



State of the Union 2013: Reactions from CEI Experts

President Barack Obama delivered his fifth State of the Union address on Tuesday, Feb. 12, 2013. Below, policy experts from the Competitive Enterprise Institute respond to the president on several focal issues of the speech: jobs, wages, energy, climate change, infrastructure, immigration, cybersecurity, and trade.

JOBS

Obama thanked Congress for passing “some of” his American Jobs Act and urged Congress to pass the rest.



Senior Fellow John Berlau says Obama is right to thank Congress for passing “some of” his bill. “Congress passed the right part—the modest but significant deregulatory provisions for startup and emerging growth companies,” Berlau says. “I hope Obama will also prod the SEC to stop delaying provisions of that bill that would lift barriers to crowdfunding.”

Obama announced the launch of three “manufacturing innovation” hubs and asked Congress to “help create a network of fifteen of these hubs.”



Warren Brookes Fellow Matthew Melchiorre says the president’s plan looks to be little more than a boondoggle. “As the \$787 billion stimulus made clear, the state is simply not suited to directly enhance productive job creation,” Melchiorre argues. He says the proposed manufacturing hubs are emblematic of the federal government’s penchant for central planning, which doesn’t work. “Business creation functions best when individuals are left free to build enterprise from the bottom-up, not when the state creates firms from the top-down. The former permits flexibility and a business model tailored to market forces, while the latter is a recipe for a rigid business structure influenced more by politics and myopic self-interest than by the tastes and preferences of individuals communicated within the market.”

WAGES

Obama proposed an increase in the federal minimum wage to \$9 an hour.



Fellow in Regulatory Studies Ryan Young says, “As predicted, Obama is not acknowledging that while a higher minimum wage would give raises to some workers, there is a tradeoff. Other workers will be fired, or will not be hired at all. It’s perfectly fine to argue that the increase is worth that tradeoff. But one must acknowledge that the tradeoff exists. If it didn’t, I’d propose a \$1,000/hour minimum wage.”



Greg Conko, Executive Director, agrees. “The minimum wage hike might as well be called the Teenage Unemployment Act.”

Obama asked Congress to pass the Paycheck Fairness Act this year.



Senior Attorney Hans Bader [points out](#) that two federal laws—the Equal Pay Act and Title VII of the 1964 Civil Rights Act—already ban gender based pay discrimination. He also disputes the Administration’s claims that women generally make 23 cents on the dollar less than men. “Government data shows that women work fewer hours than men do, which explains much of the apparent pay gap,” Bader explains. Because the Bureau of Labor statistics defines “full-time” only as 35 hours or more, comparing “full-time” pay between genders doesn’t account for the disparity in work hours.

ENERGY

Obama said America has “doubled the distance our cars will go on a gallon of gas.”



Obama neglects to acknowledge that fuel efficiency has come at a price. As **General Counsel Sam Kazman** [reports](#), the CAFE (corporate average fuel economy) program has a death toll. CAFÉ restricts the production of large, crashworthy vehicles. According to a 2002 study by the National Academy of Sciences, this downsizing contributes to about 2,000 deaths per year.

Obama said America produces “more oil at home than we have in 15 years.”



Energy Policy Analyst William Yeatman notes Obama [made a similar remark in last year’s State of the Union](#), when he proudly announced that oil production was the highest it had been in 8 years. Both times, Yeatman says, Obama essentially took credit for oil production that occurred despite his own administration’s policies. Though production on private and state lands is rising, production on federal lands is falling.

Obama claimed America has doubled “the amount of renewable energy we generate from sources like wind and solar—with tens of thousands of good, American jobs to show for it.”

Yeatman observes that Obama has been forced to lower his expectations: “In 2008, candidate Obama promised 5,000,000 green jobs. A \$90 billion stimulus later, he’s talking about ‘tens of thousands of jobs?’”

Obama said, “We produce more natural gas than ever before – and nearly everyone’s energy bill is lower because of it.” He assured that his Administration “will keep cutting red tape and speeding up new oil and gas permits.”

“Obama is being 25% truthful,” **Yeatman** says. America produces more gas than ever before, but in spite of, not because of, the Obama administration—which has not been cutting red tape. “Most importantly,” says Yeatman, “the president’s [war on coal](#) has only inflated oil prices.”

