

POLITICO

Bitcoin expands in DC — Private equity not mad at Obama — DC legislative year is over

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By Ben White

FIRST LOOK: BITCOIN FOUNDATION EXPANDS IN DC — POLITICO's Zachary Warmbrodt scoops: "The non-profit Bitcoin Foundation today will announce it's bringing on two new people in Washington to work on policy and communications related to the open-source payments system. ... Cato Institute Director of Information Policy Studies Jim Harper will join the foundation full time as global policy counsel. Weiss Public Affairs Chief Executive and former White House deputy press secretary Amy Weiss is taking on the foundation as a client and will be a media consultant.

"The foundation helps lead development of the Bitcoin protocol and is often the face of the technology before lawmakers and regulators trying to get up to speed. Since last year, the group's full-time representative in Washington has been Director of Public Affairs Jinyoung Lee Englund, a Republican ... 'The Bitcoin Foundation is already a credible voice in Washington, D.C,' said Harper, a former House and Senate staffer who lobbied for PayPal. 'The consensus policy that the foundation has produced — maximizing the benefits of Bitcoin while managing the risks — is something we'll work to see governments around the world adopt.'"

PRIVATE EQUITY EXECS NOT MAD AT OBAMA — POLITICO's Ben White: "Doesn't look like private equity executives are too upset with President Obama. ... Despite the president's renewed call in his budget proposal to increase tax rates on the 'carried interest' profits enjoyed by private equity managers, Blackstone President [Tony] James will host the president [tonight] at a fundraiser for the Democratic Senatorial Campaign Committee ... Obama is traveling to New York for a pair of fundraisers and James, a prominent Democrat often mentioned as a possible future Treasury secretary, will host the DSCC event at his Manhattan home. James has held similar events for the president in the past.

"The private equity industry is strongly opposed to the president's proposal, which would subject gains private equity executives earn on funds they manage to ordinary income rates rather than the more favorable capital gains rate. While the executives often invest some of their own money in the funds, advocates for a change argue that much of the return comes from other people's money and therefore should be treated as regular income. It's not hard to understand why the industry might not be too concerned ...

NO CARRIED INTEREST CHANGE FOR NOW — “Even though House Ways and Means Chairman Dave Camp has expressed support for a change in the carried interest tax rate, there is very little chance of such a change happening this Congress. While an increase in the rate might eventually be part of tax reform, a tax code overhaul is viewed as impossible until at least 2015. So Obama can threaten to raise Wall Street's taxes without anything actually happening.”

THE DC LEGISLATIVE YEAR IS OVER. TOO BAD — POLITICO's Ben White on CNBC.com: “Remember ... Obama's budget submission? Neither does anyone else. How about that proposal for comprehensive tax reform that came out a couple weeks ago? Doesn't ring a bell? There's no reason it should. Oh yeah and recall all that talk about getting an immigration reform bill out of Congress this year? Fat chance. Housing finance reform? Yeah right. It may be only March but the legislative year in D.C. is basically over. ... From a political perspective, this makes perfect sense.

“From an economic perspective ... it is pretty much a disaster. Friday's jobs report showing a gain of 175,000 in February was a welcome relief. But it's nothing to get excited about. And while the fundamentals are in place for decent growth this year, imagine how much better things could be? ...

“Imagine a Washington that could actually make some deals on targeted infrastructure spending (to warm Democratic hearts) coupled with corporate tax reform (to sweeten the pot for Republicans). And there is actually a fairly broad middle ground on housing finance that would reduce the government backstop but not eliminate it altogether.”

AIRPLANE DISAPPEARANCE CONTINUES TO BAFFLE — Bloomberg's Alan Levin and Del Quentin Wilber: “With few clues about what happened to a missing Malaysian wide-body plane or even where it is, aviation investigators and security analysts are left with one conclusion: almost no theory can be considered off the table. Hijacking, terrorist attack, pilot suicide, mechanical failure, a flight-crew miscue or another unforeseen issue all may have brought down the Boeing Co. 777-200 somewhere between Malaysia and Vietnam, five experts said in interviews.

