The federal tax system is antiquated and dysfunctional. The tax code impedes growth, discourages investment and is rooted in a government that picks winners and losers. It has become too complex and is riddled with carve outs that discriminate against productive economic choices.

The tax code adversely affects families and distorts business' decisions. Often tax legislation promotes economic inefficiencies, to say nothing of its adverse impact on income inequality.

The global economy has changed dramatically, but the structure of the tax code has stayed the same.

Despite widespread disdain for the current tax system, reform efforts have consistently failed. No significant tax reform has occurred since 1986, a nearly 30-year span covering both Republican and Democratic congresses and presidents.

A major reason for the lack of progress is the "special interest bias" a concept developed in the field of public choice, which applies economics to the analysis of political behavior.

A special interest (SI) exists when the benefits of a political action are *individually* substantial and highly concentrated among a small number of people. The costs of the action are *individually* small by comparison and are widely dispersed among a large number of people. As a result, the minority of voters who favor the action will lobby far more aggressively than the minority who oppose it. Constituents who favor the issue feel substantially more intense about the issue than those who are opposed

Voters with a vested interest tend to be better informed on SI issues than most other voters, and their cost of acquiring information is comparatively low. Their regular activities and the knowledge of those with whom they associate will often, as a by-product, produce political knowledge related to their vested interest. Candidates who support the views of the SI have an incentive to provide this information to those with intense feelings while withholding this same information from the general population.

One way to increase the cost of information to voters is by increasing the complexity of a proposal. If a proposal is complex, it is more difficult for average voters to determine its personal impact.

Moreover, voters with no ties to a particular special interest have little incentive to find out where a candidate stands on that issue because it exerts little influence on their personal welfare. A voter must choose among candidates who represent a "bundle of political goods." Candidate positions on other issues of greater political importance will overwhelm the importance of the SI issue.

Because the disinterested and uniformed majority is less likely than the vested interest to consider a legislator's position on a given SI issue, there is a strong incentive for the legislator to support the SI.

This incentive is increased if substantial campaign contributions can be solicited from the SI at a low cost. Funds obtained from the vested interest constituency can in turn be used in a more general appeal stressing the candidate's views on important issues where his position is favored by most voters and promoting those characteristics that are thought to positively influence election prospects, independent of his position on issues. Special interests wield considerable influence on tax reform issues. Tax-free income on municipal bonds, investment tax credit, accelerated depreciation, mortgage interest deduction and a host of special subsidies benefit special interest groups, while imposing less noticeable costs on most others.

The road to meaningful tax reform will be open when legislators no longer reap political benefits from a system that enables them to reward few at the expense of many.

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