

Things Seen and Unseen

Testimony Submitted to the
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by

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*"Hark, hark! The dogs do bark,
The beggars are coming to town:
Some in rags and some in jags,
And some in silken gown."*

– English Nursery Rhyme

– As quoted in ***The Mystery of Capital***, Hernando de Soto

Introduction

I am a long-time resident of the state of Kansas, by choice, as I was born and raised on the east coast. I have lived and worked in a number of other states as well as in the Middle-East during my engineering career. My wife and I live in Kansas because we appreciate the Midwestern work ethic and life.

Our nation was founded by people who were willing to depart from the status quo, at great risk to themselves. The state of Kansas was likewise populated and established by hardy pioneers who sacrificed greatly to establish a free state that opposed and ultimately changed the status quo slavery mentality that existed at the time.

Now we have the opportunity to fundamentally reform a system of income taxation that has become a destructive, cancerous burden upon our and our children's future. As with a physical cancer, it is not enough to tinker and trim around the edges; this cancer must be completely removed or it will destroy our society and economy.

What Is The State of Our State In 2012?

Kansas Private Sector Job Growth (1999-2009)	-0.6%
Kansas Domestic Migration (1999-2009)	-2.5%
– Low Tax Burdens Attract Jobs and People , Kansas Policy Institute	

Simply put, we have lost both jobs and population over the last decade to other states and countries.

I have taught engineering students during my career, and I am proud of the graduates who completed my courses in Systems Engineering Design and Data Communications.

However, sad to say, most of them upon graduation were hired by companies for jobs outside of the state of Kansas because there were few opportunities for them here to utilize their talents.

Observations by Other Kansans

“A simplified tax structure is one of the most basic tools we can incorporate in restarting our economy,” said state Rep. Arlen Siegfried, an Olathe Republican. “The quicker we move on changing our tax system the more quickly Kansas will rebound from the doldrums it's in.”

– *Tax Reform A Hot Topic in Statehouses*, David Klepper, The Star's Topeka correspondent

“A well-crafted retail sales tax on all goods and services could replace all 36 other state-level taxes in Kansas-including the personal and corporate income taxes....Such a bold move holds the promise of making Kansas one of the most growth-oriented state tax environments in the nation (without compromising retail competitiveness along the state's borders).”

“A Comprehensive Retail Sales Tax as a Single Tax For The State of Kansas”, by Arthur P. Hall, Executive Director, Center for Applied Economics – Technical Brief 09-1218, December 2009

Principles For a Sound 21st Century System of Taxation for Kansas

A sound system of taxation must be honest and transparent; it must empower individuals and businesses to take risks, grow and prosper (or even to fail). It must minimize regulation and provide maximum opportunity for the free market to work.

It must avoid picking winners and losers with centralized planning, as no handful of bureaucrats can possibly ever know or control the millions of business and personal transactions that take place every day in our state. It must be simple to administer and must be seen as applying equally to all.

Economies prosper when freedom of individual choice is the order of the day, and the market provides the incentives for social good, and consequences for poor choices.

What is the True Meaning of "Reform"?

Quoting from Karen Walby, PhD. In her testimony before Congress:

"In general, a reformed tax system should minimize the adverse economic impact of raising the revenue...that is necessary to fund the ...government and do so in a fair manner.

The plan should not be biased toward consumption and against savings and investment but rather it should be neutral between different types of consumption, savings and investment.

The plan should exempt the poor from tax and allow everyone to meet the necessities of life before paying tax.

The plan should be transparent and understandable so the public understands the tax system; it should not hide the true tax burden or obfuscate.

The World Around Us

“In the future, we will vote more frequently with our feet. If politicians try to boss us, brainworkers will go away and telecommunicate from Tahiti. Countries that choose to have too high a level of government expenditure or too fussy regulations will be residually inhabited mainly by dummies. “

– Norman Macrae – Editor, **The Economist**

Here are some examples of this truism. Kansas has prided itself on its aircraft industry. Now we see U.S. aircraft companies moving to the Middle East, Washington state (Boeing) or North Carolina (Boeing). We all complain about the weather here in Kansas, but believe me, I know from personal experience that no one moves to Dubai, United Arab Emirates (U.A.E.) for the climate or weather. They go there because that is where the jobs are. For example:

“Why fly thousands of miles for aircraft maintenance when work can be done to the highest safety and service standards right at your doorstep? As part of our global network of premium maintenance facilities, **Jet Aviation Dubai** provides you with scheduled and unscheduled maintenance, aircraft repair, defect rectifications and aircraft modifications.

As the first aviation maintenance provider at **Dubai International Airport**, we operate one of very few facilities in the region dedicated to the business aviation community. Our state-of-the-art hangar is large enough to accommodate two Boeing Business Jets or Airbus Corporate Jetliners simultaneously, and is equipped with the latest automatic expansion foam system, which meets the highest NFPA standards.”

– **Jet Aviation, a General Dynamics Company**

“**Goodrich** opened a new aircraft maintenance campus in **Dubai**. Facility will serve commercial and military aerospace customers in Europe, Middle East and Africa . **Goodrich Corporation** unveiled its new 115,000-square foot aircraft component and systems maintenance and repair campus on Wednesday November 14, 2007 during the Dubai air show 2007.

The campus represents a \$25 million investment by **Goodrich** providing localized support for its customers and will enable the company to bring its multiple MRO capabilities and products under one roof. The campus currently employs 50 people and this is expected to increase to around 100 withi8n the next year.”

– **Goodrich Corporation**, a Fortune 500 company.

The Truth, the Whole Truth and Nothing But the Truth

Truth is Worse Than Fiction

“The second vice is lying, the first is running in debt...Lying rides upon debt's back.” - Benjamin Franklin, *The Way to Wealth*

“None of us can stand the truth, and for good reason. Avoiding reality is a natural instinct and one of life's greatest pleasures....We hire politicians who tell us what we want to hear. They also dig us a deeper hole from which to emerge.”

- **“*The Coming Generational Storm*”, Laurence J. Kotlikoff and Scott Burns, Chapter Two**

The World Around Us Again

“The underground market now accounts for 50 percent of GDP in Russia and Ukraine and a whopping 62 percent in Georgia. The International Labor Organization reports that since 1990, 85 percent of all new jobs in Latin America and the Caribbean have been created in the extralegal sector. In Zambia, only 10 percent of the workforce is legally employed.”

- **“*The Mystery of Capital*”, Hernando de Soto, Chapter Four**

If we continue to try to fund our state government services only with revenue derived from those few who actually report income and pay taxes, continue the exercise of picking winners and losers through crony capitalism, and social engineering through income redistribution, we are truly chasing fool's gold. The rest of the world will pass us by and rightfully so.

“The proper approach is simple to state but hard to execute: Always seek “first-best” solutions. The correct response to any restriction on capital or labor is its prompt removal. A “second-'best” effort to introduce some offsetting program only makes matters worse. The two errors do not cancel out. They cumulate.”

- **“*Curing The Unemployment Blues*” by Richard Epstein, November 29, 2011**

Summary Statement

I support HB2736 because I believe that it offers us the best opportunity to put sound 21st century principles of taxation into effect in Kansas.

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