



Tax Reform Now

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The U.S. economy may be improving but it's not growing like it needs to. Cutting red tape has helped but it's not enough.

The solution should be obvious. Small business owners surveyed recently by CNBC identified taxes as their No. 1 concern. A quarter of them said it was the most critical issue they face currently. That's not a surprise since the code is cumbersome, punishes success, is highly complicated, and doesn't reflect the realities of the global economy.

America needs tax reform to get going again. The post-2008 recession recovery is hardly worth the name. It's going to take a shot of economic adrenaline to fix the problems we face, something very much like the Trump plan which, if passed as currently envisioned, will get things going quite nicely.

That means President Donald Trump is going to have to go over the heads of the swamp dwellers in Congress and on television like Ronald Reagan did to get his 1981 tax bill through Congress. Only the kind of pressure the public can apply will convince enough Republicans and Democrats to pass a budget allowing for tax cuts in the future to get out of the Senate by a simple majority. If Senate Minority Leader Chuck Schumer is allowed to set the threshold for passing anything at 60 votes it is game over.

Getting the budget for next year through is only the first step. Trump and the supporters of tax reform will have to show in how their plan makes a difference to the American family and the American family business in truly meaningful ways if they expect the people to get behind it.

The president is off to a good start and is applying pressure where he should. His trip Wednesday to Pennsylvania to tell workers and small business owners the White House Council of Economic Advisers estimates the total value of the tax package to the typical American family would be \$4,000 is the kind of thing that resonates with voters who think both political parties have left them behind for far too long.

It also puts the right kind of pressure on vulnerable Democrats like Sen Bob Casey, who's up for re-election in 2018. Unfortunately those who are enthusiastic about the possibilities tax reform brings are not doing enough to create the echo chamber needed to get the bill through on a bipartisan basis.

The folks opposed to tax reform are making a lot of noise. They've gone back to the playbook they've been using in the years since John F. Kennedy became the last Democrat to propose

major tax cuts as a way to generate growth to help working families. They labeled it a “tax cut for the rich” even before it was released.

An August 2017 study conducted by Marquette University economist Andrew Hanson and the Cato Institute’s Ike Brannon examining the relationship between corporate tax rates and labor costs found proposed reductions in the top corporate rate between ten and twenty percentage points, the centerpiece of the proposed Trump reform, “would imply long run employment gains between 6 percent to 22 percent and wage increases between 15 percent to 28 percent.” That real change on the scope of what Kennedy and Reagan both managed to achieve without adding appreciably to the national debt as a percentage of GDP.

Trump needs to bear in mind he needs to get Republicans to “Yes” too. A surprising as that sounds they’re not all onboard either. When he travels and when he tweets his objective must be assembling the broadest base of support possible in order to deliver the relief U.S. businesses and workers need to grow the economy and create jobs.

Congress needs to hear from the people. Trump needs to be out there every week if not every few days pushing his tax plan like he pushed his candidacy for presidency. He should be in campaign mode until the bill is passed, telling the people who voted for him because he promised to drain the swamp that they need to back him in this effort. Tax simplification, a key part of what he’s proposing, puts an awful lot of lobbyists out of work and, consequently, takes a lot of money out of politics.

Average Americans, on the other hand, benefit from tax reform that sets the corporate rate at 20 percent, lets businesses write off major capital improvements in the first year, cuts the number of tax brackets from eight to four, doubles the standard exemption, increases the number of people in the zero bracket, and kills the death tax. He can assemble a powerful coalition around those ideas and those people will lean on Congress hard until the bill gets passed.