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Comments to Senate Taxation Committee
Subject: SB238

Good afternoon Mr. Chairman, Committee Members.
My name is Knight Allen. I am a private citizen.

I want to talk to you today about the fundamental principle of taxation in a free society articulated originally and best by Adam Smith in 'Wealth of Nations': "Do not tax the necessities of life."

Now, before you roll your eyes to the ceiling and start squirming in your chairs thinking how you don't want to waste time taking testimony about an 18th Century economist who is totally irrelevant to the very real tax problems you're facing today, I ask that you please bear with me.

I submit that we live in Adam Smith's world. Capitalism. An economy based entirely on Smith's principles of free markets. Smith is the most relevant economist of our time.

I also submit that everyone involved in this tax debate is a disciple of Adam Smith. Everyone. You see, tax fights are never about capitalism. Everyone wants the wealth that capitalism alone can create. The fight is always about how much of that wealth should be taken out of the private sector, where it is created, and transferred into government. That is what tax fights are always about and that is what this tax fight is all about.

So, if we acknowledge that we live in Adam Smith's world of capitalist free market principles then a very uncomfortable question has got to be asked. Namely, why is only half of Smith's principle considered? Clearly we live in a society in which capital is economically free to pursue its markets and is empowered to seek its profits. So what happened to the economic liberty and empowerment of the people? What happened to the right of the people to operate free of the burden of taxation in those areas of their lives where they must function in order to survive?

"Do not tax the necessities of life"

Once you become aware of this core principle then you can see the beauty and power of true capitalism. The symmetry and balance between capital and labor. The melding of their liberty and economic empowerment to build an environment of innovation and productivity which creates enormous amounts of wealth that elected officials can then fight over.

So, there you sit. Faced with a billion dollar tax plan whose two "crown jewels", the GRT and higher property taxes both "grossly" violate the basic principle of taxation of a free people in a market economy.

The GRT "would include necessities..." and "...is hidden in the cost of goods and services sold." Governor's Task Force on Tax Policy 10/9/02

As for higher property taxes, they are severely regressive, striking disproportionately at lower income people as is stated quite clearly on page seven of the Price Waterhouse/Urban Institute report.

The Governor's Task Force failed with these two proposals. Now, I spent a year with them and I can state publicly and on the record they are decent people who genuinely care about the future of Nevada. Unfortunately, that is not good enough. They have a distorted view of society that comes from living and working at or near the top of Nevada's political, social and economic pyramid. They can see with precision and clarity the capital side of 'Wealth of Nations'. They are, in fact, true believers. However, they can not see and do not believe in the labor/people side of the equation. And that's the fatal flaw in their proposals.

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Government.

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It's not the private property of Barrick Gold or Newmont Mining, Inc. And, it is, most assuredly, not the private property of the Nevada State Education Association, Inc.

Economic liberty also belongs to the culinary worker, the hotel maid, the newspaper reporter, the statistician, the secretary, the gold miner, the law clerk, fast food worker and every other individual soul in this state. It belongs to the people as much as it does those pools of capital that have become so dominant in our society.

So, how do you make the transition from principle to practical, pragmatic policy? It's really not that difficult. You start with one of the most powerful management axioms: First, you must know what you are not going to do; then you can concentrate your energies on what you are going to do.

#1. You pull the GRT from the bill and vote it down 7-0.

#2. You pull the higher property tax from the bill and vote it down 7-0.

Remember, this has nothing to do with party affiliation or where you are philosophically on the political spectrum. It's only about ridding yourselves of two horrible tax proposals that should never have been thrown in your face in the first place.

Raising revenue from the economic activity of a capitalist market economy is not that difficult:

Any tax rooted in the free economic choices of a free people is a good tax. Any tax not rooted in choice? Bad tax.

Please keep in mind this is not an obstructionist principle. It is not rooted in No! No! No! No! No!.

It gives you all the leeway in the world to conduct a vigorous debate about the level of taxation in Nevada. All it requires from you in return is a genuine commitment to the idea of human liberty.

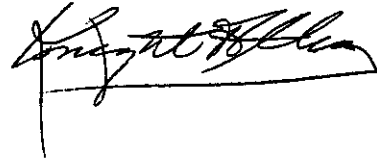
That's not too much to ask, is it?

You have a wonderful opportunity here folks. A chance to be the leaders you always dreamed of being.

"Capitalize" on it.

Thank you for your time.

Respectfully submitted,



"DO NOT TAX THE NECESSITIES OF LIFE"
=====

Government *partnership* not privilege.

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