

Whom the United States Stands For

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Abstract

The United States political system is as intricate as it is inadequate for the contemporary framework of the American society. The exact system of which the government runs on is of high debate and skepticism. There are four theories on what type of government the United States truly operates under: traditional democratic theory, elite class theory, pluralism, and hyper pluralism. Originally, the United States was governed under the traditional democratic system. However, when corporations gained immense momentum during the twentieth century, that system was eventually replaced with an elite class system where the power of government is rooted in wealth. In effect, the elite class has taken over both government and media. After decades of exercising this form of government though, the country has reached the point that if it continues with such policies, the country will only become more unstable. Through research using various articles, this paper explores the argument concerning the system of which America is governed through close examination of the freedom of the press, tax policy, and the effectiveness of austerity.

Introduction

The United States of America has been a long-standing symbol of freedom. The country was established on the very basis of liberty and representation, and for centuries, it has been the land of opportunity. In America, immigrants found the chance to grow as an individual, free of many economic and social restraints. Perfection has never existed but the country has always found a way to correct itself, whether it was introducing civil rights as a means to combat bigotry or granting women the right to vote as to repel sexism. Ultimately, if an issue was worth fighting for, justice was achieved.

America is considered a grand country with a great history, but the journey to achieve this rank was rough. Only after World War II did the United States of America reach its height. During the first two to three postwar decades, the economy was booming and the public had a general sense of unity. As time passed though, the country fell into a series of downturns including the Vietnam War, the Cold War, and the 1973 Oil Crisis. Nevertheless, in the 1980s the government felt that it was in the best interest of the country to drastically cut income tax rates and introduce new policies that favored corporations. The result of those preceding measures on the present was not a stronger America, but a distraught government with a long over-due war on terror, the least progressive tax policy in the developed world, and passive citizens.

The United States has been unable to maintain the level of prosperity it experienced in earlier times, and the greatest question has been why. The answer relies in government. The government affects the daily lives of all citizens whether it is the tax on an item or the quality of social services. The exact system of government the United States follows though is debatable. There are four predominant theories on what type of government the

United States truly adheres to: traditional democratic theory, elite class theory, pluralism, and hyper pluralism.

Traditional democratic theory is the most widely accepted, understood, and taught, but not necessarily the most accurate. Generally, traditional democratic theory depends on a country whose power to govern rests in its citizens, which holds the ability to affect policy and policy makers. True democracies preserve minority rule and practice majority rule since there is effective equality in voting, participation, enlightened understanding, citizen control of the agenda, and inclusion. In contrast, elite class theory suggests that all societies, including the United States, are divided into socioeconomic classes. Likewise, wealth is the source of power as the upper class, or elite class, has the rule while lower classes have little say in government (Introducing Government in America, 2013).

Alternatively, Pluralism is established upon the idea that several centers of influence vie for power and control on public policy, thus allowing compromise and bargaining to be a main feature. On the contrary, hyper pluralism argues that the existence of too many influential groups impedes the government's ability to act. Fragmentation results in confusing and contradictory policy that threatens the overall effectiveness of government.

It is likely that multiple forms of government exist within the United States. However, although traditional democratic theory holds strong and confirms the expectations of government, it does not realistically pervade. Citizens do not actively participate in government and the general population does not fully understand government enough to effectively influence policy. Nevertheless, if any form of pluralism existed it has become hyper pluralism. It has come to the point where the two

dominate groups, Democratic and Republican, cannot even form compromises on basic issues. Elite class theory though still retains value as economic downturns have brought many to feel that despite the struggles faced by the middle and lower class Americans, the government responds predominantly to the wealthy.

The extent to which the American government embodies these theories can be examined through three present issues: the freedom of the press through Wikileaks, the current tax policy, and whether or not austerity will economically strengthen the country. The United States government has become detached from its citizens and despite what is normally perceived, it is only working for a small faction of the population, the elite class.

WikiLeaks and the Freedom of the Press

As a framer of the United States Constitution, Franklin once said, “We must hang together, or assuredly we shall all hang separately.” Insipidly, this was not a statement it was a warning. Since the drafting of the United States Constitution, there have been advancements in technology and society, which would have been difficult to ever predict back in the 18th century. Nevertheless, advancements have occurred and as a result, the Constitution has become increasingly more difficult to interpret, especially in regards to the First Amendment and the internet as a new source of media (Ingram, 2013).

With the new technological frontier, information has become tremendously more accessible. Likewise, the distant and secretive nature of the United States government has become harder to maintain. One challenge to this nature is the disclosure of classified department documents, or “leaks,” and the one organization that poses the largest threat on this basis is WikiLeaks, a not-for-profit media organization. Officially launched in

2007, WikiLeaks' stated purpose is to provide a secure and anonymous system of leaking information to journalists and publishing original source material and news stories as a means to present transparency to the public. Since its founding WikiLeaks has published thousands of government documents disclosed by whistle-blowers from around the world (WikiLeaks, 2012).

WikiLeaks is a type of organization that has never been encountered. Although set up for the public's right to know, it is a danger to the establishment. The site itself has become a target of the United States government and so has its founder, Assange. WikiLeaks' disclosures are of a classified, harsh, and informative nature, which although are perceived by some as threatening to national security and demeaning to the country and its citizens, it provides a greater service overall: publishing information the public has the right to know, which under the parameters of the First Amendment is a freedom of the press, regardless.

