

Special Reports

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Negotiable Tax Reduction Certificates to Replace Government Use of Taxpayers' Money

by Wyman Hilscine

Wyman Hilscine, Star Reporter for the Daily Planet, is the author of an unending series of books and articles on the theme of April 1. He is also a lover of the truth, and the truth is that Wyman Hilscine is the secret identity of Michael J. McIntyre, Professor of Law at Wayne State University. Dr. Hilscine wishes all his readers a happy April Fools' Day.

Unveiling the brashest idea in public spending policy since the City of Amsterdam monetized the tulip in 1609, the Reagan Administration proposes to curb the runaway growth in federal spending by eliminating the federal budget entirely. Under the Administration plan, cash outlays to government employees, suppliers, creditors, and grant recipients will be replaced with payments in the form of Negotiable Tax Reduction Certificates.

Issued in face amounts of \$1, \$5, \$10, \$20, \$100, and \$10,000, the new "NTRCs" will be accepted by the Internal Revenue Service as legal tender in full satisfaction of tax liabilities. Using NTRCs in place of money, say the Reagan Administration planners, will fulfill the President's pledge to "cut the fat" out of federal expenditures and get the Government off the back of the American people.

Nicholas Biddle, the powerful Under Secretary for Tax Policy at the Department of Energy, announced the Administration's plan for issuing NTRCs at a press conference held at historic Ford Theatre on April 1, 1981. According to Biddle, the idea for NTRCs was launched by Office of Management and Budget (OMB) braintrusts who were searching for a mechanism that would permit the Administration to substitute tax incentives for most government welfare programs.

"At first we were stymied in our effort to replace the budget with tax expenditures," said Biddle, "by the fact that tax incentives are not particularly useful to

the truly needy in our society, who typically have no tax liabilities. And whatever you think of simply cutting off all federal aid to the poor, politically we don't have the horses to do it."

According to Biddle, at one point refundable tax credits were thought to be the answer, but that approach was vetoed by Budget Director David Stockboy. "Dave properly pointed out," Biddle told reporters, "that the concept of refundable credits implies that the government owns everything — and that's not our position."

"The idea of permitting taxpayers with excess tax incentives to sell them came from the Energy Department," Biddle proudly related. "One of our bright bureaucrats in charge of gas rationing coupons had sent me a memo explaining how the coupons could be sold to the highest bidder. That's the insight which sparked the NTRC program."

The Maroon Greenback

Under the Administration's plan, the Bureau of Printing and Engraving would print up billions of dollars worth of NTRCs. White House sources have indicated that the certificates would have the size and texture of a dollar bill, but instead of the familiar greenback, they would be maroon in color in order to avoid possible confusion in the marketplace.

Federal employee representatives reportedly told the Administration in no uncertain terms that they would not go along with the NTRC proposal unless the certificates were as spendable as money. This sent Treasury Secretary Donald Ronald to the Federal Reserve to get the Board to issue a regulation requiring member banks to accept the certificates for deposit in checking and savings accounts. Monetary experts believe that such a regulation could have the effect of making the NTRCs fully convertible into cash.

Congressional Reaction

Initial congressional response to the Administration's proposal, though guarded, has been generally favorable. Some liberal Democrats and conservative Republicans in the Senate are cautiously optimistic that the NTRCs can help them preserve many of their favorite spending programs now under attack from OMB. An aide to Senate Theodore Moore (D-Mass.) candidly admitted that "the scheme is hair-brained (sic) and shows the traditional right wing disrespect for the integrity of the income tax, but if that's the only money window open, we intend to get in line."

Among Senate Republicans, a potentially dangerous storm may be brewing, as newly powerful Senators vie for jurisdiction over the distribution of NTRC benefits. Finance Chairman Robert Welfare (R-Kan.) called the plan "simply a fancy kind of tax expenditure" and claimed exclusive jurisdiction for his com-

mittee. Majority Leader Howard Dambuilder (R-Tenn.), with the support of several committee chairmen jealous of their turf, has urged the Finance Committee to relinquish, or at least share, jurisdiction.

“I can see letting Finance play their little games with normal tax expenditures,” said Dambuilder on ABC’s Issues and Answers, “but when the tax expenditures depart from the normal perversions of the tax system, I think that those with knowledge about functionally equivalent spending programs ought to share in the decision-making process.” [*676]

The real political test for the Administration’s program will come in the Democratic controlled House. Speaker Tip O’Neil has promised that the Democrats “are not going to be obstructionist,” but cautioned that the Democrats might insist on some changes “to keep the program from stoking the fires of inflation.” (A small econometric forecasting firm located by the OMB in Calais, Maine predicts no impact on inflation from the influx of NTRCs into the money supply, but the consensus forecast of econometric models is much less sanguine.)

The key figure for Reagan strategists is chairman of the House Ways and Means Christmas Tree Subcommittee, Congressman C. C. Bitters (D-Tex.) Most White House insiders believe that Bitters would never say no to a tax gimmick as grandiose and nonsensical as the NTRC proposal. To obtain Bitters’ enthusiastic support, however, the Administration apparently is willing to let Bitters decide whose picture would appear on the \$10,000 certificates.

