



The Daily Dish

June 26th Edition

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Yesterday the [House passed](#) a bipartisan bill to speed up liquified natural gas exports. This bill will speed up the Department of Energy's approval process to 30 days after a National Environmental Policy Act review. The Department of Energy has approved only 7 liquefied natural gas projects with 25 waiting for approval. The Senate has a bill limiting DOE's approval time to 45 days. Whether we end up with one month or six weeks as an approval time, the American people will be greatly served by a process with these reasonable deadlines.

After being blasted [by the public](#) and questioned by [tech companies](#) for his net neutrality proposal, FCC Chairman Wheeler quietly flew to Silicon Valley. According to [re/code](#) "Wheeler asked a lot of questions, said Engine's Michael McGeary, but he didn't offer many clues as to his current thinking about what the agency should do on net neutrality." [AAF has described](#) the court ruling that led to the most recent discussions on net neutrality as a mixed bag. We will have to wait until the FCC finalizes the new rules to know the impact on consumers.

House Speaker John Boehner issued a statement yesterday that he plans on suing President Obama over his use of executive orders. According to the [Washington Post](#), "Boehner sent a two-page memo to all lawmakers explaining his rationale and the steps that would take place, singling out the issue areas of health care, energy, foreign policy and education."

Eakinomics: 1st Quarter GDP

The horrific first quarter weather (remember the polar vortex!) clearly took its toll on the economy, and there was even a consensus that the initial estimate of a 1 percent decline would be moved lower. But -2.9 percent! Nobody saw that one coming.

Two things about the downward revisions stand out. First, there are two places where there is not much initial data — spending on services and international trade — so that revisions are common as the data accumulates. The revisions this time were focused in you guessed it, net exports and spending on services, especially health services.

Second, the large downward revision in health spending (responsible alone for 1.2 percentage points of the 2.9 percentage point revision) does not mean that people stopped spending on health care. For whatever reason, the Commerce Department data nerds somehow missed the fact that Obamacare could keep the website online for a whole day, much less power a double-digit rise in spending. Total dollars of spending still rose, just not very fast.

More generally, there are three lessons from the weak first quarter numbers: (1) a commitment to strong trend growth is important. Bad things — weather, disasters, geopolitics, etc. — always happen. When the economy grows poorly, these events knock growth into negative territory too easily. That is exactly what happened in the 1st quarter; (2) The underlying trend in the economy remains in the 2.0 to 2.5 percent range. It did get knocked down in the 1st quarter by weather and other 1-time factors, but it is not a signal of a continued downturn. At

the same time, there is also no evidence that it has shifted up to the 3.0 percent range many had anticipated; (3) Households remain the wild card. The economy can't grow faster with 2/3 of spending stuck at 2.0 percent. To date, there has not been enough growth in hours of work and hourly earnings to support faster growth.

Looking forward, this month's data – UI claims, capital goods orders, consumer confidence, new home sales, regional Fed indices – indicate that the economy continues to move forward and relatively strongly. But job creation is still stuck in the 190,000 to 230,000 range, with the unemployment rate moving up or down based on labor force participation.

It is never wise to overreact to any single data release. That lesson applies especially to yesterday's GDP data.

From the Forum

[Greenhouse Gas Emissions Reduction: EPA's Questionable Baseline Figures](#) by Catrina Rorke, AAF Director of Energy and Environmental Policy

[Policy Solutions for the Disability Insurance Program](#) by Gordon Gray, AAF Director of Fiscal Policy