According to *American Government: Institutions and Policies, 10th AP Edition*, the relationship between the United States government and the media is fashioned around laws and understandings. Although radio and television stations require licenses to operate, newspapers and magazines are free of government regulation and censorship. Supposedly, there are only two possible limits to the freedom of privately owned newspapers and broadcasting stations: profit and media bias. However, in terms of the Constitution, freedom of speech and the press is protected under the First Amendment. There is also the Freedom of Information Act, which allows the press a greater liberty to disclose leaked government documents. Then again, these freedoms are not as explicit when it comes to the internet. The internet is something that cannot be regulated,

controlled, or banned and its role in politics is growing exponentially. American Journalism has significantly transformed through the internet, but because it is so fundamentally different from traditional press, where it stands under the Constitution is unclear (Wilson & Dilulio, 2006).

The First Amendment of the United States Constitution guards freedom of expression. This consists of the freedom of religion, speech, peaceful assembly and petition, and the press without government intrusion. Although the First Amendment explicitly declares these freedoms, it does not guarantee that all forms are truly protected. Under *Schenck v. United States*, 249 US 47 (1919) the Supreme court ruled that Congress has the entitlement to withhold the First Amendment right when words are used in a certain circumstance and nature that presents danger. This was a ruling made in opposition to the publishing of leaflets against the draft in World War I. On the other hand, WikiLeaks is not presenting any arguments against any government or company; it is simply a site in which third parties have the ability to upload documents, which may hold an importance to public opinion. In a related and recent situation, under *Bartnicki v. Vopper*, 532 U.S. 514 (2001) it was ruled that holding the publishers of illegally obtained information responsible of crime goes against the First Amendment (Bravin, 2010). However, since many of these documents include profound and intense information on happenings within companies and governments, many of which involve human rights violation or can be constituted as war crimes, it is possible that the Supreme Court will view this as information that invokes imminent lawless action. This is a ruling which can be made in precedent of the overturning of *Schenck v. United States*, 249 US 47 (1919) in *Brandenburg v. Ohio*, 395 US 444 (1969) (*Schenck v. United States*, 2013).

A legislation that holds relative importance to WikiLeaks is the Espionage Act of 1917. If the United States were to put WikiLeaks and its founder, Assange, on trial it would be likely that one charge would be a violation of the Espionage Act. Whether Assange or WikiLeaks is actually appropriate for such a charge though is the main issue. The Espionage Act prohibits efforts made to aid the enemy or hinder military operations though willful communication, delivery, or transmission of national defense information to a person who does not hold the right to receive it, knowing it could jeopardize the United States or give an advantage to the foreign enemy (Dedman, 2013). The Judicial Department would have to determine if WikiLeaks posting such as “Collateral Murder” were made with the intent to harm the United States. However, WikiLeaks is not publishing documents that have instructions to build a bomb, it is disclosing documents that hold an importance to people evaluating their government and deciding what type of regime and future policies they want in place. If anything, WikiLeaks demonstrates the transparency the founders of the United States wanted the First Amendment to protect and maintain (Nakashima & Markon, 2010). It is possible that Assange and WikiLeaks be persecuted differently than a media outlet but only if WikiLeaks is not considered a news organization. Primarily because no news organization has ever been charged under the Espionage Act, as it would go against the First amendment and Freedom of Information Act (Crovitz, 2011).

The major question in regards to WikiLeaks though, is whether it is a news organization. In 1971 the United States Supreme Court ruled under *New York Times Co. v. United States*, 403 U.S. 713 (1971) that the publication of the classified Pentagon Papers in *The New York Times* and *Washington Post* were protected under the First

Amendment. As press, newspapers were thus allowed to print classified government documents without any government intervention (Ehrlich & Goldsmith, 2009). However,

WikiLeaks is not a newspaper or magazine, it is a global website, and that is where the question of whether it is media arises. WikiLeaks is not “reporting” news in traditional terms of media activity but there is no distinction between mainstream media and publications made by civilians through blogs, pamphlets, or web feeds, making it equal to other established media with republished cables. WikiLeaks may not be reporting news but it is gathering information and disclosing it, something newspapers do no differently (Dedman, 2013).

Whether or not WikiLeaks is media, the United States government has a strong opinion against its activities. Former Secretary of State, Clinton, claimed that WikiLeaks’ release of classified State Department documents is an assault against America and the international community, threatening national security and demeaning the country’s efforts (Garamone & Daniel, 2010). In another case, the Pentagon spokesperson, Whitman, claimed that after the release of 90,000 documents, WikiLeaks should make no further posting and the postings that have been made should be removed and returned. Whitman also claimed that the documents disclosed are property of the United States and

the releasing of these classified documents is against the law (Garamone, 2010). The United States government does not consider WikiLeaks a media organization; instead, it classifies it as self-styling whistle-blowing organization (Queally, 2013). Whatever government officials may claim, what remains is the ambiguity of the situation. There needs to be clarification on what tangible and non-tangible information is protected under the First Amendment and whether stolen information is equivalent to stolen property.

More importantly, it must be cleared on whether or not internet releases can be considered journalism (Dedman, 2013).

