

# The Daily Dish December 16th Edition

DOUGLAS HOLTZ-EAKIN | DECEMBER 16, 2015

The Obama Administration has extended the deadline to enroll for health coverage by 48 hours. The extension was due to "unprecedented demand" with almost a million consumers calling HHS on Monday. With over half of the Affordable Care Act's co-ops shut down in two years, even more consumers are using the federal exchanges and the extension would give consumers the opportunity to complete their enrollment in order to get coverage beginning January 1, 2016.

U.S. high school graduation rates have hit a record high of 82.3 percent for the 2013-2014 academic year. The recently passed Every Student Succeeds Act will require states to release graduation rates in an effort to lower high-school dropout rates. According to a report from Grad Nationearlier this year, the U.S. graduation rates are expected to reach 90 percent by 2020.

#### Eakinomics: Raise or Resign

The Fed has fully convinced market participants, other policy makers, and the public that it will raise the target federal fund rate by one-quarter of a percent at the conclusion of today's meeting. If, somehow, it chooses to not do so, its credibility will be shot. Because the hike is widely anticipated, expect it to be a non-event in financial markets.

However, that does not mean that today is a pointless exercise. The key issue is not 25 basis points in December 2015. The key issue is where the Fed wants the rate in December 2016 and the path of hikes that will get it there. The Fed has a chance to set expectations when it releases the statement accompanying the meeting, and during Chair Yellen's post-meeting press conference. Both merit close attention.

The focus on the <u>future</u> is the key to understanding the Fed. Critics of a rate hike typically cite labor market weakness and the absence of inflation as reasons to stay at zero. The labor market has tightened — unemployment is 5 percent — but there are other labor market indicators that reveal less than strong performance: low wage growth, low labor force participation, lots of part-time work and others. And current inflation is low — at least by some measures. But yesterday's year-over-year growth in core CPI hit the 2 percent target perfectly. Any reading of current conditions gives a mixed picture.

But a 25 basis point rise will do nothing, really, to change that picture and the Fed is counting on the labor market firming during the coming year. It also anticipates additional upward inflation pressures. The litmus test is whether it will be positioned in a year with rates high enough to offset inflation pressures in a stronger economy.

#### From the Forum

Health-Related Tax Policy and the Extenders by Douglas Holtz-Eakin, AAF President

Free College Proposals Costs for States by Chad Miller, AAF Director of Education Policy, Carlo Salerno, and

### DouDou Zhang

## Fact of the Day

The medical device tax is a 2.3 percent excise tax on net revenue (not profit) for all manufacturers and importers of taxable medical devices.