“Because it's so improbable a plane the size of a 777 ... would just disappear or land somewhere undetected by modern technology, searchers probably are looking in the wrong places, said Michael Barr, who teaches aviation accident investigation at [USC]. ... Malaysian Airline System Bhd. Flight 370 went missing March 8 en route to Beijing from Kuala Lumpur with 239 people aboard. So far, searchers haven't turned up any confirmed wreckage and even information on its last known position has been vague.”

INVESTIGATORS SKEPTICAL OF TERRORISM — Reuters: “Investigators in Malaysia are voicing skepticism that the airliner ... was the target of an attack, U.S. and European government sources close to the probe said. ... Neither Malaysia's Special Branch, the agency leading the investigation locally, nor spy agencies in the United States and Europe have ruled out the possibility that militants may have been involved.”

“ ... But Malaysian authorities have indicated that the evidence so far does not strongly back an attack as a cause for the aircraft's disappearance, and that mechanical or pilot problems could have led to the apparent crash.”

ICAHN VS ANDREESSEN — NYT's Andrew Ross Sorkin: “It's a fight that pits Wall Street against Silicon Valley. One of the sharper business battles in recent weeks has been playing out between Carl C. Icahn, the activist investor, and Marc Andreessen, the entrepreneur turned technology investor. The war of words stems from Mr. Icahn's campaign against eBay ... to spin off its fast-growing PayPal electronic payment unit.

Mr. Andreessen, long considered Silicon Valley royalty because he co-founded Netscape and was an early investor in Facebook, has come under attack from Mr. Icahn for his role as a board member of eBay.

“Mr. Icahn has accused him of various conflicts of interest, calling him ‘clueless about corporate governance.’ ... Mr. Icahn asserts that eBay's decision to sell Skype in 2009 for \$2.75 billion to a group of investors that included Mr. Andreessen's venture capital firm represented a conflict and a breach of duty to shareholders. Mr. Andreessen fired back that he had recused himself from the decision to sell Skype ... Mr. Icahn has suggested that Mr. Donahoe and the board were pressured to sell Skype by Mr. Andreessen, who Mr. Icahn contends knew that Microsoft was waiting in the wings to buy what it saw as a valuable asset at a much higher price.”

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BIG IDEA: IS THE NATURAL JOBLESS RATE NOW 6 PERCENT — That's what Morgan Stanley analysts say in new report: “We estimate potential GDP growth has slowed by 0.5pp, to 2 percent, and the natural rate of unemployment lies around 6 percent. A lower, longer-run growth rate implies a lower equilibrium short-term real interest rate. Expect to see the dots corresponding to the FOMC's assessment of the funds rate to move lower this year.”

FIRST LOOK II: e-FAIRNESS PUSH — A group of 13 current and former CEOs are sending a letter today “urging Congress to pass e-Fairness legislation this year. ... [C]urrent and former chief executives, including Michael Leven, president & COO of Las Vegas Sands Corp., Tom Stemberg, Founder of Staples, Bernie Marcus, Founder of Home Depot, urge Congress to stop picking winners and losers in the marketplace and pass e-Fairness legislation this year.” House Judiciary plans to hold a hearing on the issue on Wednesday. Letter:

THIS MORNING ON POLITICO PRO FINANCIAL SERVICES – Jon Prior with the latest on the near deal in Senate Banking over the future of Fannie and Freddie... Kate Davidson on CFPB scrapping its employee evaluation system... To learn more about Pro's subscriber-only coverage — and to get Morning Money every day before 6 a.m.

GOOD TUESDAY MORNING — In the “you can't make it up” file, President Obama recorded an appearance on Zach Galifianakis's hysterical fake talk show “Between Two Ferns”

that appears on funnyordie.com. The clip starts airing this morning at 7:30 a.m. So expect the Internet to crash around that time.

DRIVING THE DAY — Obama arrives in NYC this afternoon with a DNC event at 5:15 p.m. and the Tony James event at 7:30 p.m. ... Senate Banking holds a hearing at 10:00 a.m. on “Finding the Right Capital Regulations for Insurers,” featuring Sen. Susan Collins (R-Maine), whose amendment to Dodd-Frank is the subject of the discussion ... Florida voters go to the polls in the closely watched special election for the late GOP Rep. Bill Young’s 13th district seat.

