



CleanPrint for WORDPRESS



Rigging the Healthcare Debate with Dishonest Numbers

by [Dan Mitchell](#)

President Obama and congressional Democrats are claiming that a giant new entitlement program will reduce red ink. It's tempting to laugh and dismiss such a preposterous claim. After all, these are the same people who told us that squandering \$787 billion on a so-called stimulus [would create jobs](#). Unfortunately, the joke's on us. According to the "official" scoring estimates on Capitol Hill, Obamacare supposedly will lower the deficit because taxes are being increased more than spending is being increased (not that this should matter since America's fiscal [crisis is spending and deficits are merely a symptom](#)). But these numbers, produced by the Congressional Budget Office and Joint Committee on Taxation, are highly suspect. I've [explained elsewhere](#) why the spending projections from the CBO are grossly flawed, and many other experts have made [similar observations](#). The same problem exists on the revenue side of the ledger. This video explains why we should be very skeptical of any numbers produced by the Joint Committee on Taxation.

Let's put this in context by reviewing the supposedly nonpartisan numbers that the JCT has produced. The [Senate bill](#) has big tax increases on insurance companies, medical device makers, and so-called cadillac health plans. The [House plan](#), meanwhile, largely relies on higher income tax rates on investors and entrepreneurs. And both bills impose huge marginal tax rate increases on middle class taxpayers thanks to the phase out of subsidies, as explained in [gruesome detail](#) by my Cato Institute colleague Michael Cannon.

While we don't know at this point all of the tax increases that might be part of a reconciliation bill (which House Democrats are demanding in order to modify the Senate bill), the big implicit marginal tax rate increases on the middle class would become law if and when the House approves the Senate bill. These higher tax rates, along with the higher tax rates that are agreed as part of reconciliation, will discourage productive behavior. And as explained in the video above (as well as in [Part I](#) and [Part II](#) of the Laffer Curve series), this will result in less taxable income. This, of course, means that the JCT revenue estimates are artificially optimistic. Combined with the deeply flawed spending numbers produced by CBO, this means the road to healthcare disaster is paved with fraudulent numbers.

P.S. Some people doubtlessly are wondering why Republicans did not fix the problems at CBO and JCT during the 12 years they controlled Congress. I also wish I knew the answer to that question.

Print Powered By  FormatDynamics™