

ECONOMISTS RESPOND TO WHITE HOUSE LETTER

Dear President Obama and Congress:

As early as this week, the House of Representatives will vote on the Senate-passed health care bill as well as a reconciliation package making changes to the bill. While Speaker Pelosi asserts that health care reform will create four million jobs, we disagree. In our view, the health care bill contains a number of provisions that will eliminate jobs, reduce hours and wages, and limit future job creation.

New Taxes. The bill raises taxes by almost \$500 billion over ten years. A significant portion of these tax increases will fall on small business owners, reducing capital and limiting economic growth and hiring.

New and Increased Medicare Taxes. An increase in the Medicare payroll tax included in the bill will affect small businesses employing millions of Americans. Over time, higher payroll taxes will decrease wages for these employees. And a new Medicare tax on investment income such as interest, dividends, and capital gains proposed by President Obama and likely included in the bill will threaten jobs and decrease economic growth.

Employer Mandate. The bill will impose a tax of \$2,000 per employee on employers with more than 50 employees that do not provide health insurance. The bill will also tax employers that offer health coverage deemed “unaffordable” by the government. These new taxes on employers will reduce employment or be passed on to workers in the form of lower wages or reduced hours.

In addition to constricting economic growth and reducing employment, the health care bill will increase spending on health care and will increase the cost of health coverage. The new and higher taxes on America’s small businesses and workers included in the bill are detrimental to job creation and economic growth, especially now given the fragile state of the economy. The Congress should instead enact a health care bill that will reduce spending on health care, reduce the cost of health coverage for every American, and that does not harm the economy or cost jobs.

Sincerely,

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