

TAXATION (Part 3).

What should our taxes pay for?

by Vic Berecz

So far we've discussed general issues regarding our tax system and an approach to dealing with taxation to support the most basic of needs ... the security of the American people. After security, I believe the next thing most people agree must be paid are the carrying costs of legitimate debt incurred by government. One of the most important concepts of our democracy, as well as our individual freedoms, is the idea of contracts. Our government ... especially the federal government needs to uphold that concept. Therefore, interest on bonded debt issued with the "full faith and credit" of the U.S. government must be sacrosanct. Taxes must be raised to pay for debt service. Period!

Does that mean we will forever be *beholdin'* to those who own that debt? No, that's not necessarily true. We can legitimately grow out of debt if we don't continually add to the principal. Growth of our GDP makes the cost of existing debt service smaller every year as it relates to our total resources. We can't change history. The restraint that's needed is in incurring new debt. Note: here I'm not including so-called *entitlements* ... only bonded debt. We'll discuss *entitlements* in a later part of this series.

Now, let's go back to the question I posed in Part 1 of this series, "What are the *community services* most citizens desire for themselves and their posterity" which we need to fund by our tax system? Let's begin with a hypothesis: we should tax the community for those services a clear *majority* of the community *feels* are *beneficial* to the community as a *whole*. Think about that carefully, in the context of the diverse society that we are and the multiplicity of the communities we are a part of. There are hundreds, if not thousands, of such services. Also change is something we must live with, so we need to periodically reassess what services we want to buy from our governments. I won't discuss things like *Welfare* or *The Arts* now, because whether or not they should be government-funded at this point-in-time is an open question to many. Instead, I'll briefly talk about two general areas that virtually everyone will agree must be government funded, and which raise different issues about how to fund them. They are education and transportation.

The concept of *free public education* grew-up very early in our national history. [Yes, I know *nothing is free*, but it's easier to say "free" than to say "at no direct cost to the user of the services."] Education is probably the keystone of national progress. I've heard the question "Why should I pay for schools if I have no kids in them?" ... often from my retired contemporaries whose children benefited from free public education many years ago. This is just another variation of the hypocrisy of a NIMBY mentality. Even those who never had children benefit from the education of their community. Think about the education that went into the medical advances that prolong and enhance their lives!

Even if we agree on "free public education" ... many detailed questions come into play. How much education? What's the nature of the education? Which communities have a role in managing and funding education? As a 19th century rural nation based on a farming economy, what we now call a "grade-school" education probably sufficed for most people. But times have changed, and so has the need for education. I would posit that two years beyond a high-school diploma is an appropriate norm today for the basic education of a useful citizen. So, in keeping with our national policy of free public education, I believe that's where we should be today.

I'm a believer in local control of a lot of stuff, including education. But, that doesn't mean that our national government has no place in education. Certainly, it's appropriate for Congress to set minimum standards that will ensure equal opportunity for education. I don't consider such general legislation designed for the general welfare of the nation to be in the category of *unfunded mandates* which I usually detest. Beyond that, I see national education policy and funding focus on targeted areas, that require encouragement to meet important national goals. An example is funding the support of specific research or professional development ... for instance, grants that would encourage medical doctors to enter general practice in rural areas. Such focused educational efforts would come-and-go as times and needs change, and in most cases would not impact the area of free public education. I will talk more about using taxation to encourage national goals in Part 4 of this series.

Other than general national standards, elementary, secondary, and community college education should be controlled and funded by states and their local governments. Local communities should provide the desired quality of educational experience to all citizens of the state who want to avail themselves of it. The standards, funding mechanisms, etc. should be dealt with at a state and local level ... so long as the minimum national standards are met. Except for the targeted initiatives of the federal government, the communities that manage the schools should provide the support for those schools through their tax revenues.

There are some who will opt for alternatives to public education – be it home schooling, church-related schools, private non-sectarian schools, and traditional colleges and universities. That's their choice. Communities should determine to what extent – if any – public support is given to those who choose such alternatives ... within the constraints imposed by our national and state constitutions. I would recommend his approach to each type of service needed ... setting general standards at a high level, and moving detailed planning and management – and associated revenue generation – to the lowest practical level in the hierarchy of communities that make up our nation.

Moving on, I'm sure we all agree that government must facilitate transportation within our nation, and clearly interstate commerce is a constitutionally-mandated responsibility of the national government. Roads have been primarily a government responsibility back to colonial days. Seaport and airport infrastructure has also been largely a government-funded activity ... and that means tax revenues are required to support construction and maintenance of these infrastructure assets. Railroads historically were largely a private matter until the post-World War II period when highway construction and demographic changes made them unprofitable. Now they exist in a funny quasi-private state. The big difference between education and transportation is the widely held view that users of the transportation infrastructure should pay for much of the costs involved. This involves *user fees* (let's not argue about whether these are *taxes*, that's only semantics) such as federal and state gas taxes, aircraft landing fees, tolls, etc.

We must recognize that some of the cost of building this infrastructure is necessary as part of our national security programs. So, some federal taxes should be allocated to such construction. Probably most of the interstate highway system, major seaports, and major airports fall into this category. I believe the maintenance costs of transportation infrastructure can then be allocated between national security needs (funded by federal taxation) and user needs (funded by national and local user fees).

Revenues that are seen as *user fees* are quite different than more general tax revenues, because of the very logical supposition that those fees should be used to maintain and improve

the facilities that generate the fees. In general, I agree. But, should every nickel of gas tax be put to highway improvement? If so, we're likely to have 16-lane highways taking up half the land area of our most populous regions. No, I suspect some of those gas-tax user fees should be dedicated to intermodal terminals to get a lot of those trucks off the road ... or to effective urban light rail to reduce the number of auto commuters. In other words, user fees should generally be spent to maintain and improve (in this case) the overall transportation system.

Again there's a caveat ... for example the user fee we call a cigarette tax can only be justified as a mechanism to further national goals ... a healthier populace and therefore lower healthcare expenditures. Again, this aspect of taxation will be discussed in Part 4 of the series.

I will reiterate from Part 1 of this series, that I willingly pay taxes for services I need or want. It is akin to buying the computer I need to write this blog, or the food I enjoy eating. I used a rather long-winded approach above to show that those services can be divided into those that address the general welfare of all our citizens and are therefore funded by the general populace, and those that are used by a limited portion of the population, and are funded in a significant part by user fees. By allocating responsibility for defining the details of taxation-supported services and management of those services to the lowest practical level of government, we get government that's more responsive to the people and better able to change with the times. Taxation, when dealt with from a positive point-of-view, can be a key element of good government.