“We just hope he picks someone politically safe, like Cal Coolidge or John Wayne,” said one Reagan official, “and not one of his fat-cat contributors from the oil industry.”

Joy at the Red Lady

Reaction outside Congress to the proposal has been mixed. Thomas F. Pasture of *Taxation with Representation*, an anti-English Historical Society, claims that the effect of the proposal would be to put the country’s currency on what he calls “a tax expenditure standard.” “Virginia used tobacco as currency from 1642 until after the successful revolt against Mother England, and I suspected that Senator Helms and his allies might urge the revival of the sotweed standard,” said Pasture. “But I never dreamed we would seriously consider replacing the sawbuck with tax reduction certificates.”

Robert S. Winesap, who acts as both Chief and Indians for a grassroots tax reform movement, gave tentative support to the NTRC program. “We have so many unjustifiable tax expenditures now,” said Winesap, “that ‘worse’ may, in fact, be ‘better.’” He explained that Gresham’s law almost guarantees that NTRCs will eventually drive the greenback out of circulation. “When that happens,” Winesap chuckled, “the defenders of the integrity of our tax system will *ipso facto* become defenders of the currency, since the value of the tax certificates will depend on the existence of tax liabilities. Once the NTRCs replace the dollar, Congress

cannot permit outrageous depreciation allowances, for example, without causing the currency itself to depreciate.”

The Administration proposal was met with undisguised glee at the Red Lady of Independence Avenue, the complex of brick buildings in Washington’s southwest quadrant that house the Bureau of Printing and Engraving. The Red Lady has been out of operation since January 23, 1981, after it was picketed by members of the Moral Marauders, who believe that stopping the presses is the only true solution to the problem of inflation. One Bureau insider estimates that printing the NTRCS will not only save all their existing jobs but may necessitate some very substantial new hiring. “The Moral Marauders may not like it,” said one exuberant bureaucrat, “but you can’t have those silly certificates without the help of the Red Lady.”

Visage Problems

Administration insiders hope to check the wrath of the MM squads by putting a picture of their leader, the Very Reverend Mallard Fillwell on the \$10 certificate. Justice Department lawyers are also researching the constitutionality of putting some kind of graven image — perhaps with a Christian motif — on the \$1 certificate. But Treasury Secretary Ronald warned that existing dollar bill changers are now programmed for George Washington’s likeness, and any change would send the vending industry into disarray.

One wag at OMB wanted to adorn the \$1 certificate with the face of David Nebuchadnezzar Smith, a functionary in the Harvard University bureaucracy whose book on Third World mineral agreements became the standard reference work for OPEC price-gougers during the 1970’s. President Reagan, however, has discouraged all wisecracks about the new currency. “I’d like to put an upside down picture of John Keynes on the \$1 certificate,” the President told his aides, “but if we start laughing at our own proposal, we are going to be in big trouble, especially with those sourpuss friends of George Bush.”

Nicholas Tomatosoup, an expert on Congressional politics, thinks that presidential success at keeping a straight face is absolutely necessary for passage of the program on Capitol Hill. “The only time Congress stops voting for tax expenditures is when they start laughing at them,” said Tomatosoup. “A couple of years ago they almost passed a \$100 tax credit for garden tools as part of the war on high food costs — but the idea died in a hurry once it hit somebody’s funny bone. If the tax reform people could elect themselves a good stand-up comic, they could easily cut \$80 billion from the tax expenditure budget in one mark-up session.”

Licorice Jelly Beans

Treasury officials were unhappy about the apparent decision of the White House to continue the Carter Administration policy of placing primary responsibility for tax measures in the Department of Energy. White House sources deny that the use of the Energy Department in this one instance was prologue to the future. "With all his conflicts of interest," said one member of the White House Staff, "we didn't want to put Donald Ronald out front on this particular issue at this particular time, especially when there was early talk of using Merrill Lynch to market the NTRCS." [*677]

The White House apparently did consult Norma Turncoat-Ink, a supply-side publicist now in charge of tax policy at Treasury. One aide claims that Ms. Turncoat-Ink was called to a White House meeting only an hour before Under Secretary Biddle announced the program and was asked to select the color for the certificates by drawing from an urn filled with different flavored jelly beans.

"On her first two draws she got licorice," said the aide. "If the President hadn't eaten them immediately, the Bureau of Printing and Engraving would have become the biggest producer of black money in all of world history."

Probably the most vociferous opposition to the Administration's scheme was voiced by Mr. Walter T. McDuck, the distinguished financial editor for the Daily Planet. McDuck charged that the Reagan Administration was behaving just like all other organized groups that seek and obtain political power.

"They talk about getting the government off our backs," said McDuck, "but this silly tax gimmick is just their way of poking their collective beak into someone else's business."

The Wall Street Journal announced on its editorial pages that it would give no news coverage to the Reagan proposal. "We waxed apoplectic last year when we heard that Congress had replaced the income tax with a \$10,000 lump-sum levy on all Americans," said Margaret Streetwall, spokesman for the editorial board, in a rare signed editorial. "Never again," she wrote, "will we let our distinguished newspaper be the butt of some dimwit's idea of an April Fools' prank."