



## The Daily Dish

# November 6th Edition

DOUGLAS HOLTZ-EAKIN | NOVEMBER 6, 2015

Last month's jobs numbers went about as well as a Cleveland Browns game with only 142,000 jobs and downward revisions to July and August. The numbers only got worse from there, the labor force fell by 350,000, wages were flat, and weekly and overtime hours declined. For a reminder, here is a recap of key economic indicators since last month's report:

- The price index of U.S. imports decreased 0.1 percent in September;
- The Producer Price Index for final demand decreased 0.5 percent in September;
- The Consumer Price Index decreased 0.2 percent in September;
- Real average hourly earnings increased 1 cent from August to September;
- Orders for durable goods decreased 1.2 percent;
- Consumer Confidence index decreased from 102.6 to 97.6;
- New home sales decreased 11.5 percent in September;
- ISM manufacturing index decreased to 50.1 percent in October;
- ISM nonmanufacturing index increased to 59.1 percent in October;
- ADP reported private-sector employment was up by 182,000 jobs in October.

### *Eakinomics: October Jobs Report*

In recent months the focus of the monthly jobs report has been its implications for Federal Reserve interest rate policy; namely when and how quickly will the Fed normalize the policy interest rate (the federal funds rate). The abysmal September jobs report set off a chain reaction: it effectively killed any chance of moving in October, Janet Yellen hastily went public with a lecture at the University of Massachusetts to emphasize that the Fed would still likely raise rates in 2015, and a rare public squabble broke out among members of the Federal Open Market Committee with Lael Brainard and Dan Tarullo openly contradicting the Chair's message. This month promises more of the same. Chairwoman Yellen has emphasized that a December rate hike is still an option, and a solid to strong job report would probably lock in an increase. Another huge whiff, however, will push the increase into 2016.

This is likely the last month that the future of Fed policy lies at the center of the debate. Instead, increasingly the focus will shift to the 2016 presidential election. Among voters, the economy and jobs is the top issue. To date, it has received little attention because Republicans largely agree on the issue, as do Democrats. But when the general election rolls around, expect the contrasting visions to be at the center of the debate. Democrats are largely suggesting more of the same (Hillary Clinton) or more on steroids (Bernie Sanders). They largely acquiesce to the poor growth outlook (doing more of the same and expecting a different result would meet some definitions of insanity), and focus instead on delivering targeted “prosperity” to favored constituencies with government programs and targeted tax breaks. They will distract from the poor economic performance with attacks on the wealthy and corporations — anything that has a vague whiff of private sector success. If the economy appears to stumble further, they will be hard-pressed by voters to explain how this will work.

Republicans, in contrast, are committed to raising the long-term rate of economic growth and enhancing economic mobility. They will commit to broad-based structural reforms to government programs, taxes, and regulations, and will have to make the case that benefits will accrue to the average American. If the economy seemingly lifts off prior to the election, it will take some of the sting out of their attacks on the Obama record and the need to chart a dramatically different course.

Don't expect today's report to settle either the monetary or growth debate. October likely produced another middling jobs number — I'm estimating 170,000 — and saw the unemployment rate drop to 5.0 percent. The best guess is that labor force participation stabilized and that hourly earnings rose at a modest pace near the rate of inflation — but both forecasts have been risky business recently.

Stay tuned at 8:30.

## **From the Forum**

[NDAA Cuts Show the Military Will Face More Tough Choices](#) by Rachel Hoff, AAF Director of Defense Analysis

[Over Half of the ACA's Co-Ops Have Failed in Just Two Years, and More Failures are Likely](#) by Tara O'Neill, AAA Health Care Policy Analyst

[Higher Pay, Fewer Jobs](#) by Douglas Holtz-Eakin, AAF President; and Ben Gitis, AAF Director of Labor Market Policy

[INFOGRAPHIC: Little Help, Big Loss: New York's Minimum Wage Hike](#)

## **Fact of the Day**

[In 2013, house prices in major energy producing states were 17.7 percent higher than their pre-recession average compared to -19.7 percent in major energy importing states.](#)