



The Daily Dish

Welcome to 2026

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The new year is upon us and it is the season to make predictions about 2026. Eakinomics loves a prediction as much as anyone, so here are three: something that won't happen, something that will happen, and something that shouldn't happen.

Something that won't happen is that that the White House and Congress will address big challenges. The United States has three pre-eminent policy challenges: the dangerous, unsustainable fiscal outlook and its twin financially challenged cousins, the Social Security and Medicare entitlements. These are looming threats to economic growth, budgetary stability, and the social safety net. But dealing with them requires genuine presidential leadership and a willingness to look past partisan politics on behalf of the greater good. Ain't gonna happen.

Something that will happen is that President Trump will make a policy change that is unprecedented, unexpected, or unwise – and likely all three. But surprise is the name of the game at Camp Trump and another Liberation Day-style policy massacre could happen any day. Buckle up!

Something the shouldn't happen – but will – is that domestic and economic policy will continue to be small-ball stuff. The talk will be big but the policy will be more meh tax policy, rifle-shot price-fixing, incremental appropriations initiatives, trade “agreements” that the Senate will never see, Fed-bashing over every 25 basis points, and the like. The problem with small-ball is that it doesn't change the direction of the economy very much.

For all the president's talk of a Golden Age and the relentless hyping of the record by his media sycophants, through three quarters of 2025 the (annualized) growth rate of the economy was 2.5 percent. In 2024 it was 2.6 percent. Personal consumption expenditures came in at 2.2 percent, down from 3.2 percent in the first three quarters of 2024. This was in part because real disposable income downshifted to 1.4 percent growth, compared to 2.6

percent a year ago, and spending was maintained only by seeing the personal saving rate dip from 5.7 percent to 4.8 percent.

The so-called affordability crisis is less about prices – inflation is not at the 2-percent target, but it is a bit lower – and more about the fact that incomes are growing slowly and unemployment ticked up 0.5 percent so far in 2025.

The biggest upside difference was non-residential fixed investment – business purchases of capital goods – which grew at the stellar pace of 6.5 percent, up from 2.5 percent. This occurred despite the fact that tariffs more than offset the benefits of full expensing, raising the cost of capital on one-third of investment. Government purchases grew at only a 0.4-percent rate (compared to 2.6 percent in 2024), perhaps attributable to the fact that the federal government is still operating on Biden-era appropriations.

Welcome to 2026, likely another year of big talk, small accomplishment, and predictable unpredictability.