

The Fight over Symbols Prevents Real Reform

By Eugene Steuerle Thu, Apr 27, 2017

With health, immigration, trade, and tax policy, the need for real improvements takes a backseat to counterproductive fights over political symbolism, writes our guest columnist, an economist and former Treasury official now at the Urban Institute.



President Trump came into office promising to repeal the Affordable Care Act, abandon key multinational trade agreements, build a wall and send immigrants home, and reform the tax code. Many Democrats have sworn to oppose him at every turn.

On the first three items, he has already faced obstacles or stalemate and even temporarily left the battleground. But are these debates really about substantive reform that improves people's lives? Or mainly over capturing symbols that appeal to each party's base? Those goals aren't the same.

Reform defies easy party or ideological labels because it often focuses not on bigger or smaller government but fixing poorly functioning operations, establishing greater equity among households, or adapting to new circumstances. With health, immigration, trade, and tax policy the need for constant real improvement conflicts with important, but often-counterproductive, fights over political symbolism.

Tax Reform. In taxation, the symbolic fights almost always center on the size of government and progressivity. Yet many of the tax code's real problems are that it is inefficient, complex, and treats those with equal incomes unequally and inequitably.

The Tax Reform Act of 1986 neatly focused on the latter issues by making no significant change in either revenues or progressivity. But even in its early stages, the debate over a 2017 tax reform has already been muddled by a cacophony of mutually inconsistent goals: Reduce tax rates for multinational corporations and cut taxes for the middle class while not increasing the deficit or raising anyone's taxes.

As long as lawmakers fight mainly over symbols rather than substance, they are unlikely to achieve many real improvements in policy. And tax reform will follow along the path down which health, immigration, and trade reform already seem headed.

Health Reform. When the Affordable Care Act (ACA or Obamacare) passed the Senate, backers knew it had flaws. They hoped to fix them later in the legislative process, but the death of Sen. Ted Kennedy cost Democrats their filibuster-proof majority in the Senate and made the fixes or amendments requiring a new Senate vote virtually impossible.

As a result, the healthcare community and households continue to grapple with an imperfect environment: Gains from expanded insurance coverage have been offset by slower than expected take-up rates, especially among young adults; for ACA marketplace policies, ongoing uncertainty about Medicaid

expansions; and failure to come to grips with the [full impact of health cost growth](#), often outside of Obamacare, on the federal budget.

Congress and President Trump have a chance to repair those problems, but both parties find themselves in a box. Republicans can't accept any reforms that allow Democrats to claim "Obamacare" is being preserved, while many Democrats can't swallow changes that acknowledge the ACA's failures.

Trade Reform. Trade is another case where political symbolism impedes needed change. No doubt, our trading partners at times violate the spirit and even treaty letter of "fair" trade (so does the US), but trade agreements are the very vehicle for limiting such violations.

Rather than repairing these understandings, political symbolism demands they be torn up or abandoned. Thus, instead of reviving and revising the Transpacific Partnership, which might have enhanced US trade in Asia, the Trump Administration has scrapped it.

Any successful trade agreement must strengthen rather than weaken international commerce if it is to promote economic growth without raising consumer prices. But trade debates occur on treacherous political ground. Any shift in trade, no matter how good or bad, almost inevitably reduces demand for some US-made products and hurts the workers producing those goods, thereby creating a new group of populists who will cry "foul" that the President and Congress have once again abandoned workers.

Immigration Reform. People suffering from persecution, hunger, or lack of human rights will try to escape those horrors and find new opportunity. So it has always been and will always be. Borders are porous enough that there are tens of millions of immigrants, legal and illegal, in the United States and much of Europe.

Meanwhile, immigrants grow as a share of developed nations' total populations, partly due to relatively low birthrates in the existing populations. We can reduce opportunities for legal entry, step up border patrols, build walls, and send even more people back to their prior country of residence.

But none of those actions really addresses the basic economic and social forces at play, while temporary symbolic political victories leave millions of families fearful of breakup, reduce domestic output by immigrant workers, and hurt America's image as the home of freedom for people around the globe.