The United States government has a clear position, but the voices outside the government have different opinions on the constitutionality of WikiLeaks. To some, WikiLeaks' disclosures remove the importance of whistle-blowing, diminish the trust of diplomatic systems, and weaken the website's own legitimacy (Ashong, 2010). To others, WikiLeaks' disclosures aid opponents of progressive policies and allow absolutists to promote stereotypes by taking items out of context to validate proposals such as bombing Iran or discarding treaties (Hurlburt, 2010). Although accused of cyber-crime and foreign espionage, WikiLeaks is not viewed by all as a "hactivist" cooperative; that despite what the government may feel, WikiLeaks is a media organization that has the rights to publish information. Several agree that the very principal of making information classified and unavailable to the public is unconstitutional (Queally, 2013). There are also theories that suggest if WikiLeaks were present in 2001, it possibly might have provided a means for security agents to anonymously broadcast worries about airline security and perhaps a role in preventing 9/11 (Wiener, 2010).

The government and the public have made claims that WikiLeaks poses a threat to national security and to individual lives, but it is difficult to fully determine the extent that this is true and whether it conflicts with First amendment rights. The Pentagon has warned that WikiLeaks publishing of war documents with disclosure of names makes it potentially responsible for deaths related to the subject matter posted. However, there is little historical evidence to prove the Pentagon's statements plausible. For instance, Agee,

a former CIA officer, published in 1975 the book *Inside the Company: CIA Diary* in which over 200 agency officers, foreign agents, and front companies names were exposed yet no deaths came of it. Presently, there is also little evidence to suggest that any Afghans labeled as informants of the Taliban have been hurt. Thus the United States government can make claims that WikiLeaks disclosures may hinder intelligence efforts and put lives at risk, but realistically it is an overstated warning (Burns, 2010).

The only legislation that protects organizations like WikiLeaks are shield laws. Shield laws defend reporters' privilege and the public's right to know. Forty-nine states have shield laws in the United States but there is yet to be a federal shield law (Tatum, 2013). If almost all states support shield laws then why does the federal government not have one? The reason is transparency. Thousands of Defense Department documents and combat videos have been posted by WikiLeaks, which primarily deal with the questionable management of the wars in Afghanistan and Iraq in concern to the vast civilian casualties that have occurred. The support the United States government rallied for the wars in Iraq and Afghanistan were obtained through falsehood and exaggeration. The administration of George W. Bush was the initiator of this deceit but the administration of Barack Obama defends the system and those accountable for the thousands of lives lost. The government instead blames WikiLeaks' disclosures for putting lives at risk without acknowledging the hundreds of lives put on risk and lost daily as the wars continue. WikiLeaks provides the material for the American public interested in being acquainted with the real cost of the wars, something obviously dangerous for a country claiming to be an open democracy. What this entire affair shows is the spurious nature of the United States government, which will protect its own

misconducts over the public's right to know. The argument of WikiLeaks constitutionality does not solely rely on what is considered journalism but rather on what an "open" government means, whether people have the full right to know and the full right to make decisions about influential policies without the possibility of being misguided (Davidson, 2010).

WikiLeaks is a new kind of publisher and journalistic entity that deserves the same amount of protection that other news organization has. WikiLeaks may not print newspapers, be involved in self-regulatory bodies of media, or have a long history of journalistic integrity but the foundation is the same. WikiLeaks' intention is to expose government offensives and provide the type of transparency they are unwilling to make; the same agenda New York Times follows. Yet, for some reason WikiLeaks does not deserve the same defense. Nevertheless, freedom of the press, like freedom of speech, in the First Amendment is general and broad but critical in maintaining a free society, because when information is withheld, so is the society. There is no limit to where speech can come from, whether it is from an online source or pamphlet. As the electric frontier expands, so is online speech. If the Constitution cannot keep up with the pace of technology, then the country can only expect more problems to occur (Ingram, 2010). If the same documents provided by whistle-blowers to WikiLeaks were provided to an established news organization and published, the constitutionality of the event would not be questioned. However, when someone such as Manning provides leaked documents for WikiLeaks it becomes treason. In both cases information was provided and published and in both cases the organization and informer should be protected (Ingram 2013). WikiLeaks has public interest and its disclosures have yet to proven by the government of

having cause any true harm. All the same, it is not “aiding the enemy” when an individual truly concerned with the well-being of the public releases information to a publishing organization, and it is unconstitutional to forbid such organizations from publishing such information (Turner, 2011).

When it comes to the argument of releasing classified and or sensitive information to the public two things have to be evaluated: where the information should have been made public to begin with and where the public good outweighs harms posed by the information released. WikiLeaks takes the position the government does not in disclosing information. Although some of the documents such as war videos can be difficult to watch, it demonstrates the type of brutality taking place that is never revealed by politicians themselves. In essence, the documents disclosed are crucial for the public to make decisions about the type of government and policy they want in place. The reason why such war, beaucratic, and department documents are not officially released by the government itself is likely that the public would not be pleased. However, if the United States is the democracy it claims to be then it should be open about all decisions and happenings, and in turn be directed by the people. Despite government judgment and secrecy, there is one thing that still maintains the public's right to know and that is the First Amendment, which guards the freedom of speech and freedom of the press. While many, including the government, do not consider WikiLeaks a news organization, it instills virtually all the principle of modern news. WikiLeaks is a new kind of publisher, but nonetheless, a publisher. The site itself is not illegally obtaining documents; volunteers are uploading documents into the site that it then publishes. When New York Times and Washington Post published the Pentagon Papers, the judicial court ruled that it

had the right under the First Amendment to do so. WikiLeaks is very much the same only in terms of the internet. If WikiLeaks is viewed in these terms, there is much that makes it a new form of press.

