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R Street's Priorities for the Next Administration

The incoming Trump administration will inherit numerous challenges that must be dealt with in year one, such as overwhelming shortfalls in the Pension Benefit Guaranty Corp. and debt restructuring for the island of Puerto Rico. From rolling back damaging regulations to finally ending government overreach in our housing sector, a Republican Congress and the Trump administration have an opportunity to usher in many positive changes. As a pragmatic, free-market think tank, the R Street Institute is dedicated to researching and advocating actionable policy solutions that address these pressing challenges. The following contains a selection of policy proposals based on R Street research and expertise that should be prioritized by the incoming Administration.

Competitive financial markets

The burdensome regulatory overreaction of Dodd-Frank represents the state's heavy and costly hand. Government intervention in housing finance is pervasive. New global systemic risks are threatened from the monetary experimentation of the Federal Reserve and the government's pension guarantor is insolvent. The results of unnecessary and counterproductive government actions are apparent. Among the reforms we recommend:

- **[Reform Dodd-Frank](#)**: We believe the House Financial Services Committee's CHOICE Act to revoke or revise many of Dodd-Frank's most damaging provisions should be advanced and CHOICE or something along its lines enacted. In the meantime, the new administration should use its executive authority to curtail pervasive regulatory overreach.
- **[Increase the accountability of the Federal Reserve](#)**: The Fed needs to be made accountable, as every part of the government should be, but especially one as powerful and able to create systemic risk as the Fed is. The Fed is still carrying out emergency monetary experimentation seven years after the crisis and still, in effect, robbing savers. We need to define the right balance between the Fed and its accountability to Congress.
- **[Address pension shortfalls](#)**: The federal Pension Benefit Guaranty Corp. has a net worth deficit of \$76 billion and is on the hook in particular for large losses from many multiemployer pension plans. Rather than waiting for things to get worse, we should proactively address how to share the losses among the multiple interested parties in process analogous to a bankruptcy reorganization.
- **[Reduce distortions in housing finance](#)**: Fannie Mae and Freddie Mac were among the biggest culprits of the housing bubble and bust and are still kept as wards of the state. They should be treated just the same as the other biggest financial institutions, especially with respect to their

equity capital requirement and to paying the right fee for their credit support from the government. In general, the housing finance sector should operate more on market principles and less on implicit government subsidies.

- **Promote reform in Puerto Rico:** The debt of the insolvent Puerto Rico should be managed and restructured without a U.S. taxpayer bailout, with the work of the Oversight Board strongly supported. We need in addition to develop ways to give Puerto Rico a successful market economy, one not dependent on permanent subsidies from Washington.
- **Reform the FHA:** The Federal Housing Administration should be placed in a separate government corporation, subject to clear accounting and capital standards. As a particular improvement, the cap on the amount of commercial space in residential development should be restructured to provide more options for affordable housing in walkable areas, especially in smaller communities.

Overhaul energy and environmental policy

Few economic sectors hold more transformational promise than America's energy economy. The incoming administration has the opportunity to reform our energy agenda, helping this sector to reach its full potential. An energy agenda should:

- **Support competitive electricity markets:** Low natural gas prices are transforming the electricity sector, clean-energy technologies are increasingly competitive and innovators are at work identifying the next generation of solutions. It's time for all forms of commercialized energy—fossil and renewable alike—to compete in the open market by prioritizing a phase-out pathway for all energy subsidies and other distortionary policies.
- **Encourage FERC's work to improve competitive wholesale markets:** The Federal Energy Regulatory Commission is responsible for correcting any legitimate deficiencies in wholesale electricity markets and is working actively to remove regulatory barriers to entry for a variety of unconventional technologies, including energy storage. The administration should support this work and further encourage FERC to promote more efficient transmission planning, including facilitating competition from advanced transmission technologies and nontransmission alternatives.
- **Use research and development dollars wisely:** We devote too many resources to incremental improvements for politically favorable solutions like solar panels and electric cars, and too few resources to basic, transformative R&D. A new Department of Energy should prioritize research and development that complements, not substitutes for, private-sector investment by partnering with the most innovative corners of industry; eliminating redundant, wasteful or unnecessary programs; improving collaboration across programs and agencies; and delivering better outcomes within the realistic limits of our constrained fiscal environment.
- **Roll back regulation and overreach:** The current administration has issued an avalanche of regulations governing everything from fuel efficiency of the cars we drive to the future fuel mix in the electric sector. The new administration has a chance to work with Congress to claw back this agenda and set environmental and energy agencies on a course toward a smaller footprint:

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- [Stop the Clean Power Plan](#). The Environmental Protection Agency is obligated by Supreme Court precedent to issue regulations on greenhouse-gas emissions from power facilities. Those regulations are broadly perceived to be outside the bounds of EPA authority. This administration should stop implementation of the Clean Power Plan, alleviate the burden on the states and preserve states' authority to take action on these issues independently.
- [Reform the Renewable Fuel Standard](#). Though well-intentioned, the RFS does not function as an instrument to promote fuel security or further environmental goals. The administration would be a welcome and necessary partner in efforts to reform—or, better yet, eliminate—this harmful mandate.
- [Eliminate appliance and equipment energy standards](#). By law, the DOE is obligated to issue efficiency standards for more than 60 categories of goods. The department has issued more than 40 such regulations since 2009. These regulations restrict choice, eliminate preferred goods from the market and perfectly exemplify government overreach. The administration should work to stop this efficiency program and eliminate the underlying mandate.