The race is seen as an early test of GOP efforts to use Obamacare as a weapon to beat Democrats. The results will almost certainly be over-analyzed. ... Vice President Biden plans to attend Michelle Bachelet’s inauguration as President of Chile ... NFIB report at 7:30 a.m. expected to tick down to 94.0 from 94.1 ... JOLTS report closely watched by the Fed for signals on the labor market comes out at 10:00 a.m.

GM PRESSED OVER RECALLS — WSJ’s Jeff Bennett and Joseph B. White: “General Motors ... faced new pressure from a powerful member of Congress to explain why it took nearly a decade to recall 1.6 million vehicles for faulty ignitions linked to 13 deaths, even as the auto maker hired a high-profile lawyer to lead its internal investigation and stepped up warnings to customers. Late Monday, the House Energy and Commerce Committee said it would launch an investigation into the slow recall and hold hearings. The committee's chairman, Michigan Republican Fred Upton, was the lead sponsor of the last comprehensive piece of auto safety legislation enacted by Congress, TREAD Act of 2000.

“General Motors said it has hired Anton Valukas, who led an investigation of the Lehman Bros. bankruptcy, to review the auto maker's handling of safety defects tied to 13 deaths and the recall of 1.6 million vehicles ... The move is part of a broader effort by GM to persuade consumers, regulators and lawmakers that it is responding rapidly. GM wants to avoid the kind of costly, damaging scandal that engulfed Toyota Motor Corp. in 2010 after the Japanese automaker recalled millions of vehicles for problems related to unintended acceleration.”

OLIGARCHS FEAR UKRAINE IMPACT — NYT’s Ellen Barry: “When Vladimir V. Putin returned to the Russian presidency in 2012, one of the first messages he sent to his political elite, many of them heads of banks and large corporations, was that the times had changed: Owning assets outside Russia makes you too vulnerable to moves by foreign governments ... Nearly two years later, those words seem almost prophetic. After a week of escalating tensions between Russia and the United States, it has become clear that the conflict over Ukraine will move to the battlefield of finance. Those same business titans are now contemplating the damage that the crisis could inflict on Russia’s economy.”

CHINA WORRIES HIT IRON PRICES — FT’s Neil Hume, James Wilson and Lucy Hornby: “Billions of dollars were wiped off the market value of the world’s biggest mining companies on Monday after fresh concerns about slowing demand from China prompted one of the steepest falls in the price of iron ore on record. Benchmark iron ore delivered into China dropped 8.3

percent to an 18-month low of \$104.70 a tonne — its second biggest one-day percentage fall on record ...

“Iron ore is the main commodity used in steel making and is critical to the profitability of several mining companies such as Anglo American, BHP Billiton, Rio Tinto and Vale. ... Shares in BHP have fallen almost 4 percent in the past two trading sessions, while Rio, which generates almost three-quarters of group operating profits from iron ore, is down more than 5 percent.”

WHITE HOUSE ISSUES ROSY ECON FORECAST — Reuters’ Mark Felsenthal and Will Dunham: “The White House on Monday forecast more robust economic growth in 2014 than last year and a further pickup in the economy for 2015. Under a White House projection, the U.S. economy is expected to expand by 3.1 percent this year, faster than last year’s 1.7 percent. Growth would pick up to 3.4 percent in 2015, the White House said. The administration also forecast that unemployment would ease to an average of 6.9 percent in 2014 ... The administration’s 2014 growth projection was more optimistic than the 2.9 percent forecast of ‘Blue Chip’ forecasters, and the 2.7 percent [CBO] projection.

“In contrast, the White House jobless rate forecast for the current year was more pessimistic than the 6.6 percent Blue Chip view and the 6.8 percent CBO projection. ... The White House pointed to the declining budget deficit and the improved housing market, as among factors pointing to the likelihood of stronger growth. White House Council of Economic Advisers Chairman Jason Furman said ramped up U.S. energy production, slowing health care costs, and advances in technology would also drive stronger economic performance.”

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