United States Government Tax Policy

Plato, a philosopher of Classical Greece, once said, “When there is an income tax, the just man will pay more and the unjust less on the same amount of income.” Although that statement was made long before the Common Era, it still holds great relevance in modern tax policy, especially that of the United States. In a society, people have the obligation to assume a “fair share” of the burdens of practice, as it allows all individuals to collectively enjoy the benefits of the system. Exactly what burden must be paid in order to have the right to a practice though is unclear. The attempt to resolve what are the right and wrongs of imposing a monetary burden becomes complex, and the true burden becomes deciding what tax system should be imposed and to what extent, in order to provide the utmost fairness (Dagger, 2010).

The effort to determine what system the United States should exercise as a means to provide the requested fair tax has been an experiment dating back to the founding of the country. For decades, the debate has been among using a progressive tax code, regressive tax code, or flat tax code (Mahrle, 2011). Each contender has both negative and positive qualities but only one tax code can provide realistic benefits that would accommodate with the limitations of capitalism and the requirements of a modern society.

The United States presently has a progressive tax code. Yet after a series of reforms throughout the twentieth century that reduced its level of progressiveness by

imposing tax cuts that benefit the top income earners and corporations, it has come to the point where the United States tax code is barely progressive. In effect, past tax reforms that embraced regressive and flat tax policies have crippled the country's ability to invest in areas that permit economic growth, such as education and infrastructure. The answer to producing a "fair" tax does not rely on taxing the lower income households at a greater rate than the higher income households, nor does it rely on adjusting the tax policy to a single rate; it depends on a progressive tax system that will work towards social and economic stability.

According to *American Government: Institutions and Policies, 10th AP Edition*, there is an inconsistency in what the public demands from majoritarian politics and what it can actually provide. There is the want for no tax increase, no government deficit, and persistent government spending. In an ideal world, this would be achievable, but in reality, it would be almost impossible to reach and maintain such an expectation. The United States tax policy is a blend of majoritarian and client policies where the tax burden is kept low, every person pays something, the better-off pay more, progressive tax is questioned, and many loopholes exist. Before 1986, tax bills mainly dealt with deductions but after the Tax Reform Act of 1986, the United States tax policy shifted its focus to low tax rates with smaller deductions. Considering the primary source of federal revenue is individual income tax, the desired continuous government spending and no government deficit could be difficult to attain on this agenda of low tax rates (Wilson & Dilulio, 2006).

The income tax on individuals is cited to have originated in the Sixteenth Amendment, passed by Congress in 1909 but later ratified in 1913. Before that period,

the main source of federal revenue came from tariffs. The passing of the amendment made it legal for Congress to tax income from individuals and corporations. By 1918, the federal income revenue surpassed its billion-dollar mark and continued to rise. As employment increased during World War II so did tax collections. It was not until 1981 that tax collections took a hit when, Congress enacted a tax cut totaling to approximately \$750 billion over a span of six years, the largest tax cut in history at this point. This set the mark for a trend of continuous tax cuts, beginning with Tax Reform Act of 1986 signed by President Regan to bring the individual tax rate down from 50 percent to 28 percent. Then in 1997, President Clinton signed another act with the purpose to cut taxes by \$152 billion, which included capital gains tax. In 2001, President Bush signed the Economic Growth and Tax Relief Reconciliation Act that brought the tax rate down to 10 percent, the lowest in history. The rate of tax cuts was further accelerated through the introduction of the Jobs and Growth Tax Relief and Reconciliation Act of 2003 (History of the Income Tax in the United States, 2013)

Despite this long history of tax cuts and reforms, there is still a question of exactly what form of tax policy is best. Overall, it seems that the United States has a progressive tax system, especially considering that the top 10 percent of taxpayers in 2010 paid 70.6 percent of income tax when only 54.6 percent was paid in 1986. However, under close examination it is difficult to call the system progressive when 70.6 percent of taxes paid by the top 10 percent make up 70.6 percent of all income (Matthews, 2013). In the early 1960s, the individual income tax rate on the highest incomes was 91 percent but has declined by over 50 percent since. In addition, corporate income taxes as part of the gross domestic product (GDP) has fallen from 4 percent, in the 1960s, to less than 2 percent,

even though corporate profits have not declined as a share in GDP (Piketty & Saez, 2007). Although the federal government is considered to have a progressive tax, many states employ a regressive tax. Specifically, in Washington the bottom 20 percent of income earners pay 17.3 percent of their income on local and states taxes while the top 1 percent pays 2.9 percent. According to the Institute on Taxation and Economic Policy, Washington is just the most extreme example out of the 50 states that use a regressive tax (Viewpoint, 2012). Essentially, people pay what they earn in taxes, even when 47 percent of people do not have any federal income tax liability. This is primarily because of the existing regressive taxes such as the payroll tax, state tax, and local taxes, which evidently affect the lower income households the greatest. When the progressive federal income tax and the regressive payroll tax, local tax, and state taxes are summed together, the United States tax system is progressive by just a small margin (O'Brien, 2012).

