

John Dessauer Investments, Inc.

John Dessauer's market review and update as of Wednesday November 20, 2019

You would think that by now everyone would understand basic economics, the law of supply versus demand. Not so! Well educated presidential candidates have clearly ignored that basic economic principle with proposals for Medicare for All. All who support that idea are ignoring the supply side of the issue. Where will all the new hospitals, nurses and doctors come from to deliver that promise?

Here in Naples Florida there are physicians who will not accept Medicare patients because they can't afford the rent, never mind malpractice insurance and other office costs based on Medicare payments.

Earlier this month the Editorial Board of the *Wall Street Journal* had this to say about Medicare for All:

“Americans who want a preview of coming attractions under Medicare for All should take a look at the annual “winter crisis” at Britain’s National Health Service that is starting early this year. Data released Thursday showed the worst waiting times in 15 years in English emergency rooms. Hang on to your warm winter hats.

The NHS managed to treat only 83.6% of emergency room patients within four hours in October, compared to 89.1% a year earlier and well short of the government’s target of 95%. The NHS winter crisis has become national tradition like Guy Fawkes Day and the Grand National horse race, as the state-run system struggles to cope with a surge of illness during the colder winter months. Last winter’s four-hour admission rate bottomed at 84.4% in February 2019, and the winter before that the worst rate was 84.8% in March 2018.”

Currently here in Naples a one-hour wait for emergency care would be regarded as disgraceful. Most are treated almost immediately in local emergency rooms. What is the problem with Britain's NHS? It's the old familiar law of supply and demand. Here is the *Wall Street Journal's* editorial board's view:

“This happens because the supply of doctors, nurses and hospital beds and the like hasn't kept up with the rising demand from a growing and aging British population. NHS spending rises above the inflation rate, but that isn't enough to fill the treatment and service gaps.”

“Prime Minister Boris Johnson is anxious to keep the winter crisis from becoming a political liability in the Dec. 12 British election, and all major parties are promising more money for NHS. Past experience and Thursday's waiting time data suggest more will never be enough. Politicians who want a U.S. version of the NHS via Medicare for All should explain why they want Americans to catch this British disease.”

In addition, Medicare for All would be very expensive, requiring massive new taxes. Judging from what is happening at the state level, that will be a hard sell.

“Texas has become one of America's fastest growing states, thanks in part to its lack of a state income tax. So it was encouraging last week (Nov. 5) when Lone Star State voters made it even more difficult to impose such a tax.

The Texas constitution since 1993 has barred the Legislature from imposing an income tax without the approval of voters in a statewide referendum. But with progressives working hard to turn Texas into another California, voters decided to raise the bar. Proposition 4 changes the state constitution to require income-tax legislation to

win two-thirds support in both legislative chambers and majority approval in a referendum. It passed with 74% of the vote.

Nine states have no personal income tax, and Texas is the latest to protect a political model that leads to higher GDP growth, employment and wages. Tennessee voters in 2014 backed 2-to-1 a constitutional amendment banning its Legislature from introducing taxes on payroll or earned personal income. Last year a super-majority of Florida voters supported a constitutional amendment that requires a two-thirds vote of each chamber of the Legislature to raise current taxes or enact new ones.

These measures are important obstacles to future narrow majorities that might seek to impose an income tax. They're all the more important as the success of low-tax states attracts migrants who often carry the bad political habits of their former homes.

The citizens of California, New York, Connecticut and other states have learned the hard way that once an income tax is imposed, spending balloons and the march to ever-higher taxes is on. Democrats in Illinois, prodded by public unions, are now trying to rewrite their state constitutions to kill its requirement for a flat income tax. Taxpayers need every procedural fortification they can get from the relentless forces of tax and spend." (The *Wall Street Journal*, Editorial Board, November 12)

Even former President Obama is concerned. He warned his fellow Democrats that voters don't want to "tear the system down." Looking at taxes at the state level they also don't want huge new taxes to fund new spending programs. Federal tax revenues are up about 4% since the Trump tax reform act. That is because of the rise in employment and wages. Payroll taxes are the biggest source of federal tax revenue. The reverse would also

be true. If new taxes and spending reduced employment they would also reduce actual tax collections.

The U.S. stock market has continued to do well. The Dow Jones Industrial Average closed above 28,000 for the first-time last Friday. But a survey of 3,400 investors with at least \$1 million in investable assets by UBS, a Swiss based financial services bank, found that more than half think there will be a significant market sell-off by the end of next year. That is in part because 66% of those surveyed believe the market to be driven more by geopolitics than fundamentals. In other words, they are afraid that tax and spend progressive politicians might win in next year's election. For the long run however 69% said they were optimistic on investment returns over the next decade. That says they are confident that the threat from progressives will not be strong enough or last long enough to do permanent economic damage.

Zacks Investment Management attributes the new record highs on progress being made in working out a trade deal with China. A phase one (of three) deal is expected within the next few weeks. There was some good news on the USMCA trade deal. Speaker of the House Pelosi said she would like to get that deal done this year.

“And quite frankly, the ratification of the USMCA could provide an even bigger boost to the economy and the market given that we export more than 5 times as much to Canada and Mexico (our two biggest trading partners), than to China (our third largest trading partner).” (Zacks Investment Management)

I will have the next market review and update for, one week from today on Wednesday November 27, 2019.

All the best,

John Dessauer

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