

THE

OPTIMAL

BUNDLE

THE PENN STATE ECONOMICS ASSOCIATION
THE OPTIMAL BUNDLE

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February 14, 2017
Spring 2017: Volume 28

optimalbundle.org
psuea.org

Repeal with no Replacement

Last week, Donald Trump signed an executive order calling for “new principles” on regulating the financial industry. Specifically, the order stated that the Dodd-Frank Wall Street Reform Act of 2010 should be repealed. The president had campaigned on a number of promises to dismantle Obama-era financial regulations.



In addition, the order reverses the newly defined “fiduciary rule,” which would have prohibited financial advisors from giving advice that hurts their clients while benefitting the advisor themselves. These new directives have drawn significant criticism, much of which claims that the president is renegeing on campaign promises to “stand up” to the financial sector. However, some economists view these two orders with optimism because of billions in assets that could be freed for investors should the current regulations be repealed. — AC

Sources: on.wsj.com/2jUoX1K, bloom.bg/2kfCvSS

Announcements

- Interested in writing a guest post on our blog? Send Bronson an email at bx5106@psu.edu
- Audition for EA’s Great Debate! Apply by 11:59pm tonight at bit.ly/2l1ZMIJ
- Make sure to read our weekly, in-depth blog posts on optimalbundle.org as well!

Will You Still Pay Social Security When I’m 64?

In his three weeks as president, Donald Trump continues to dwell on the campaign cycle and has frequently gloated about his “landslide victory.” Now that he resides in the White House, the president has the power to enact many of his campaign’s promises, even if he remains focused on the past election.

However, one of these promises may need to be rethought. Trump planned to decrease taxes on the working class, while at the same time increasing spending on a number of infrastructure projects. Although the plan may sound meritorious, the budget is less than feasible.

The aging Baby Boomer generation is increasingly growing burdensome on the federal government’s spending. Nearly 10,000 Americans reach age 65 every day, an increase from 6,500 just ten years ago. Because of this, the proportion of the population that depends on federally-funded Medicare and Social Security has skyrocketed, which has also caused a decrease in the base of taxable incomes.



The decrease in revenue but increase in expenditures make Trump’s proposal to lower taxes infeasible from a budgetary standpoint, and the president will have to either increase taxes or decrease spending to maintain a fiscally-sound budget. Otherwise, his goal of reaching a four percent growth rate—which essentially every economist already derides as impossible—will be rendered completely impractical. — MW

Sources: on.wsj.com/2lBJGLN

End “End the Fed”

OP-ED During an interview with Time Magazine in 2009, Chairman of the Board of Governors Ben Bernanke noted that “the Federal Reserve faces a lot of political pressure and is unpopular in many circles.” His observation appears to be truer now—even more so than it did in the midst of the Recession—and scapegoating the Fed has become a rare opportunity for bipartisan support. It is no coincidence that the prominence of the Fed has expanded since the Great Recession, and that cutting rates as measure to sustain a healthy recovery have proved successful due to its independent nature.

Calls to “audit the Fed” have garnished support from opposite sides of the political aisle. In January 2016, Senators Ted Cruz (R-Texas) and Bernie Sanders (I-Vermont) supported a bill introduced by Senator Rand Paul (R-Kentucky) that would require the Federal Reserve’s monetary policy deliberation to be subject to review by the Government Accountability Office.

The purpose of the central bank is and should be purely apolitical. Mechanisms such as securities transactions, flux of money supply and inflation targeting applied by the Federal Open Market Committee have a technical focus on the state of the economy, isolated from the influence of partisan politics.

Unlike the long term constraints of fiscal policy, the efficiencies exercised by the FOMC on monetary policy are comparatively immediate, allowing for a quick, tailored control of the economy.

The January 2016 bill died, primarily due to a Democratic-controlled Senate, but it may soon be resurrected with support from President Trump and his sprawling coattails. The President showed his distrust of the Fed during the campaign trail, accusing Janet Yellen of intentionally keeping interest rates low in order to help the Obama administration, despite providing no basis for such observation. Voting for additional regulation of the Fed makes for a popular soundbite, but will prove counterproductive and an inconvenient hurdle in times of crisis.

Evidence of political interference in monetary policy has troubling results, as Fermin Lares recognizes in his book *The Chavismo Files*. Lares notes that the lack of independence eroded the effectiveness of Venezuela’s once professional and technocratic central bank, which only contributed to the country’s economic downfall. In hindsight, we can see that is usually the insecure factions within a government who are keen to influence the central bank, in order to implement their unsustainable policies. — NG

Sources: bit.ly/2k0MVZJ, nyti.ms/2IIFHWZ

Don’t Roam Through Romania Right Now

Home to Vlad the Impaler, old-fashioned Renaults, and the grave of the only Soviet-era leader executed for wrongdoing, Romania has a storied but troubled past. Many of the country’s historical issues—including rampant corruption—continue to haunt the eastern European nation today.

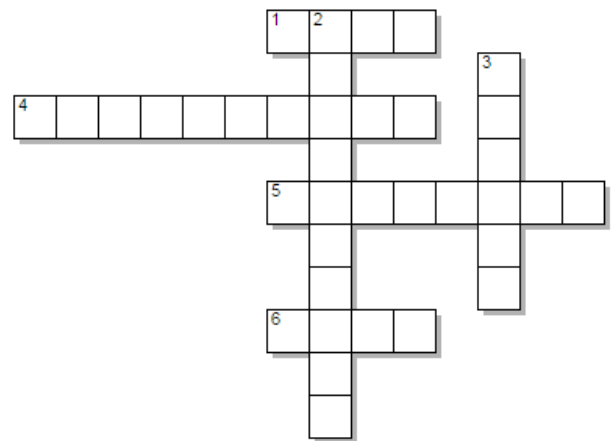
Last month, Romania’s new government decriminalized a number of corruption crimes. Bribery, a common form of petty corruption forced upon tourists and the country’s poor, was briefly legalized.

Most concerns, however, focused predominantly on political corruption. For instance, the leader of Romania’s ruling Social Democratic Party was recently convicted of electoral fraud and became ineligible to serve as prime minister. The now-rescinded pro-corruption law would have permitted that leader to serve as prime minister.

Angry citizens took to Bucharest’s streets en masse to protest the law earlier this month. Their sustained pressure has now compelled the government to withdraw the measure, which will help Romania avoid the crony capitalism that doomed Venezuela. — HL

Sources: nyti.ms/2I54rwn

What’s the Word?



ACROSS

- 1 Where will everyone be dancing this weekend?
- 4 What financial regulatory law does Trump want to repeal?
- 5 What drug did Social Ed attempt to sell last week?
- 6 Who sponsored an “End the Fed” bill last year?

DOWN

- 2 On what does the federal government spend the most?
- 3 EA needs to have another lit what?