



Economists To GOP: Go Big On Tax Reform

Posted By [Rachel Stoltzfoos](#)

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If Republicans want to reform the tax code, they need to take a bold and sweeping approach, Cato Institute senior fellow Dan Mitchell said Tuesday.

“People like a bold plan, because they assume that the current system is riddled with corruption,” he said at a Heritage Foundation event on tax reform.

In the 1980s and 90s, when there was talk of a flat tax, a bunch of politicians came up with modest or incremental reforms to the system — carving out deals for special interest groups or having multiple rates instead of one rate, Mitchell explained.

“No one remembers those tax reform plans, because they never got any traction,” he said. “Big, bold tax reform, something like a flat tax where you sweep everything away, has more appeal to people.”

If they take back the Senate, tax reform will be high on the agenda of congressional Republicans next year, but politically tricky, especially depending on how the midterm elections play out. New York Democratic Sen. Chuck Schumer, a senior member of the Senate Finance Committee has said tax meaningful tax reform is highly unlikely before the end of Obama’s term.

“I think it will hard to get tax reform in the next two years,” Schumer [told The Washington Post](#).

Paul Ryan, expected to champion any tax reform effort as likely chairman of the powerful House Ways and Means Committee, was also noncommittal about the chances. “We don’t know how much progress we’ll make on those issues,” he said, according to the Post. “Tax reform’s one of those things where we just don’t know if we can get there at the end of the day.”

Passing a bill will likely require Democratic support, and Mitchell argued a plan that would close loopholes for special interest groups is one way to get more people on board.

“The more complex the tax code is — when you have 75,000 pages or so of tax code regulations — that is a sandbox,” he said. “It’s a playground for the special interest groups, and that’s one of the reasons why really bold tax reform has more support than modest tax reform.”

Richard Rahn, senior fellow at Cato and chairman of the Institute for Global Economic Growth, also called for a bold approach, and said it would be a mistake to allow cuts to be phased in over time, because that delays the economic benefits.

When the Reagan era tax cuts were enacted, it was a mistake to allow them to be phased in over three years, Rahn said, partly because it incentivized people to delay the collection of income.

“The full benefits of that tax cut really didn’t take place till ’83, and that’s when the economy really took off,” he said. “So again: Be bold, go big, don’t phase things in, particularly if people can defer the realization of income.”