



Rodney's Take

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A Cheer for Biden

In this fractious world, let's take wins where we can get them.

I'm not a fan of many policies that increase regulations, so I was pleasantly surprised to see President Biden's directive telling the FDA to get its act together on hearing aids. President Trump and Congress directed the FDA to develop a framework for allowing consumers to buy hearing aids for mild-to-moderate hearing loss over the counter, but the agency somehow couldn't get around to it. The recent directive pushed the agency over the finish line, and consumers should be able to purchase these items in the fall. This is a great development... and a travesty.

Hearing aids have been controlled by a small group of manufacturers for decades. You can "shop" for price, but amazingly, the prices tend to be consistent across vendors. And you can't buy hearing aids. You must buy a fitting with an audiologist or someone similar and often must buy other services bundled with the units. If this sounds like a deal with the Mob, that's because it is. The industry is so grossly overpriced and bloated that hearing aids often cost \$5,000, and most insurance companies won't cover the expense. The FDA estimates that 37 million people would benefit from hearing aids but just seven million use them. For anyone who has sat at dinner with a relative or friend who has hearing loss and has watched that person either struggle to stay with the conversation or just check out, this is an outrage.

Consider how our wearable tech world has evolved over the last two decades. We've moved from iPods to AirPods, and now we have smart watches that can monitor our health. None these costs more than \$500. It doesn't take much imagination to think of how some of the best minds in sound (Here's looking at you, Sennheiser!) might be able to develop very cool widgets to address this market. For all I know, they already can.

The cost will come down, it's just a matter of when. Our lives will improve through competition and open markets. This is what dramatically improved productivity will look like once we get out of the way the gatekeepers who create obstacles for nothing more than money while enlisting the federal government to do their bidding. It's all about lobbyists and cash, which gets us to the next point, the Inflation Reduction Act.

There aren't many things in the legislation that look like they will serve the stated purpose. If we want to develop more renewable energy, we need a breathtaking amount of redundancy to provide power on demand at peak times in the summer and winter. It's easy to make the numbers work on a breezy day in the fall, but not so much in the dead of summer when there is not so much as a breath of air. As for taxing companies to pay for healthcare costs, remember that Congress *created* the different ways of classifying income to promote research and development and other things they thought worthwhile. Clawing back the cash today seems disingenuous—but, hey, I'm not in Congress. But this is a long way from my point; I'm much more frustrated about what isn't in the bill, the removal of carried interest.

For political donations, politicians keep up the farce that carried interest matters. This is a tax break for hedge fund and private capital employees, who get to classify some of their income as long-term gains if they hold it for more than three years. The employees are "paid" with investments, when, at the end of their year, a slice of the fund is reallocated from the clients to the employees. That's the vagary of their business models, but why should it concern anyone else? Why should a hedge fund employee or venture capital person not pay their taxes when earned, like the rest of us, or at least meet us in the middle?

If you have a 401(k), then you can put money into it pre-tax and let it grow. But when you take the money out, you will be taxed at your ordinary income rate, no matter how long the funds were there, presuming you don't take it out before retirement. This isn't what happens to people who take advantage of carried interest. Not only can they take out the money any time before retirement, they also get to pay a lower tax rate on the money than people who use 401(k)s, or pretty much most working people.

The end of carried interest would have resulted in perhaps \$14 billion in additional revenue over the next decade. That isn't much compared with the federal budget, but it speaks to fairness. Just like the hearing aid issue, which had been the way of things for decades and took five years to resolve, we all know why these things exist. A small group with a lot of money to protect uses political contributions to keep the rest of the wolves at bay. I'm grateful for the change in the hearing aid industry, as I think it will improve the lives of millions of Americans. But I'm still frustrated at what passes for the way business works in Congress.

Rodney

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