

On To Tax Reform

Monday, July 31, 2017

The inability of Republican leadership in the House and Senate to repeal Obamacare bodes ill for tax reform. Rather than fulfill their promises to the American people, many key Republicans have sided with Democrats in refusing to repeal the most inept example of social engineering in our lifetimes.

The President will need to do more to compel tax reform than was done to compel the repeal of Obamacare if there is any hope of passing another of his key campaign planks. This go around the lessons learned from the failure to repeal Obamacare should influence how the President campaigns for reduction in individual and corporate tax rates.

When faced with a hostile Congress, Presidents in the past have reached beyond the beltway to the American people, communicating with oval office addresses in prime time, with speeches in key states, and with a call for Americans to deluge Congress with demands for passage of the legislation. The President must expand beyond tweeting to give a detailed message that explains why tax reform is essential for all Americans, why the bill he supports achieves the reductions required to trigger an economic boom, and why failure to act now threatens continued economic growth. He must campaign vigorously for tax reform, more outside the beltway than within it. He must essentially drive the passage of the bill with a wave of popular support sufficient to overwhelm the opposition.

The Obamacare repeal failure teaches us that leading Republicans are willing to bolt from their prior promises and keep faith with their political opponents rather than the President. He is indeed an outsider, and they do not like that. While Democratic leaders pursue obstructionism,

resisting all that is Trump; leading Republicans have demonstrated that they would rather abandon their promises to voters and side with Democrats than rally behind the President.

The Congress of the United States is populated by a majority of individuals whose interest in self vastly exceeds interest in country. The only alternative for the President is to break loose from the internal politics of Washington and rally as much popular support as he can in favor of tax reform. It is up to him to explain the details of his plan, the necessity of it, and the promise of it. He cannot rely on surrogates. He must also be the primary campaigner, the one who calls on the public to inundate members of Congress with demands for passage of the bill. He must also insist on a bill that achieves true cuts in individual and corporate taxes, opposing all efforts to defeat the central objective. No bill is better than a bad bill.

Tax reform also enables the President to achieve replacement of Obamacare without repeal. Obamacare is effectively dead. To kill it off, he need only ween the remaining insurers from participation in it. That can be done with tax incentives for companies to discontinue involvement. As to replacement, I have long advocated a simple remedy that would have profound effects.

In the tax bill, the President should include provision for giving each taxpayer a \$1.50 tax deduction for each dollar spent on medical care. The deduction would apply for individuals who pay for the medical expenses or health insurance costs of family members or anyone else. The deduction would apply for businesses that pay for the medical expenses or health insurance costs of employees or anyone else. In this way, those with resources would have a huge incentive to help those without. Hospitals would benefit from providing subsidized or free services to those destitute. This simple change would restore a patient centric system in

which physicians, medical centers, and hospitals would aim to satisfy the needs of patients rather than insurance companies that serve as proxies for government. Health care and health insurance would be tailored to satisfy patients rather than serve as a one size fits all government program of mediocre care for all.

As the President moves on to tax reform, he must be mindful of the lessons the Obamacare repeal effort provide. This is not a Congress he can lead from within. He must depend on the American people to join him in leading it from without, in demanding passage of the President's tax reform legislation on pain of election loss. Rich proof now exists that neither Paul Ryan nor Mitch McConnell can command the allegiance of party members, and neither has remained true to principle. The President must lead the effort.

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E-Mail Jonathan Emord: jemord@emord.com