

We must value a real tax dialogue

Stifling debate isn't the democratic way

By [Paul Levy](#) / [For the Monitor](#)

September 7, 2012

The leading libertarian think tank, the Cato Institute, was just getting started about the time Ronald Reagan was elected president. Like Reagan, Cato had high hopes of cutting taxes drastically, especially the income tax. So, the first issue ever of the Cato Journal (Spring 1981) focused on taxes. It hoped to expand American thinking about taxation in general and, in particular, to foster a new dialogue about the income tax.

That first journal contained a lengthy article by historian John Buenker describing the history of the Sixteenth Amendment, which gave Congress the power to assess an income tax. Congress adopted the amendment in 1909 and states ratified it in 1913. The Cato article summarized the arguments raised and described the vigorous income tax debates that occurred across the nation, not only while the amendment was being considered but for decades prior to it. The article says that ratification was "the work of a broad-based, bipartisan coalition . . . in the belief that they were creating a more equitable system . . . that would shift the burden to those best able to bear it."

Of course, Cato and others sought a new dialogue that would question whether an income tax had actually achieved that desired result. They hoped that such a dialogue would lead to daring new tax changes in a very different direction. The article ended with these words:

"Whatever else we may say of the generation that produced the income tax amendment, they at least had the courage to air divisive issues and to embark on a bold new course when that seemed warranted. These are qualities that their

descendants would do well to emulate if we are to have any hope of working toward the more equitable society that they envisioned."

In fact, the dialogue sought by Cato arose and continues today. It has led to new assessments of such things as federal income tax havens, tax expenditures and tax fraud; and has raised new tax ideas, such as the relative merits of flat and progressive taxes, of sales and income taxes, and of tax breaks for the rich versus the poor. Anyone who has followed any of this dialogue has learned from it - deepening and perhaps changing or perhaps intensifying their original views. This, as we all know from high school civics, is why open and meaningful dialogue is vital in a democracy.

At almost the same time as the Cato article, New Hampshire Republicans began to seek exactly the opposite of what Cato sought. They sought to prevent meaningful discussion of an income tax. They demanded The Pledge, an informal promise by state candidates to oppose a state income tax. Soon most Democrats seeking office took The Pledge as well. As a result, New Hampshire has not had a vigorous income debate for decades.

Now the Legislature has proposed a constitutional amendment that would permanently ban an income tax in New Hampshire - at least as permanently as a constitutional democracy allows - and effectively foreclose meaningful discussion of one for the foreseeable future.

But the essence of democracy is the airing of divisive views. Both the pledge and proposed amendment prevent that sort of airing by making it a waste of citizen time to consider an income tax or for their representatives to listen to such voices. Democracies lose their heart when citizens lose their voices and representatives lose their ears.

Were income taxes not important, pledges and constitutional bans wouldn't matter; but such taxes are hugely important. Almost all nations and states have considered and adopted an income tax.

Of course this is no reason for us to adopt one, but it is reason for continuing dialogue - to be sure our justifications for a no-tax policy remain clear and defensible. This is especially important because our situation and tax justification are unique. The few nations and states that have rejected an income tax all have major, alternative revenue sources. Oil revenue is the alternative source of the two most populous nations without the tax, Kuwait and United Arab Emirates, and of the two largest states, Alaska and Texas. Several others such as Bermuda and the Grand Cayman Islands tax tourism heavily and most others assess a major sales tax. Again, this is not a reason to adopt an income tax, but only to be sure that we have good reasons for rejecting one.

I recognize that opponents of an income tax won't vote against the proposed amendment or stop promoting the pledge - but they should. They and all of us should see, as Cato Institute saw, the value of real tax dialogues in a democracy.

(Paul Levy lives in Concord.)