**We affirm.**

**Contention one is revitalizing the past.**

Capital formation is the process through which businesses attain resources, such as equipment, machines, and factories, in order to expand. Connie Mack of the Joint Economic Committee99 explains the importance of capital formation because it heightens productivity. Abolishing the capital gains tax would catalyze a new wave of capital formation by reducing the cost of capital.

J.D. Foster10 of the Roe Institute for Economic Policy Studies explains that the capital gains tax increases the cost that businesses pay for necessary resources. When a business cannot afford these expenses, it stagnates, stopping expansion. Economics Nobel Prize winner Robert Lucas13 quantifies that abolishing the capital gains tax would increase the amount of capital in the US by thirty-five percent.

**The impact is more economic growth.**

Morris Davis17 of Rutgers quantifies that a one percent increase in capital formation increases total GDP by point three-eight percent. Thus, affirming means a thirteen percent increase in GDP.

**Contention two is fixing the present.**

Cesar Conda of the National Review explains that the capital gains tax represents double taxation. With the tax in place, income is taxed at the corporate level and again at the individual level when owners sell their corporate stock. He furthers that this encourages companies to finance their operations through debt instead of selling shares since debt financing is taxed only once. Accordingly, Patti Domm of CNBC reports that corporate debt is at an all-time high. Fortunately, Daniel Mitchell of the Foundation for Economic Education concludes that ending double-taxation by abolishing the capital gains tax would put debt and equity on a level playing field, restoring the preference for equity. A failure to do so is catastrophic, as Mitchell explains that carrying debt makes businesses less stable, because when businesses face inevitable shocks in revenue, they must continue to pay off their debt regardless of performance. This consumes their remaining capital, making it impossible to rebound. In other words, short-term losses can rapidly escalate into full on recession as accounts are emptied and companies go bankrupt. Thus, Jon Faust of Kansas Economic Review concludes that high corporate debt significantly increases the likelihood and severity of recessions. The World Economic Forum confirms that economic crises fueled by debt are more damaging than other types of economic crashes, making recessions more severe and recoveries slower.

**Contention three is driving the future.**

According to Jonathan Berr15 of CBS News, the story goes like this: following the economic turmoil of the Great Recession, potential small firm owners have become wary of starting and expanding their businesses. Watching the government bailout several big firms in the face of failing small firms greatly reduced business confidence. As a result, Heather Long16 of CNN finds that American small business creation is at a 40-year low. Berr furthers that this occurrence has resulted in a phenomenon where the financing for new entrepreneurial ventures is readily available, but the supply of willing entrepreneurs is not. Fortunately, abolishing the capital gains tax would revitalize American entrepreneurship. William Gentry16 of Williams College explains that the capital gains tax discourages small firm creation because the “government taxes the upside returns to investment but does not share…in projects that fail.” When an entrepreneur succeeds, the government reduces his/her earnings. When he/she fails, the government watches them crash and burn. Abolishing the capital gains tax would end this parasitic relationship. This is why Gentry finds that states with lower capital gains taxes have higher entrepreneurial activity. Indeed, Matthew Lo14 of the Fraser Institute quantifies that decreasing the capital gains tax rate by one percent increases new businesses by point one-five percent. Thus, abolishing the capital gains tax would increase entrepreneurship by fifteen percent.

**The impact is more jobs.**

Allen Sinai10 of the American Council for Capital Formation quantifies that abolishing the capital gains tax would create one point three million jobs annually.

**Thus, we affirm.**