds to cover credit losses on new loans. Being a constitutional scholar, the President should know very well that the spending power rests with Congress, not the President. If we are to have a new small business lending program, it should be designed and funded by Congress, not bureaucrats at the Treasury Department.

Historically the two main sources of small business start-up funding have been home equity and credit cards. Clearly the availability of home equity has declined. Sadly as well, with the passing of credit card "reform" the availability of credit card lending has also declined. If the President truly wants to help small business, then the first thing to do is

ask Congress to repeal the credit card bill and then just get out of the way. 

FISCALLY CONSERVATIVE BLOG FEEDS

Look Who's Talking Now [Cato at Liberty]


FEB 03, 2010 10:43A.M.

By Roger Pilon

Today Politico Arena asks:

Should officials be talking about the Christmas-day bomber talking and what does it prove?

My response:

Amid growing bipartisan criticism of the Obama administration's handling of the Christmas Day bombing, the Manhattan KSM trial, and much else in its approach to terrorism, it's pretty clear that the White House put out the news last evening that Abdulmutallab is now talking simply to quiet that criticism. After all, that's a story only because Abdulmutallab had *not* been talking. And why wasn't he talking? Because shortly after he was arrested and briefly questioned by agents with no terrorism-related expertise, he was Mirandized and lawyered up, like any common criminal — consistent with the Obama administration's law-enforcement approach to terrorism. And so he clammed up — and we were now put in the unseemly position of having to bargain with him to get intelligence. If this issue were not so serious, you'd have to call the Obama-Holder operation the Keystone Cops. 

FISCALLY CONSERVATIVE BLOG FEEDS

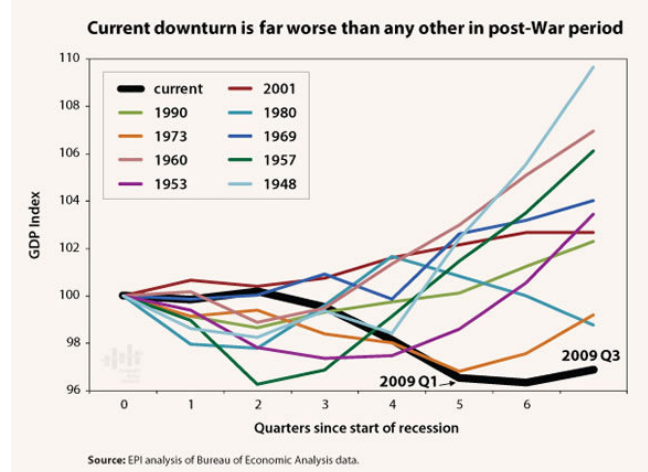
Why the Slow Recovery? [Cato at Liberty]

FEB 03, 2010 10:07A.M.


By David Boaz

"Wealthy Face Higher Taxes." That's the headline that greeted two million American businesspeople Tuesday when they opened their Wall Street Journals. Inside, another banner head: "Big Firms Would Face Deeper Tax Bite." Turn to the New York Times: "A Red-Ink Decade/Obama Budget Sees Years of Deficits." The Financial Times: "Obama to target overseas tax breaks." Investor's Business Daily: "Higher Taxes for All in Obama Budget, \$1.6 Tril 2010 Deficit." And the Washington Post (not that many productive people get that on their doorstep): "Obama budget would spend billions more."

And President Obama wonders why banks aren't lending, employers aren't hiring, and investors are holding back? As the Economic Policy Institute illustrates, this is the slowest recovery of any postwar recession.



Let's hope the Obama administration soon learns that higher taxes, more regulation, a larger share of GDP shifted to government, fears of Fed monetization of soaring debt — not to mention newspaper reports of Obama budgeteers "flipp[ing] through the tax code, looking for ideas" — can only discourage employers, investors, and entrepreneurs. Robert Higgs has cited the role of "regime uncertainty" in prolonging the Great Depression, as investors worried about what FDR might do next. Will Wilkinson points to Treasury Secretary Tim Geithner's saying "businesses want certainty. They need certainty so they can make long-term plans today." Unfortunately, Will says, "Creating completely irresponsible, economically chilling regime uncertainty would appear to be the basic *modus operandi* of the Obama administration."

Taxes, regulation, and uncertainty — and Obama asks why businesses aren't lending, investing, and hiring. 

