Introduction

The United States Dow Jones Industrial Average (DJIA) rose to 16323.06 Index points in March from 16321.71 Index points in February of 2014. The DJIA rose less than 2 points in March which was a strong sample of the stagnant and lackluster performance of the U.S. economy during a month that is supposed to signal spring and renewal. Initial Jobless Claims in the United States decreased to 311,000 the last week in March from 321,000 the previous week. This reduction of a little over 3% could be a positive sign that people are reentering the workforce. The above is a record low since December of last year. The major index for productivity in the United States increased to 106.92 in the fourth quarter of 2013. The index is predicted to continue to increase in the first quarter of 2014 and thus far is bringing that prediction to fruition. If worker productivity continues to increase this will be good news for the United States especially on a global scale as it means U.S. workers will be producing more per hour, will be a more desirable and less costly component of labor and therefore employed more often.

Key February/March Data

Positive and Negative Signs

In March, the U.S. Federal Reserve Bank dropped a pledge tying borrowing costs to a 6.5 percent unemployment rate and made clear it would rely on a wide range of measures in deciding when to raise interest rates. The Fed also announced a further $10 billion reduction in its monthly bond purchases. These two factors fueled the Federal Reserve’s decision to keep interest rates at .25%, which has been the norm since 2009. The Services PMI in the United States increased to 55.50 in March of 2014 from 53.30 in February of 2014. The Services PMI in the United States is reported by Markit Economics. A reading above 50 indicates that the services sector is generally expanding. Clearly one of the reasons fewer people are filing for unemployment is that they may be newly employed by the service industry or as indicated by recent labor force participation rates, frustrated and exiting the workforce.

The Thomson Reuters/University of Michigan's final reading on the overall United States Consumer Sentiment decreased to 80.0 in March of 2014 from 81.6 in February of 2014. This isn’t a dramatic decrease but it generally indicates some level of coming decreases in consumer spending and could likely signal slightly lower investment, negatively impacting future economic expansion. Building permits in March decreased to just under 1 million, down from just over 1 million in February. This coupled with declining consumer confidence is the root cause many economists believe is causing a significant number of people to hold back on major purchases such as automobiles and homes. The Terms of Trade Index in the United States increased to 98.14 in the fourth quarter of 2013 from 98.07 in the third quarter of 2013. This number is forecasted to further decrease by the end of the first quarter of 2014 when data is reported in early May. If accurate, the U.S. will realize greater imports relative to U.S. exports furthering our trade deficit with the world. Factors such as increased oil and natural gas production from “hydraulic fracking” could alter trade flows in the coming months.
Recently, President Obama provided a vigorous defense of his signature Healthcare law. The President once again stated that Healthcare reform is working and dismissed the Republicans view that the program is in crisis, stating that the flaws have been fixed and the Patient Protection and Affordable Care Act (PPACA) is well down the road to bringing positive and needed healthcare reform to the United States. President Obama went on to say that as of last week, just over 8 million people had signed up for insurance under the new law and that 35% are below the age of 35, and therefore would help subsidize the cost of insuring the many less-healthy elderly in that 8 million figure.

Critics of the President argue that it is too soon for The White House to claim victory. Early data indicates reasons for concern: a) only 80% of those that have signed up have actually paid, b) 4 million or more are people who had insurance they liked in 2013 and lost their insurance because it did not comply with the PPACA and now have signed up for insurance under the PPACA, c) a significant number of individuals have made initial payments and then cancelled their policy. Some experts argue that when the dust settles and all of the final data is available, of the 8 million people signed up for healthcare insurance under the Patient Protection and Affordable Care Act the number of those that were uninsured in 2013 and now have insurance as a result of healthcare reform, could be as low as 800,000 to 1.2 million people. This is not necessarily the great success Americans were expecting as a result of the time, effort and uncertainty of reforming fully 1/6th of the American economy.

Many in America are now realizing that the PPACA is inconvenient for many and costly to most. It adds 20 new taxes to the American economy, including taxes on medical device manufacturers, Medicare payroll tax, a healthcare savings account withdrawal tax, surtax on investment income, and an additional tax on health insurers. In total, it is estimated new taxes will place a $1.2 trillion burden on the U.S. economy by 2023. It is expected that the PPACA will add roughly $1.67 trillion to the U.S. National Debt by 2023. Furthermore, perhaps the most valid criticism of the monumental task of healthcare reform is that upwards of 30 million people could remain uninsured long after full implementation in 2023.

Our greatest criticism of the PPACA is that we could very well be taking away the financial and entrepreneurial incentives that drive the invention and innovation within the U.S. healthcare system. Pre-2010, the U.S. healthcare system was the finest in the world for roughly 85% of the population. Even today, we are the world’s leaders in cancer treatment, treatment of heart ailments, treatment of diabetes and treatment of many rare and complex diseases. Fully, 50% of all pharmaceutical patents and 80% of patents on medical equipment and technology are held in the United States and almost 62% of all Nobel laureates in medicine since 1990 have been awarded to American researchers. We worry that PPACA price controls will: a) reduce doctor’s pay, b) reduce incentives for advanced medical specialization, c) reduce incentives for risk-taking and medical breakthroughs…causing the rate of life expectancy to begin to increase at a decreasing rate over time. More to come….

Contact Us

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