

Thoughts On Obamacare Debacle

eResearch Corporation is pleased to provide an article by Scott Grannis for his Blog, "Calafia Beach Pundit".

In this article, Mr. Grannis calls on the Trump Administration to put aside the reform of Obamacare and concentrate on tax reform.

The article is reproduced below, beginning on the next page, or you can go to this specific Blog at the following link: [Thoughts On The Failure Of Obamacare Reform](#)

You can also visit Scott Grannis' Home Page for his Blog at the link below:
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Friday, March 24, 2017

Thoughts On The Failure Of Obamacare Reform

I don't buy the conventional wisdom that says that this is a failure of leadership. Leadership alone cannot fix Obamacare. A solution to the problem of Obamacare is going to be extremely difficult, and it cannot, and it should not, be done overnight.

Obamacare was doomed to fail, as I pointed out [many times](#) over the years, because it attempted to rejigger a huge fraction of the U.S. economy, and that is something that is virtually impossible to accomplish in a successful fashion by government diktat. Only a freely functioning market economy can make something so huge and so complex work in an efficient manner. (Friedric Hayek, who died 25 years ago, explained why in [this post from Mark Perry](#).)

Thank goodness the Republicans did not end up succumbing to the hubris that energized the Democrats under Nancy Pelosi's leadership, when they passed a bill so huge and so complex that she was forced to exhort its passage in order that they could find out what was in it. Thank goodness the Republicans did not ram through a bill that had zero support from the opposition party (as Pelosi did), let alone strong support from their own party; that is not the way to accomplish major legislation.

Obamacare is imploding because it attempted to substitute government decree for market forces. So, a fix to Obamacare is only going to work if it unburdens the health-care market from government influence. Ryan's proposed solution went a long way towards doing that, but it still relied on too much government interference in the health-care market.

Here is my recommendation: Let's put this intractable problem on the back burner; let's let Obamacare continue to fester; and let's wait until the Democrats beg for a solution and join in supporting new and better legislation.

Meanwhile, let's hope the Republicans can regroup and move on to tackle a big problem that should be a lot easier to solve, and which could end up delivering positive results for everyone in relatively short order: tax reform.

Successful tax reform should involve a few simple ingredients: tax rates should be lower and flatter than they are now, and deductions and subsidies should be far fewer. (Please, Republicans, please do not attempt to impose a Border Tax system on the U.S. economy, since that is very complex and it will have many unforeseen consequences, some good and some very bad. Please do not listen to Trump and his economically-illiterate trade-advisor, Peter Navarro.) Lower and flatter tax rates, coupled with fewer subsidies and deductions, should boost the economy because they will reduce the amount by which the government interferes in private markets, and they will increase the incentives for the private sector to work, invest, and innovate.



Tax reform can deliver a stronger economy, and a stronger economy ought to make it much easier to reform Obamacare.

BW: See ABOUT THE AUTHOR below.

ABOUT THE AUTHOR



Scott Grannis was Chief Economist from 1979-2007 at Western Asset Management, a Pasadena-based, global manager of fixed-income portfolios for institutional clients.

He now enjoys keeping up on economics, markets, and politics from his condo overlooking Calafia Beach on the southern California coast, where he likes to think that he is immune to Wall Street group-think.

Married for 45 years to his Argentine wife, Norma, he has four children and five grandchildren (four boys and one girl).

He is a believer in supply-side economic theory, as practiced by his mentors, the late Jude Wanniski, Art Laffer, and Larry Kudlow. John Rutledge is another of his mentors, from the days that they worked together at Claremont Economics Institute.

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