



The Daily Dish

August 20th Edition

DOUGLAS HOLTZ-EAKIN | AUGUST 20, 2015

Yesterday afternoon the [Associated Press](#) broke a story revealing that “Iran will be allowed to use its own inspectors to investigate a site it has been accused of using to develop nuclear arms...” The reaction from Congress was quick with Foreign Affairs Committee Chairman Ed Royce adding that “International inspections should be done by international inspectors. Period.” AAF’s research on the deal found that it opens up [\\$3.1 billion in new funds](#) directly for terror financing.

40 percent of homes receiving Obamacare subsidies are at risk of losing them due to confusion over taxes. A new AAF insight reveals that “To date 1.8 million heads of households have not submitted the appropriate Affordable Care Act (ACA) related tax forms to reconcile the \$5.5 billion in subsidies paid on behalf of these households.” 760,000 of these people actually already filed their taxes, but have not yet sent in the Premium Tax Credit form 8962. They will have until October 15 to submit all forms before possibly losing the subsidy. [Click here to read more.](#)

Eakinomics: The Fed and Interest Rates

Yesterday the federal reserve [released the minutes](#) of its most recent meeting of the Federal Open Market Committee (FOMC), the prime policy making body. Unsurprisingly, it left open the door to raise the federal funds rate — it's chief policy tool — at the September meeting, but did not commit to an increase. Raising rates would begin the process of normalizing monetary policy.

I have been in the camp that expected the Fed to move in September. Unemployment has fallen significantly. Core CPI inflation is running at [1.8 percent](#) year over year, close to the Fed's 2 percent target. Monetary policy should be forward-looking, so the Fed could anticipate lower unemployment and higher inflation moving into 2016. Finally, getting rates back to normal would give the Fed some [ammunition](#) should the economy falter at some point in the future.

Indeed, I think the Fed should raise rates. Most of the arguments against an increase — a bad first quarter, China's depreciation of the yuan, etc. — are one-time, transitory events that shouldn't affect a policy based on fundamentals. Moreover, the negative impacts on growth will likely be quite insubstantial — very low rates hasn't produced great growth; higher rates won't kill it.

But the most important thing to keep in mind is that when the Fed starts to raise is a whole lot less portent than how fast it raises. If it raises 25 basis points at both of the remaining 2015 meetings, it will close the year with sharply negative interest rates — a highly accommodative monetary stance.

Normalizing is not tightening. It should begin soon.

From the Forum

[All But One ACA Co-ops Lost Money in 2014](#) by Tara O'Neill, AAF Health Care Policy Analyst

[Forty Percent of ACA Subsidized Households Could Lose Eligibility Because of Tax Filing Confusion](#) by Brittany La Couture, AAF Health Policy Counsel

Fact of the Day

[Every \\$1 billion in services exports supports 5900 U.S. jobs.](#)