



The Daily Dish

Not. So. Fast.

DOUGLAS HOLTZ-EAKIN, PATRICK HEFFLINGER | SEPTEMBER 15, 2016

[On Wednesday Treasury Secretary Jack Lew](#) met with members of the House Ways and Means Committee to discuss offshore tax laws. The meeting comes as the Obama Administration works to finalize new rules aimed at curbing tax deals and are specifically directed at “earnings stripping.” The rules were originally proposed in April but members of both parties, as well as business groups, expressed concerns. The Obama Administration hopes to finalize the rules before the president’s term is finished.

[As Obamacare’s Cadillac tax looms](#), many companies are already taking steps to avoid it. According to a new survey released on Wednesday, around 12% of companies nationwide have said they have begun to take steps in order to avoid the tax, which applies to high-priced health care plans that would face a 40 percent tax. Roughly two-thirds of large employers stated they have already done an analysis to see if their plans would be affected. The Cadillac tax is set to go into effect in 2020.

Eakinomics: Not. So. Fast.

Hallelujah! Praise the Lord! It’s morning in America! Happy Days are here again! Or, as the Obama Administration [put it](#), “unambiguously the best.” That was the response to the Census [report](#) on income and poverty in 2015, that reported that the real (inflation-adjusted) median household income rose by 5.2 percent from 2014 to 2015. The Obama Administration, the wanna-be-the-next-Obama Administration (aka the Clinton campaign), and the left in general declared economic victory (at last).

Not so fast.

First, this is economic history. It reports the rise in household income from 2014 to 2015. If the coffers of American households were running over, why aren’t voters happier? Why do they continue to say that the economy and jobs are the number one problem facing the country? Why hasn’t consumer confidence skyrocketed? None of these has happened because the 5.2 percent number is a lot less meaningful than the advocates insist.

Why? During my sophomore year in high school I grew 7 inches — 11.9 percent, or more than double the 5.2 percent. Unfortunately, at the end I was 5’ 6” — after 11.9 percent I was still a midget. After 5.2 percent the economic recovery is still a midget — median household income remains below its pre-recession peak and poverty above its (unacceptably high) long-term trend.

The real indicator in the report is the earnings growth of full-time, full-year workers: 2.0 percent. If earnings are only growing at 2 percent, how did household income grow by over 5? By adding a second worker in the household, moving from part-time to full-time and otherwise finally recovering from the depths of the recession. But that process is essentially complete and not to be repeated. Any future growth has to come from earnings growth and we remain stuck in a 2 percent economy.

The release of yesterday's report shouldn't make anyone happier because the events that it reports on didn't do so to begin with. And they aren't going to be repeated.