The United States tax code is progressive, but the least progressive in the industrialized world. Most of the essential social services such as public schools are mainly funded locally, making it so that the tax burden falls greater at the state and local level and less on the national level (Adler, 2010). In the United States, consumption taxes account for a fifth of total revenue, in comparison to the industrialized countries that make up the Organization for Economic Cooperation and Development (OECD) where consumption taxes account for 32 percent of federal revenue. This is because the United States government does not supplement personal income taxes with national sales tax or value added tax like most other industrialized nations. Nevertheless, the United States falls 25 percent below the average OECD tax rate as a percent of GDP, just above Chile and Mexico, due to this dependence on low personal income tax alone (Thompson,

2013). Judging against the levels of taxation in 2010 to the other countries of the OECD, the United States does not only collect less tax revenues on average but it also collects less taxes as a share of its economy (Waldron, 2013).

Based on where the United States stands on taxation in comparison to other countries and how taxpayers feel about the level of taxation in general, there comes the question of what tax code is fair. The majority of revenue from taxes is allotted to four groups that account for 80 percent of the federal budget: the sick, the poor, the retired, and the military. Other services such as education are primarily paid through state and local taxes. In general, not enough taxes are collected at the federal level to account for all the services demanded while keeping the main four with the same budget (Bogaev, 2013). Often, what type of tax code that would best deal with this dilemma while remaining “fair” is a subject of high debate. For instance, there is the Fair Tax bill in Congress, a measure that would eliminate all income taxes, both individual and corporate, and replace it with a national retail sales tax on consumption (Bennet, 2013). If passed, this bill would favor high-income earners, investors, and businesses but penalize low and middle-income earners, increase potential for tax evasion, decrease overall spending, and make state income a larger burden. Despite the name of the bill, this proposed system would not be any fairer than the current tax system in place (Mangan, 2013). Another tax system proposed to be fairer than what is presently used is the flat tax. The flat tax is distinguished as a system of a uniform tax on all income levels. It is mostly defended as a simple and straightforward way of dealing with taxes as it eliminates the death tax, capital gains tax, doubling taxation of savings and dividends, and is supposedly unbiased. However, a flat tax would be disproportionate, as it would leave several

benefits to the rich while penalizing lower income groups. For instance, in 1994 the country Estonia implemented its first flat tax system, taxing people from 25 to 21 percent. However, after initial economic success, the country took a turn experiencing severe economic difficulties finding that the tax revenue was not enough to meet the cost of its social services (Meehan, 2013). Essentially, the flat tax would not make filing taxes simpler it would just strengthen the trend of greater income inequality that has been building up through the decades (Frank, 2011).

There are several arguments to what tax system the United States should follow. Conservatives acknowledge that a flat tax is adequately progressive, with the reasoning that if all are taxed at the same rate, then those that earn more will also pay more taxes. Liberals though, will argue that higher income earners should be taxed at a higher percentage rate than low-income earners, without specifying any exact upper limit to what this taxation would be (Mahrle, 2011). Although simplicity is important, it is too difficult to ignore the fact that a flat tax could worsen the existing income inequality. A flat tax would not be ideal, but taxing consumption on a national level could be beneficial. Rather than disposing the existing tax system, it should be altered. One modification could be replacing the progressive income tax with a sharp progressive tax on annual consumption expenditure (Frank, 2011). Another alteration could be made on the capital gains tax. Presently the capital gains tax does not include double taxation. That means that a tax is only imposed on the amount of investment made, which then can only be taxed when withdrawn. This makes it so that millions of dollars could be hoarded in a stock for years without ever being taxed, unlike a savings account in a bank that is taxed on the same annual brackets as income. Taxing capital gains progressively would

encourage investors to maintain money within a stock in the long term, but gradually withdraw, thus relieving some collapses during a recession (Stidham, 2013). A reform on the international corporate tax is also of great need. Multiple American corporations use deferrals as a motive to transfer operations and jobs offshore since the United States does not tax profits produced overseas. This allows American corporations to disguise their profits as “foreign profits” by utilizing operations that move proceeds to subsidiaries in countries that impose little or no tax on corporate income. By either implementing a multinational corporate tax reform or canceling the international corporate tax rule that lets American corporations defer taxes on offshore profits, a great sum of revenue could return to the country. Not only would it provide a stronger means of federal revenue but it would also leave no incentive to move jobs and profits offshore, thus generating more jobs and taxable income within the United States. According to the Joint Committee on Taxation (JCT), such a reform could increase federal revenue by \$606 billion over a ten-year period. Another draw back of the current tax code is undervalued tax contributions or Individual Retirement Accounts (IRA). Presently, several leverage-buyout partners miscalculate their assets, evade the official \$5000 annual contribution, and are awarded tax breaks in addition to walking away with \$50 million or more in tax-free IRAs. A change that could be implemented to a progressive tax on the contributions or limit the value of an IRA, so that if an IRA is valued more than a certain amount, the extra proceeds are distributed and income would be taxed. Such a measure could total to over \$200 billion in federal revenue over a ten-year period (Singer, 2013). There are claims that a progressive tax has negative economic consequences such as excessive marginal tax rates and discourage work (Garst, 2013). However, a more progressive tax than what

is already in place is the only way to create fair tax rates for the wealthiest taxpayers. The tax code must make certain that each fifth of the income distribution have a higher average effective tax rate than the lower income groups (Congressional Progressive Caucus, 2013).

