



POLICY PAPER - TAX REFORM:

by Sharron Angle

THE PROBLEM:

More than seventeen thousand pages of federal tax law and code does not help us raise enough revenue to cover the government's expenditures. The tax code is complex, expensive, inefficient, and inequitable. The number of lawyers, accountants, and auditors that work full-time, plus the taxpayers' compliance costs, add up to billions of dollars in wasted resources. The distorted incentives of tax deductions and advantages sought by special interest lobbyists encourage the corruption among politicians.

In his *USA Today* article, "*Dem Hopefuls Won Tax Breaks For Contributors*" Ken Dalianian discusses the advantage that special interests take from the tax structure. As an Illinois Senator, Barack Obama received \$54,350 for his presidential campaign from members of a law firm that requested he introduce a tax break for a Japanese drug company operating in Illinois. In December, 2006, it became law, with an estimated cost to taxpayers of \$800,000. In 2000, Hillary Clinton accepted \$162,800--\$110,000 to committees supporting Clinton and \$52,800 directly to her campaigns—from Rienzi & Sons, a food importer in Queens, New York. In 2002, as a New York Senator, she introduced a tax refund provision of tens of thousands of taxpayer dollars in duties on imported tomato products, which became law in December 2004.¹ Other politicians on both sides of the aisle have raked in millions directly from corporations, unions, and lobbyists.

The Internal Revenue code and government regulations make easy pickings for corrupt politicians, lobbyists, and those willing to play the "Name That Tax Provision" game. A simple tax system would end most of the game. But, the other problem of getting special concessions and bills for personal enrichment out of Congress is more a matter of character.

Trial lawyers, a large predominantly Democrat special interest group, have paved the way for outrageous corruption. David Freddoso, a *Washington Examiner* commentary staff writer, exposed the "Pay Bucks for Power" within the trial lawyer's lobby, revealing that trial lawyers have contributed \$762 million to Democratic lawmakers since 1990. In exchange, a single provision for a \$1.6 billion tax break for trial lawyers was tacked onto a bill.²

² Dalianian, Ken. "Obama, Clinton Helped Contributors Secure Special Tax Breaks.", *USA Today*, February 28, 2008.

We have reached a point where we must decide: will we have a government run by special interests, lobbyists, corrupt politicians, trial lawyers, unions, and their stooges, or will we have a government run by and for the people? People must stand up and return to the Founders' belief in small limited government, with fair and just taxation. We must vote for representatives that will keep the people's trust, not "bring home the bacon" in ever-growing pork projects and ever-growing promises of government largesse and programs.

The Founding Fathers knew history. They had read about the fall of Greek democracies and the Roman Republic which are following the same policies that the Democrats are now promoting. Unelected bureaucrats and czars dispense billions to their special interests and cronies.

This must stop!

Our children and grandchildren deserve the same liberties and the right to pursue and enjoy the same prosperity our parents and we have enjoyed. In fact, we hope they will have even greater liberty and prosperity. This will only happen when the pursuit of happiness again means the pursuit of virtue, not the pursuit of avarice and power.

In almost every speech I deliver, I ask voters to examine my record. But it is not just a politician's voting record demanding scrutiny. The electorate is cynical because they have been lied to and because they have seen the games that are played by politicians. Like the movie character Jerry McGuire, we must demand that they "show us the money."

When I first ran for public office, I knew that the love of money was the root of evil in politics. I was determined to be different. I have returned large contributions and refused to ask for money from lobbyists notorious for demanding favors during the legislative session.

Perhaps the greatest compliment I received during the 2010 Nevada Senatorial race came from a young mother. "I've been telling my nine-year-old son that he can grow up to be the president," she said. "But, I wasn't sure I believed it because so many politicians are independently wealthy and campaigns cost so much money. You showed us both that it was possible to be an ordinary person with an ordinary income and run for high office." She was referring to the \$14.3 million dollars I raised during the third quarter of the race-ninety-four percent came from donations of \$100 or less. We were many people with a little money directed at the same goal.

Some of my colleagues have laughed at me saying, "You should take the money. I do. You can always say no to the favor. Just be smart." But, the trust of those people I represent is far more valuable to me than a few campaign dollars. I know it is right to "just say no." I have, on many occasions. I know I can resist the pressures of lobbyists and big donors. I have, on many occasions. When a constituent asks, "How do I know that you have not been bought?" I can truthfully say, "Simple...because I don't take the money."

THE SOLUTION:

Economist, statistician, and administrator Friedrich von Hayek refused to join communism at a time when all of Central Europe was celebrating it. The manager of the Austrian Institute of Business Cycle Research, Hayek became Tooke Professor of Economic Science and Statistics at the University of London in 1931. Thirteen years later, he published a small volume, *The Road to*

Serfdom in which he showed how the Nazi economic system held the same general economic principles of the American Left—the self-styled progressives, the planners, the socialists, and the Roosevelt New Dealers. Hayek was a champion of capitalism and the free economy, but above all, he was a defender of liberty.

The “Virginia School” of economics, The Locke Institute at George Mason University in Virginia, is something of an heir to Hayek’s Austrian Institute and is dedicated to combating the Keynesian school of deficit spending that rules Washington. Accordingly, and consistent with most conservatives’ beliefs, “The Virginia School” champions the four pillars of Reaganomics:

- 1) Reduce the growth of government and spending
- 2) Reduce marginal tax rates on income from labor and capital
- 3) Reduce government regulation of the economy
- 4) Control the money supply to reduce inflation.

A balanced budget, reducing unemployment and restoring economic health will only come with a return to free market capitalism, lower taxes and reduce itemized deductions and corporate loopholes, elimination of the Estate Tax and Alternative Minimum Tax, establishing a territorial corporate tax and reducing the corporate tax and pass-through entities to 15% while harmonizing rates between corporations and small businesses. There must be cuts in the federal bureaucracy such as the complete removal of the EPA and the Department of Education. The ultimate goal and best reform would be to repeal the Sixteenth Amendment—the income tax.

There are steps we can take to put this Humpty Dumpty economy back together again. However, we cannot expect the people who pushed the big egg off the wall to help. Their solution is to march Dumpty’s family and friends to the wall and push them off, too. The bigger the mess is, the more opportunity to gain power and money. We should give them no concessions and no incentives to support true tax reform. We should deal with each issue in separate appropriations bills instead of an unwieldy omnibus bill. The filibuster to stall these reforms should be disallowed. We must show our children and grandchildren an attractive economic strategy lest they default to socialism because they lack confidence that economic health is attainable.