The Daily Dish

April 16th Edition

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Were your taxes higher this year? Fox News is reporting one possible reason, “On this April 15, filers and accountants alike are finding a new array of taxes resulting from the president’s health care legislation. These include at least 20 Obamacare-related tax increases totaling $409 billion over the next ten years, according to the Joint Committee on Taxation.” Obamacare continues to reach into the pockets of Americans with its effects passing over none.

ICYMI, here is a round up of AAF’s Tax Day coverage:

AAF Research Finds Americans Spend 2.6 Billion Hours Complying with IRS Regulations: “The AAF research finds the individual income tax generates 199 forms, requires Americans spending 2.6 billion hours filling out these forms, and spending $33.6 billion to comply. These figures are staggering for the 150 million Americans that file taxes.”

Tax Day Is A Reminder That Government Spending Far Exceeds Revenues: “Government spending far exceeds revenues. In 2013, the federal government collected $2.775 trillion, and spent $3.455 trillion.”

What Tax Day Funds: Regulation Edition: “…the Department of Energy’s spending as a percentage of non-defense discretionary spending doubled in 2009. The EPA’s gross

Eakinomics: Focusing on Economic Growth

Polling indicates that the economy remains the top issue on voters’ minds. This is hardly surprising. The graph below compares the actual (red) performance of the economy (measured by Gross Domestic Product, GDP) from 1947 to 2013 with an estimate of the long-run economic trend over the same period. The recession under President Reagan stands out in 1981, as does the sharp downturn in 2008 that led to the Great Recession. What stands out even more, however, is the continued underperformance of the economy, which remains below trend to this day.

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There just hasn’t been any “pop” in this economic recovery. The graph below shows the distribution of quarterly growth rates over the same time period. Clearly, over periods as short as one quarter, it is possible to have a very rapid pace of economic growth — 7, 8, 9, 10 percent or more. That is the typical nature of cyclical recoveries. Instead, in this “recovery” the most rapid one-quarter growth rate has been 4.9 percent. Given the depth of the downturn — the -8.3 percent in the 4th quarter of 2008 is among the worst quarters in postwar history — one might have expected a few 6 or 7 percent quarters. Instead, the best of 4.9 percent falls below the top 25 percent of growth quarters.

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That is the good news.

After the recovery to trend — whenever that might be — the U.S. must deal with the implications of a trend growth estimated at 2.3 percent by the Congressional Budget Office. This stands in sharp contrast to the 3.2 percent average historically since 1947. Slower growth means lower productivity, less income, and greater private and public sector distress. Dealing with poor trend growth is difficult. It requires a focused attention that yields the key structural reforms — entitlements, tax, immigration, education, and regulation — that are easily derailed by narrow constituencies and near-termism politics.

This is the great U.S. challenge.