When addressing the debate of what type of tax system the United States should follow, the answer is a more progressive tax. What is in place is a barely progressive system filled with loopholes and deductions, primarily for corporations and the wealthy. It is time for the government to recognize that there is a difference between the income of a multimillionaire and that of a middle-income family, and that recognition should appear in taxes. The only way this can be attained is through adding tax brackets to the extremely wealthy. The tax cuts imposed throughout the late twentieth century and early twenty-first century have done much to increase income inequality. There is no more room for tax breaks as lower and middle-income households are struggling to cover the costs of public services. If a tax reform is to be in place, its purpose should not be to magnify this trend. Whether it is capital gains tax or IRA, there needs to be new restrictions and reinforcements. Over the years, the current tax code has also allowed a bias to grow in corporations in favor of overseas investments. Corporations are disguising their profits as “foreign” and driving a hefty sum of revenue in jobs and taxable income out of the country. In essence, a comprehensive corporate tax reform that will prohibit such deferrals is in dire need, as this practice has inhibited the country from continuing with the pace of world business. The goal of the United States should be to move in the direction of a progressive tax that will apply fair rates to the wealthiest taxpayers, encourage responsible corporate practices and transactions, and reconsider government

expenses that reside in policies that benefit the well-off in favor of defending families, workers, and those in true need.

Austerity vs. Spending

John Maynard Keynes once stated, “The importance of money flows from it being a link between the present and the future.” Money is an economic tool, which can either hinder or help. For a country, wealth is the ability to provide for its people. However, it attempts to get there, some countries become swamped with debt. Debt generally has a negative connotation as it embodies the inability to fulfill a promise. Thus, for a country in debt austerity, not spending, appears more favorable; it does not make any sense to spend more when there is already so much owed. This reasoning lacks one essential element though: debt creates money. When a country cuts spending, especially on public services, it is ignoring its people for something that has no intrinsic value. Spending though, especially on social programs, has proven in the past to uplift a reseeding economy. As the United States is moving out of a recession and Europe sliding back into one, this is an important thing to keep in mind. Austerity, a basic measure made to temporarily cease spending in order pay off national debt leaves an impact on its quarry far from temporary, as it removes money from people to place in creditors hands, leaving a trail of high unemployment rates and a negative GDP. Nevertheless, to truly build an improved future, money must be invested in citizens because it is people who determine the future.

The American job situation is much like a rollercoaster, dipping in and out of low and high unemployment rates. The United States has experienced eleven recessions since post World War II. From approximately 1947 to 1970 the economy was in a state of

low unemployment, typically 3 percent to 5 percent, occasionally more, and great growth. There was heavy government social and defense spending and energy prices were affordable. There were about five recessions during that period with the largest occurring in 1953, in which the unemployment rate rose from 2.90 percent to 5.50 percent. This recession did not receive much thought, but by the recession of 1957 President Dwight D. Eisenhower took steps towards solving the problem through government spending, specifically the Federal aid Highway Act, which improved infrastructure by building the interstate system. In a similar situation, President John F. Kennedy brought the unemployment rate down beginning in 1961 from 6.70 percent to 5.50 percent by increasing Social Security measures. This trend though took a turn from 1973 to the early 1980's. This period is known as Stagflation, a time where there was a high rate of inflation in addition to stagnation. During this time, the unemployment rate rose from 4.90 percent in 1973 to 9.70 percent by 1982. Although some measures were taken during this period to reverse the issue, such as the implementation of a price and wage control, the government failed to fully address the lofty unemployment rate. By the end of President Jimmy Carter's term, interest rates and inflation were at a new high. This then introduced the Regan and Bush period. During this period, President Ronald Regan brought the unemployment rate down from 9.60 percent to 5.30 percent by the end of his term. Although this was not tremendous growth, there were underlying factors such as the Surface Transportation Assistance Act and Emergency Jobs Appropriation Act, both of which induced government spending despite the supply-side economic system taking place. As soon as President George H. W Bush took office though, a new recession appeared with the unemployment rate crawling from 5.30 percent to 7.50 percent by his

last year in office, which was not mended until the Clinton period, in which the unemployment rate was brought down from 6.90 percent to 4.00 percent by 2000. This was the first time in thirty years that the country was below the 5 percent line, experiencing a prosperous economic phase, mainly characterized by government borrowing, deficit reduction, free trade, and a direct take on the unemployment rate. (Sicilia, 2013)

Currently, the job situation is not as bright as it was in the Clinton period. The unemployment rate took a small climb and fall from 2001 to 2006 and then sky rocketed up to 9.30 percent between 2007 and 2009 (Sicilia, 2013). This marked the period of the Great Recession, ultimately created by unsupervised markets, credit default swaps, outlandish derivatives, and collateralized debt obligations, all which let financial institutions place the full financial system on the line (Weisberg, 2010). Presently, the economic state stands at a 7.80 percent unemployment rate, a 0.7 percent difference from the 8.5 percent it was in 2011 (Bureau of Labor Statistics, 2013). Although the country is coming out of the Great Recession, there has been relatively little improvement.

