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I understand that politics is very much a "behavioral discipline" and not much of a science. This means that very often politicians can fail to speak coherently and get away with it. A few such recent events centered around our nation's challenges with providing healthcare and overcoming the effects of the dire economic situation in which we find ourselves.

First, healthcare. Our President and many others keep talking about providing health "insurance" to all citizens. In his recent address to Congress, the President promised that he would strive to assure that insurance companies cover our unfortunate fellow citizens who have "pre-existing conditions". Stated most simply, noble idea? --Yes-insurance?--**ABSOLUTELY NO!!!!**

As I often note, insurance is a bunch of people banding together to make a bet that the same bad thing won't happen to all of them at the same time. They won't all die on the same day. Their houses won't all burn down on the same day. So, if they all contribute to a pool that can reimburse the few people to whom these things happen in a year, the idea works.

But, it is obvious that you cannot let a bunch of terminally ill people, say with incurable, cancer, into your life insurance pool. That upsets the odds. And just as certainly, you cannot let someone who is severely ill and already receiving daily, expensive treatment for their condition into your medical insurance pool. Such action on a large scale would break the bank. However, as a nation, we many indeed wish to, and be able to financially help someone with a pre-existing medical condition. That's OK, but let us not call it "insurance," for it is not insurance. It is financial aid. If our government revenues are sufficient we can do that, but the situation of pre-existing condition does not fit into the concept of insurance.

Then, the second topic is our economic situation.

The severe economic downturn of 2008 and early 2009 has direly affected tax revenue. Unemployment has soared to near 10% which means millions of people are no longer paying income tax. The value of real estate has plummeted which means that property tax receipts will also drop. And the drop in prices for goods and services will negatively affect sales tax receipts. However, let's take a closer look at this situation.

It is inescapable that an economic downturn will cause tax receipts to drop. But it's not sometimes that simple. A short time ago there was an article in the New York Times about the "nine trillion dollar federal deficit". It pointed out that President Obama inherited over two-thirds of that. I agree. Then it said that a significant part is the result of President Bush's cut income tax rates for wealthy Americans. I disagree. Income tax rates are not that simple. If persons making \$1 million a year have a 3% drop in their tax rate, that means they have \$30,000 which no longer goes to the federal government. What that means is that they will buy more things, say for \$20,000, and they will save the remaining \$10,000. So \$20,000 buys goods and services that would not have been bought before and that translates into more incomes for businesses and more salaries for their employees. This is a key concept of economics. Those incremental sales in turn will create incremental taxes on income that wasn't there before. And, the incremental savings will make it possible for banks, if they will pursue rational policies, to make more loans and thereby increase incomes even more. If we raise the tax rate on wealthy individuals the result may well be lower overall tax revenues.

Property taxes are more complex and are dreadfully misunderstood by politicians. These have two components; values and rates. What is so misunderstood is that property tax is really an income tax. That means politicians need to be adept at adjusting the tax rates. If property values soar, rates should be dropped so that the dollars which owners pay do not overburden their incomes. And, if property values drop sharply, rates can be increased without creating stress on personal incomes while still allowing local governments to function. To say the least, raising property tax rates at a time like this would require both courage and a great ability to teach.

Recessions are trying times. But they will never disappear. For that reason we all need to think and act rationally so that we can overcome them as rapidly as possible.