FISCALLY CONSERVATIVE BLOG FEEDS

How to Tell When ObamaCare Is Dead [Cato at Liberty]

FEB 03, 2010 10:05A.M.

By Michael F. Cannon

Democrats have lots of ambitions. One of them is their health care overhaul, which included a lot of “pay-fors” — i.e., spending cuts that would pay for ObamaCare’s new entitlements. But they also want a jobs bill, a “doc fix,” and other things that require new government spending. Those also require pay-fors — unless Democrats are willing to expand further a \$1-trillion-plus deficit — and pay-fors are a scarce commodity.

Today, CongressDaily’s Anna Edney reports:

Some, though, are skeptical Democrats would use any of the pay-fors because that would mean officially declaring the reform effort dead.

“I don’t expect any effort to dismantle the reform bill until there’s no pulse,” one lobbyist said.


Right now, ObamaCare is mostly dead. And as we all know, “There’s a big difference between mostly dead and all dead...Mostly dead is slightly alive.”

A good way to tell when ObamaCare is all dead is when Democrats start picking at the carcass for pay-fors. 

FISCALLY CONSERVATIVE BLOG FEEDS

Illinois Primary Election Results [The Club for Growth]

FEB 03, 2010 08:50A.M.

The Chicago Tribune has all the results and numbers. Some highlights: Mark Kirk is the GOP ll go up against Democrat incumbent Bill Foster in November. 

FISCALLY CONSERVATIVE BLOG FEEDS

Change You Can Be Deceived In [Cato at Liberty]

FEB 03, 2010 08:38A.M.

By Sallie James

This priceless quote from Barack Obama comes from 2007 apparently, but is depressingly instructive:

We need to stand up to the special interests, bring Republicans and Democrats together, and pass the farm bill immediately

From Jacob Sullum at Reason, via Megan McArdle 

FISCALLY CONSERVATIVE BLOG FEEDS

FHA Bailout Watch [Cato at Liberty]

FEB 03, 2010 08:36A.M.

By Tad DeHaven

The Federal Housing Administration has been one of the government’s main instruments for propping up the housing market in the wake of the housing bust. But as has been widely reported, the FHA is in danger of needing a taxpayer bailout because of rising defaults on mortgages it insures.

FHA-insured loans originated in 2007 and 2008 — when Bush administration housing officials were mainly concerned with “winning back our share of the market” — are defaulting at higher rates as this graphic from the *Washington Post* shows:

FHA officials are optimistic a bailout won’t be needed, but the *Post* reports that not everyone shares this optimism:

The audit, released in November, found that the cash the FHA set aside to pay for unexpected losses had dipped to historic lows, well below the level required by law. As of Sept. 30, those reserves were estimated at \$3.6 billion, down from nearly \$13 billion a year earlier. The most recent figure represents 0.53 percent of the value of all FHA single-family-home loans — far lower than the 2 percent required by Congress.

But Ann Schnare, a former Freddie Mac official, said the

situation could be even worse. She said the audit underestimates future losses because it does not take into account all loans that are now overdue, only those that the FHA has paid claims on.

To avoid a bailout, the FHA recently proposed more stringent standards, which would include raising the premiums it charges to cover losses. However, even if a bailout isn't needed and the FHA continues to "make money," that would only call into question the need for the FHA to begin with. Why can't the private sector provide all mortgage insurance?

The answer is that the mortgage lending industry likes knowing it can originate mortgages that the government will cover in the event of a default. Heads they win, tails Uncle Sam loses. The president's new budget makes this clear in addressing concerns about the FHA's currently low reserves:

However, it is important to note that a low capital ratio does not threaten FHA's operations, either for its existing portfolio or for new books of business. Unlike private lenders, the guarantee on FHA and other federal loans is backed by the full faith and credit of the Federal Government, and is not dependent on capital reserves — FHA can never "run out" of money.

That's right — the federal government can simply tax, borrow, or fire up the printing presses.

The government has been propping up the housing market with taxpayer subsidies in the wake of a housing boom and bust it helped create. If policymakers continue to keep the housing market on artificial life support, taxpayer will remain on the hook. If it pulls the plug and the market takes another downward spiral, Washington will probably rush in with more bailouts. It appears taxpayers can't win.

See this essay for more on federal housing finance. 