What America's economic history has proven from the postwar era to the present is that spending does not drive the economy further down into a dark pit but instead help it out. Eisenhower, Kennedy, Clinton, and even Regan spent money in times of a recession and the result was a drop in the unemployment rate and a growth in the economy. When the government invests in its citizens through social security, welfare, infrastructure, wages, education, it simultaneously creates new jobs to supplement the measures, and when people become employed, they spend money, which in turn boosts the economy. Thus, fully moving out of the Great Recession entitles spending on what

will stimulate economic growth, not on what deprecates or does not invest in the betterment of society.

Now that it has been established that spending is key and the greater focus should be on jobs and the growth of the economy, what the country will be spending money on is the next concern. Gross Domestic Product (GDP) increases when consumption spending, investment spending, government spending, net export spending, or a combination of the four increase. Federal social programs are a form of government spending, specifically through programs such Medicare, Medicaid, and Social Security. Thus, promoting expenditure on such programs will in turn feed GDP (Kelton, 2012). Skepticism follows this reasoning, yet the proof is in America's history. During the Great depression, the unemployment rate rose to as high as 25 percent. The answer to solving this issue was tackling the unemployment rate itself. The only business capable of fully employing the nation though was the government. Thus, the New Deal was drawn under the presidency of Franklin D. Roosevelt. It was, what would be considered today, a stimulus package, following the ideology of John Maynard Keynes, who rationalized that government spending on things that will create demand for goods and services will arouse the economy (What got America, 2010). The New deal reformed banking, monetary, and fiscal policies, in addition to liberalizing trade, and providing relief for workers and farmers. In fact, it was under the New Deal that Social Security was created. The result: a 10.9 percent growth in GDP by 1934 and a 13.0 percent growth by 1936, compared to the -1.3 percent growth of GDP in 1933 (Price, 2010).

Keynes argument defends that government spending on things that will create demand for goods and services will arouse the economy. In these terms, it is difficult to

find where defense spending falls. During Regan's presidency, there was a great amount of expenditure on defense, being it was the Cold War era. This fueled the economy as a stimulus and played a part in the decreasing of the unemployment rate (Sicilia, 2013). Although defense spending is not necessarily spending that creates demand for products, especially not demand from general consumers, it still fulfills the other part of Keynes argument: although nothing productive is taking place, spending itself will animate the economy (What got America, 2010). Defense spending also is a form of government spending which leads to an increase in GDP. Although defense spending satisfies these elements, it does not provide a continual benefit, especially if a country is not in war. A highway system for instance, may only need to be built once but it provides a constant benefit to commuters. The same cannot be said about a bomb. Defense spending only provides a persistent betterment in terms of intelligence. Defense spending is necessary for GDP, thus, the true concern is not whether or not it should exist but rather at what budget.

Although social programs have a vastly positive effect, there needs to be a source of revenue to complement them. Tax increase, not tax cut is the resolution. Today, economists consider tax increase as the pits of economic policy. As history again proves though, this is a conception that does more to make a dire situation worse. Taking office in 1953, Republican President Dwight D. Eisenhower asserted that the priority is a balanced budget, despite the tall tax rates; he opposed tax cuts (Bartlett, 2013). Likewise, the 1950's and 1960's, a period of the strongest middle class and economic growth in American history, was actually characterized with some the highest progressive tax rates, especially on the top 90 percent (Eran, 2013). In a more modern spectrum, in 1993

President Clinton and Congress passed deficit-reduction legislation. This enactment raised income tax rates for high-income taxpayers and as a result, economic growth and job creation rose with it. Specifically, there was a 2.4 percent average annual growth in employment rates and a 3.9 percent annual growth in GDP after the tax change under the legislation. On the contrary, in 2001 President George W. Bush passed tax cuts. During this period, there was a 0.7 percent increase in employment rates and a 2.5 percent average annual growth in GDP. Clearly, there is a significant difference between the effects of these two policies (Stone, 2012). For the past thirty years, the notion has been that higher taxes block prosperity and productivity, especially when imposed on the wealthy. Although this may be the impression, for the past thirty years of low-taxes, the top 0.01 percent of income earners received a 497 percent bonus in their salary while the bottom 90 percent of income earners encountered a reduction of purchasing power (Eran, 2010).

If high taxes are truly such an obstacle to economic growth, then tax cuts would show an outstanding improvement in employment and GDP. Rather, the opposite has been confirmed: tax-cuts shrink employment growth and GDP, with the exception being the wealthiest Americans. If government before saw tax increases as a solution, whether it was times of economic hardship or prosperity, what makes it so formidable today. The United States has gotten a taste of both sides, now it is time to use the one that proves to work: tax increases.

