The Daily Dish

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DOUGLAS HOLTZ-EAKIN | DECEMBER 30, 2014

On Thursday the Medicaid payments that doctors have been receiving for the past two years will take deep cuts, leading physicians to wonder if it will threaten access to care. According to one study, doctors will see, on average, a 43 percent cut in fees. During a time when Medicaid rolls have surged by millions, one doctor even referred to the program as a “bait and switch.”

Suggestions from federal agencies’ watchdogs’ could save taxpayers $43 billion. According to the Washington Examiner, this would mean $27 returned for every single dollar spent by the inspectors throughout the year. Combined, 14 watchdogs were able to find nearly $11 billion worth of fraud and return the funds directly to the treasury this past year.

Eakinomics: Is Growth Good Enough?

Last week’s announcement that 3rd quarter Gross Domestic Product (GDP) grew at an annualized rate of 5 percent has generated some strong rhetoric. The *Wall Street Journal* *reported* “The U.S. economy is rounding out 2014 in a sweet spot of robust growth, sustained hiring and falling unemployment, stirring optimism that a postrecession breakout has arrived.” This was echoed by the *Financial Times*: “The US economy reaffirmed its traditional role as the engine of global growth after notching up its fastest expansion in more than a decade.” Reporters increasingly raise the issue of whether the economy remains a relevant issue, both from a policy perspective and, especially, as a source of partisan conflict or compromise.

Is growth really good enough to put these issues behind us?

Let us look at the facts since 2001. In the chart below, the green line shows the quarter-by-quarter growth of GDP (at annual rates), while the red line documents the year-over-year growth in each quarter (for example, the growth from the 3rd quarter of 2013 to the third quarter of 2014). The latter are one-year growth rates that have the virtue of averaging over more data and automatically correcting for seasonal variations (e.g., the holiday season always hits in the 4th quarter). Finally, the shaded areas show the periods of economic expansion — the 4th quarter of 2001 to the 4th quarter of 2007 and the 2nd quarter of 2009 to the present.

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What do we learn? Focus first on the quarterly growth rates. On the upside, the 5 percent figure is a good performance, but hardly the best or special compared to the previous expansion. On the downside, this expansion has featured two episodes of negative GDP growth, something that was avoided in the previous expansion. Turning to the red line, annual or year-over-year growth appears visibly weaker in the latter half of the data. Indeed, the average rate of expansion was 2.8 percent earlier and only 2.3 percent in this recovery.

In short, the U.S. economy has grown faster — even in the 21st century.

Moreover, the half-percentage point difference (2.8 percent versus 2.3 percent) has a huge impact over sustained periods. At the slower rate of growth, the median household income of $51,900 (in 2013) becomes $65,200 in 10 years, while at the latter it would rise to $68,400. Why pass up $3,200?

The upshot is: no. Growth is not good enough. Not yet.