Obama proposed America “use some of our oil and gas revenues to fund an Energy Security Trust that will drive new research and technology to shift our cars and trucks off oil for good.”

Yeatman is skeptical. “The government has clearly proven that it doesn’t pick winners and losers in the energy industry—only losers.” He says the Energy Security Trust should be renamed the “Energy Boondoggle Trust.”

Obama issued a new goal for America: “let’s cut in half the energy wasted by our homes and businesses over the next twenty years. The states with the best ideas to create jobs and lower energy bills by constructing more efficient buildings will receive federal support to help make it happen.”

“What is the ‘energy wasted’ baseline that needs to be halved?” **Yeatman** asks. “As a general rule, home- and business-owners don’t need government to force them to save money. Only unaccountable federal bureaucracies bloated with taxpayer money can afford to be wasteful with energy. To wit, multiple audits have found that the Department of Energy offices were grossly inefficient.”

CLIMATE CHANGE

Obama urged Congress to develop a “market-based” solution to climate change, and said that if Congress fails to act, he will direct his Cabinet to “come up with executive actions we can take, now and in the future, to reduce pollution, prepare our communities for the consequences of climate change, and speed the transition to more sustainable sources of energy.”

Yeatman notes that Obama “has already pushed the pedal to the metal when it comes to ‘executive actions’ to fight climate change.” Under Obama, the EPA has seized unprecedented powers to impose a regulatory regime for climate change. “That bird has flown the coop,” Yeatman says. “The only remaining question is whether the courts will check this administration’s climate power grab.”

INFRASTRUCTURE

Obama proposed a “Fix-It-First” program to put people to work “on our most urgent repairs, like the nearly 70,000 structurally deficient bridges across the country.” He also proposed a Partnership to Rebuild America that “attracts private capital to upgrade what our businesses need most: modern ports to move our goods; modern pipelines to withstand a storm; modern schools worthy of our children.”



Marc Scribner, Land-use and Transportation Policy Analyst, says Obama failed to meaningfully address the imploding federal surface transportation policy regime. “Obama’s ‘Fix-it-First’ and ‘Partnership to Rebuild America’ are merely retreads of previous vague proposals. Under the first four years of the Obama administration, serious discussions of transportation policy have been so lacking that even liberal transportation advocates like Rohit T. Aggarwala are now [supporting federal funding devolution to the states](#)—a “radical” proposal that was previously promoted only by staunch fiscal conservatives.”

IMMIGRATION

Obama asked Congress to send him a “comprehensive immigration reform bill.” He said real reform means strong border security; a responsible path to earned citizenship; and improvements to the legal immigration process.



Immigration Policy Analyst David Bier says, “President Obama talks a lot about reducing regulations on immigration and attracting highly-skilled immigrants, but he did a lot to [obstruct these goals](#) in his first few years.” For example, the Obama administration raised visa processing fees for skilled immigrations and restricted the hiring of legal migrant workers.

CYBERSECURITY

Obama announced that he signed “a new executive order that will strengthen our cyber defenses by increasing information sharing, and developing standards to protect our national security, our jobs, and our privacy.” He also urged Congress to pass legislation “to give our government a greater capacity to secure our networks and deter attacks.”



Ryan Radia, Associate Director of Technology Studies, is hopeful that the president’s executive order will facilitate information sharing from government agencies to private entities that own valuable infrastructure. “Yet,” Radia adds, “the president’s call for more cybersecurity legislation from Congress is unfortunate. The private sector does not need to be saddled with a new cybersecurity regulatory regime. Competitive pressure and other market institutions are far better equipped than federal bureaucrats to navigate the challenging waters of evolving cybersecurity threats.”

TRADE

Obama said he intends to complete negotiations on a Trans-Pacific Partnership. He also announced that he “will launch talks on a comprehensive Transatlantic Trade and Investment Partnership with the European Union – because trade that is free and fair across the Atlantic supports millions of good-paying American jobs.”



Iain Murray, Vice President for Strategy, responds: “The president’s pushing of trade agreements is in many ways welcome, as protectionism now would be a disaster for America. However, it is telling that he calls neither of the transoceanic agreements a Free Trade agreement. That’s because they won’t be. They will be so weighed down with agreed restrictions and regulations designed to protect special interests and national champions that the vast and undoubted benefits of genuine free trade will not accrue to all Americans and other trading partners. That is a hugely wasted opportunity.”