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Introduction

As we enter the fourth quarter, the U.S. economy is showing signs of high uncertainty and low growth. The U.S. government shutdown continued the disagreement on important fiscal issues between the houses of Congress and the White House with no long-term solution in sight. The cost of the shutdown, according to Standard & Poors, was \$24 billion or a 0.6 percent reduction in quarterly GDP growth. Reuters and the University of Michigan reported October Consumer Confidence fell to 73.2, the lowest level since December 2012. Even though this was the first shutdown since 1995, the implications are dangerous and signal continued conflict and possible U.S. default which would have disastrous effects on the global economy. With a low congressional approval rating and a 42 percent presidential approval rating, both parties need to be concerned about their standing with the American people and their lack of leadership within the U.S. and global economies as the 2014 elections approach.

Key September/October Data

Positive and Negative Signs

The U.S. Institute for Supply Management Report on Manufacturing shows October's PMI index rose by 0.2 percent to 56.4 percent, the highest reading for 2013. The Commerce Department reported that U.S. durable goods orders for September increased by 3.7 percent due to a significant increase in aircraft orders. Over the past year, the S&P/Case-Shiller Home Price Index is up 12.8 percent, suggesting a continued recovery in existing home prices. While the National Association of Realtors reported that its September Pending Home

Sales Index, a gauge for prospective home buyers, plunged 5.6 percent, the fourth consecutive monthly decline. This index suggests a "normalization" in the housing market, with higher mortgage rates and rising home prices ahead. The October Conference Board Leading Economic Index (LEI) for the Euro Area rose 0.5 percent, showing signs of continued economic improvement, with a possible end to the EU recession. China's LEI showed an increase of 0.9 percent, due to continued credit expansion and increasing real estate activity. With continued uncertainty in the U.S. economy, the Federal Reserve recently announced that it will continue to purchase \$85 billion of mortgage-backed and government securities for the immediate future. The September Unemployment Rate dropped 0.1 percent to 7.2 percent, but the labor force participation rate fell to 63.2 percent, its lowest in 35 years with the unemployment rate increasing again in October to 7.3 percent. On Oct. 1, the Patient Protection and Affordable Care Act went into effect with the expectation that millions of uninsured Americans would sign up. With rampant system glitches and outages and far fewer individuals enrolled than expected, there is mounting pressure from both Democrats and Republicans for the Obama Administration and its contractors to fix the problems or delay parts or the majority of the new health care law. For October, the average price of regular unleaded gasoline was \$3.28/gallon, the lowest for 2013. For the month of October, the price of oil was down 5.75 percent, Gold up 0.62 percent, and Silver up 3.56 percent.

Current Issues

The following is the introduction to a white paper a few of my colleagues at Northwood University and I wrote

during the debate over the Patient Protection and Affordable Care Act (PPACA) before its passage on Christmas Eve 2009. Most Americans did not consider it a gift back then and fewer seem to be excited about it today.

“Numerous polls indicate the vast majority of Americans are satisfied with their health care. In fact, the Gallup organization released noteworthy data early this September from a series of public opinion polls on health insurers and health care they conducted between 2006-2008. The report sheds light on why the president is having an uphill battle to reform our health care system. Simply put, the data shows people seem to like their health insurance. According to Gallup, 82 percent of Americans covered by Medicaid and Medicare and 87 percent with private insurance view the quality of their health care as good or excellent. When asked to rate the actual insurance plan, 74 percent of Americans on government plans and 75 percent with private insurance rate their insurance plan as good or excellent. In addition, a late September Rasmussen Poll showed only 42 percent of Americans support the President’s health care proposal with 59 percent of senior citizens opposing it. The President is correct that our health care system is in need of change, even reform. The question is to what degree? While the Gallup poll certainly does not indicate a need for “historic change,” it doesn’t address all of the legitimate concerns the president and others have regarding rising costs, efficiency, competition and the effect “change” will have on our general standard of living now and into the future. We have analyzed as many of the pressing issues in the current health care debate as possible in this paper and hope to offer a calm, rational solution to our short- and long-term needs as individual citizens and as a nation.” Our paper went on to suggest three federal policies changes that would have allowed the existing system at the time to continue while reducing costs, increasing competition and adding choice. We encouraged the White House and Congress to: a) expand Medicare and

Medicaid and offer tax credits to those whose companies did not offer health care benefits, b) implement tort law reform at the national level the way many states had as a way to reduce unwarranted lawsuits especially related to medical issues and c) allow consumers to purchase health care insurance across state boundaries the way individuals can/could when searching for the best price for life insurance or homeowners insurance. Our thesis then and today is that the U.S. health care system was and we believe still is the best in the world for the majority of Americans and the prior suggestions would bring all under an affordable and competitive health care system. The U.S. medical market is also the epicenter for global R&D in the areas of: a) pharmaceutical research and production, b) technology research and production of life saving equipment and c) care and surgical methods and techniques. The PPACA is not working and is out of favor with Americans in general. Once fully implemented the PPACA will greatly reduce choice, competition and the prices mechanism which directs consumer and hospital choices and industry invention and innovation noted above. We believe it is time to delay the implementation of the PPADC and revisit the above thoughts and solutions.

Contact Us

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