Transparency, oversight and regulatory reform

Americans are fed up with corruption, insider self-dealing and politicking, and want a government that is more transparent. The incoming administration should therefore:

- [Publicize rulemaking](#): While rulemaking is done publicly, much of the regulatory guidance issued by the executive branch (most of which is as potent as rules themselves) is not easy to find by either the public or Congress. The Trump administration should raise the bar for transparency and stop agencies from regulating by secretive means.
- [End government agency propaganda](#): Despite rules against propaganda by federal agencies, executive agencies frequently push partisan agendas on the public, often while legislation is pending in Congress. Recent examples from the Environmental Protection Agency and Department of Health and Human Services highlight the need to tighten controls on executive agency-issued public communications. Agencies should carry out the law, not engage in politics.
- [Stop harsh FDA restrictions on e-cigarettes](#): In August, the Food and Drug Administration finalized rules that regulate e-cigarettes and vapor products even more harshly than traditional tobacco cigarettes, even though they are at least 95 percent less harmful than the combustible alternatives. If action is not taken, the e-cigarette industry may be decimated and smokers will lose access to lower-risk alternatives. At the very least, the FDA should update the predicate date for newly deemed tobacco products to allow existing e-cigarette products to stay on the market. However, we encourage a new FDA to go further and overhaul its regulatory regime, replacing it with one that recognizes e-cigarettes' relative safety and immense potential to improve public health.
- [Prioritize regulatory oversight authority for Congress](#): Executive regulatory agencies issue too many regulations at a heavy cost to the American economy. Congress needs to look closely at expensive regulations before they are in force. The incoming administration should work with

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Congress to prioritize long overdue reforms, such as the Searching for and Cutting Regulations that are Unnecessarily Burdensome Act (SCRUB Act) and the Regulations in Need of Scrutiny Act (REINS Act) and support creation of a Congressional Regulation Office to reduce overregulation.

Provide a regulatory environment that allows innovative technologies to flourish

The rapid pace of change in our technology landscape means government regulators don't always have time to adapt. But in most cases, they don't need to adapt. They need to get out of the way. Washington has a bad track record of regulation before innovation.

As such, we recommend that regulators prioritize modernization and take a light-handed approach that doesn't stifle new technologies like the "internet of things," [augmented reality](#), distributed applications and [autonomous vehicles](#). It's essential that lawmakers first take a step back and see how these areas develop, while building their own internal technical expertise in these matters through new studies, stakeholder meetings, hearings and expert testimony.

The widescale deployment of these technologies also means [cybersecurity is more important than ever](#) before. One important market-oriented approach to this problem that R Street is focusing on in the new year is encouraging a robust market for cyber insurance.

Prioritize public safety

Over the past decade, many red states have recalibrated their criminal justice systems, improving public safety through dramatic drops in crime and reduced recidivism, all while decreasing state spending. Conservatives in Congress have crafted solutions to improve our federal criminal justice system, based on these learned lessons. The new administration must continue to lend executive branch support to the reform measures under consideration by the House of Representatives, including:

- [Reform sentencing for nonviolent offenders and federal re-entry programs](#): As a new administration and Congress look to find areas of common ground, this is a substantial opportunity to establish long-lasting reform at the federal level, based entirely on the improved public safety and fiscal security experienced by the many states who have already made these changes.
- [Civil asset forfeiture reform](#): Due process is an essential protection guaranteed to all Americans. Unfortunately, federal government practices curtail Americans' right to due process by abusing civil asset forfeiture. Over the past decade, local law enforcement has seized an astronomical amount of goods and cash all through a federal program called "equitable sharing." Strikingly, between 2001 and 2012, the estimated value of assets seized jumped from \$407 million to \$4.3 billion. Party leaders from both sides have come together and authored necessary changes to address this national epidemic. We hope that 2017 will be the year in which these fixes are implemented.

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- **Improve police-community relations:** We must heal the growing rift between those who pledge to serve and protect our communities through policing and the communities themselves. The administration must be active contributors to the House Policing Task Force with recommendations to limit the 1033 program. Sensibly curbing police militarization is one step both sides can get behind.

Defend the Fourth Amendment and find the right balance for privacy and security

The ever-present threat of attack from terrorist organizations or implicitly state-sanctioned "rogue" entities presents a unique challenge for our military and surveillance communities. However, the need to develop strategies for this changed nature of war often clashes with the liberties necessary to support Americans' growing use of the internet to manage all aspects of their personal lives. Working to achieve the correct balance frequently causes gridlock, but there are near-term opportunities to restore balance. The administration should work to:

- **Reform Section 702:** Section 702 of the Patriot Act is set to expire Dec. 31, 2017. While some call for a straight reauthorization or a total expiration of the National Security Agency programs, we find ample opportunity to follow in the vein of last year's USA Freedom Act reforms to find common ground for intelligence-community-endorsed reforms that curtail invasive surveillance, improve accountability and strengthen the tech sector's economic competitiveness.
- **Defend encryption:** In light of recent terrorist attacks, there has been growing concern about encryption and its use by terrorists to "go dark." Policymakers must be very careful not to institute heavy-handed changes that would undermine the security of all Americans. We will continue to demonstrate to the administration and Congress the unequivocal value of encryption to our financial institutions and articulate how efforts to undermine encryption would leave Americans vulnerable in their communication and daily lives.

We hope this list of actionable solutions provides a helpful guidance, and that R Street's expertise might be useful in developing these ideas and initiatives. For more detail on the ideas presented here or to contact an R Street expert, please reach out to Outreach Director Lori Sanders at lsanders@rstreet.org or 202.412.1788. We look forward to opportunities to work together on these and many other priorities.