

I. Introduction

- A. Mountain House negates, “Resolved: The United States Should Abolish the Capital Gains Tax.”

II. Arguments

A. *Contention I: Bursting the Bubble*

1. The Capital Gains Tax encourages long-term investment. [The Financial Web \(2018\)](#) explains that the capital gains tax encourages investors to hold on to their stocks for longer periods of time in order to realize more profits. This is because the tax is structured so that short-term investments are taxed more heavily than long-term investments, effectively incentivizing long term investments.
2. **Abolishing the Capital Gains Tax would be a step backwards, and increase market instability in two ways:**
 - a) **First, by increasing housing speculation.** Gao (2017) of Princeton University finds that states without capital gains taxes experience more housing speculation. Baljaj (2008) of the New York Times quantifies that the capital gains tax caused housing prices to soar by a whopping 14%, leaving many families homeless.
 - b) **Second, by stimulating stock speculation.** Dillian (2017) writes that **capital gains tax exemptions encourage speculation, or short term stock investments, that are meant to make money off of market fluctuations.** Henderson of the National Tax Foundation reports that after a 10% capital gains tax cut, market volume or trading in the stock market increased by 50% due to this short-term trading. In fact, Dai (2008) of UT Dallas writes that an 8% cut in Capital Gains Tax caused an immediate 3.2% increase in volatility in the manufacturing and a 5.5% increase in volatility in the high tech industry, with Dai finally concluding that the capital gains tax cut **significantly doubled volatility** 5 years after the cut.

IMPACTS:

The impact is economic stagnation. Demir (2007) writes that a 10% increase in volatility can lead to a 15% drop in investment. Harvard Economist Larry Summers writes that decreased investment is a key contributor to secular stagnation--- slowing economic growth, as well as solidifying high unemployment rates and wage paralysis for workers.

III. CLOSING STATEMENT

A. Thus, we negate.