**We negate.**

**Contention one is breaking down the big.**

Acquisition is the process through which big companies buy small companies. Benjamin Ayers07 of the University of Georgia explains that the capital gains tax inflates the cost of purchasing a company, therefore decreasing the demand for acquisition. Conversely, by reducing the cost of purchasing a company, eliminating the capital gains tax enables larger companies to buy out other companies. Indeed, in a statistical analysis, Laura Feld16 of Frieburg University finds that a one percent decrease in the capital gains tax leads to a one percent increase in acquisitions.

Abolition takes this to the next level, as William Gentry16 of the University of Pennsylvania concludes that eliminating the capital gains would *triple* the amount of corporate acquisitions.

The impacts are **two-fold.**

**First is less productivity.**

The New York Times15 reports that consolidated large business make it more difficult for small companies to compete. Kate Amadeo17 of the Balance finds that this lack of competition allows monopolies to fix prices, supply inferior products, and lose the incentive to innovate, all contributing to a failed economy.

**Second is less jobs.**

Stacy Mitchell16 of the Kauffman Foundation finds that the shift from small and medium firms to larger firms has decreased job growth by sixty-six percent, automating away workers while expanding the gap between the rich and the poor.

**Contention two is supporting the small.**

Richard Taylor10 of Pennsylvania State University explains the importance of small businesses, finding that they drive economic growth. Despite their benefits, however, the volatile nature of small firms makes them riskier investments. The National Bureau of Economic Research12 explains that because big firms seem safer, investors naturally prefer big businesses over smaller ones.

Fortunately, the capital gains tax pushes investors towards newer, smaller firms in **two ways.**

**First is by softening failure.**

Albert Ellentuck09 of the American Institute of Certified Public Accountants explains that capital gains provisions allow investors to record small firm investments that lose money as “ordinary losses.” This is important because taxpayers use ordinary losses to decrease their taxable income, allowing them to save money. For example, if someone with a salary of fifty thousand dollars loses ten thousand dollars from a big business investment, they still pay a fifty-thousand-dollar income tax. If they lose ten thousand dollars from a small business investment, however, he/she only pays a forty-thousand-dollar income tax.

**Second is by rewarding success.**

The Congressional Budget Office12 explains that, currently, there is a reduced capital gains tax for successful investments into small businesses, making them more attractive than older, larger businesses. Specifically, the government requires investors to either pay half the capital gains tax rate, or none at all.

**Due to these two effects**, Luzi Hail14 of the University of Pennsylvania finds that the government encourages small business investment by swallowing its associated risks. As a result, the Washington Post17 finds that ninety-eight percent of small businesses currently have their capital needs met. Unfortunately, abolishing the capital gains tax would reverse this trend by ridding the investment advantages of small businesses. Specifically, Leonard McFee98 of the University of Wisconsin quantifies that abolishing the capital gains tax would immediately centralize investment into old firms, decreasing total new firm investment by five percent. This is problematic because less small business funding means less small business creation. Andrew Torrie10 of the University of Frankfurt quantifies that eliminating the capital gains tax would reduce small business creation by twenty percent.

**The impact is less jobs.**

Michael Mazerov10 of the Center for Budget and Policy Priorities explains that, while older firms generally lose jobs, new firms create an average of two point four million jobs annually. Accordingly, abolishing the capital gains tax means killing four hundred eighty thousand jobs every single year. This is catastrophic, as Oscar Abello16 of Villanova University finds that the jobs created by small businesses primarily benefit those in low-income areas and inner-cities.

 **We negate.**