Austerity is a policy of deficit cutting, usually undertaken by reducing spending on public services, welfare programs, and increasing tax rates in attempt to repay creditors. The goal is only to cut such benefits and services for a short term, until the

national economy can return to a satisfactory state. Most supporters of austerity contend that expansionary fiscal policies encourage private spending in turn improving the economy (Austerity, 2013). How it works when enacted though provides a different result. In 2009, Europe fell into deep recession. In effect, Europe began implementing austerity policies as a combat device. Four years later, there is significant evidence that austerity is not working. In fact, economists have noticed that the attempt to restrain budget deficits have only deteriorated living standards and continues to push Europe further into recession. For instance, the austerity program of 2011 expected Greece, already suffering from massive unemployment, to provide 11.1 percent of GDP for debt pay off. In 2012, the austerity program curbed the deficit by 1 percent of GDP but simultaneously reduced real income by 0.6 percent in addition to elevating unemployment rates by 0.5 percent. Nevertheless, the International Monetary Fund (IMF) had losses twice as larger then expected, one reason being that Europe's central bank refused to cut interest rates. It is not difficult to see why both income and employment may not recover for years to come. The United States is coming out of a recession but not without a deficit in the trillions. Although this debt is enormous, austerity is not a measure that should be used especially with Europe being the prime example why. Tax increases are beneficial but only when the revenue goes back into the country by providing greater and better programs. Tax increases in addition a slash of social services, increased unemployment, and less GDP going into the country is not such a beneficial combination. In short, austerity is the government's way of putting creditors as a priority over people. If austerity, cutting spending on social services, diminishes the

strength of an already weak economy, then spending may be the solution, as Keynesianism proposes (Plumer, 2012).

When it comes to spending, the more that is spent the less there is to continue, and when there is more to spend than there is money there are two options: austerity or borrowing. Since austerity has proven to be injurious to a feeble economy though, borrowing money becomes the only option available. Borrowing money though, leads to debt. The government has two methods of measuring debts: deficits and the national debt. Deficit is the difference between what the government spends and its revenue. Debt, specifically the national debt, is the amassed total annual budget deficits (“Debt Versus Deficit,” 2004). Currently, the United States is trillions of dollars in debt, and it continues to grow. There is a large concern over the national debt but first it must be acknowledged how this debt comes into existence. Money that is formed comes in being as debt. When the government acquires more dollars from the Federal Reserve, it goes into more debt. When individuals acquire loans from banks, they too are formulating more debt. For individuals, debt is foreboding. For the government, debt is economy. In America, almost all money is created as debt and the underlying reason is the currency system. When a person deposits money into a bank account, that bank has the ability to produce nine new dollars for every one dollar that is placed. Simply put, when a loan is created by a bank, more money is formed and more debt is produced. Nevertheless, money borrowed is paid off not only at face value but also with an additional sum in the form of fees and interest rates. When the United States government requires more money, a trade is made: U.S Treasury Bonds in exchange for Federal Reserve notes. Typically, the government receives this money electronically, like a credit card, and the result: more debt!

Meanwhile, Treasury Bonds are bought by third parties with the expectation of being reimbursed at an interest rate. Virtually it is all an exchange of debt. On a second note, when the national debt hits the ceiling and continues to grow, a stir occurs in which concerns become directed towards lowering debt. A measure typically in favor of this is austerity. However, if the prime goal of the government were to become debt free, the solution would not be spending cuts on the most vital programs offered to citizens but rather reclamation of control over the currency. Multiple reasons exist clarifying why the government has not nationalized its banks, but the main one is that debt creates money. It is difficult to expect that taxes will completely cover all spending requirements, especially when taxes have been at a low for thirty years. The government has no choice but to plummet into greater debt, and if debt creates money, then the issue is a false alarm. When the government exercised the Keynesian model, debt escalated primarily from the spending on new social programs. Debt expanded but so did the economy; the country began to recover. Continuation of this economic model set the stage for the period of America's largest middle class. It also just so happens to be that the country with the greatest debt is also the country with the strongest economy. Therefore, concern should be shifted away from national debt and concentrated on methods of improvement (Micheal, 2010).

Austerity is a measure, which sequentially impedes the expansion and development of a country as it prioritizes creditors over citizens. Consequently, austerity is a dangerous policy that sounds better than it performs. Raising taxes and cutting public services is a concoction virtually asking for a higher unemployment rate and negative GDP growth. That is why it is key to focus on the other half of the spectrum, spending. In

hardships, Keynesianism prevails. Spending more on public and social services is a direct investment in not only people but in the future. As for debt, while it may not be beneficial on the individual level, when it comes to the government, it is a natural part of an economy. Worrying over the national debt is simply a worry that should be spared. Although spending does boost an economy, whether it comes from people or from the government, there needs to be revenue in order to supplement it; increasing taxes becomes essential in this case. Debt, spending, and tax increases are all beneficial, it is only the combination of lowering debt by decreasing spending and increasing taxes all at once that wears out and degrades an economy. What has been missing is the acknowledgement that there is no one simple policy that will fix everything. In fact, many policies provide benefits but only when use appropriately. Seeing change requires addressing problems directly with multiple approaches. Austerity alone on public services will never solve anything but that is not saying that used in other means, in minute doses, is not valuable. It is not about what is done as much as it is about how it is done. Skepticism, study, and open-mindedness are how issues such as debt, spending, austerity, and tax increases should be addressed. Only then, will there be true progress.

Conclusion

The United States is characterized by its freedom. The notion of liberty and representation is still alive and well. However, it has come to the point where the issues that obstruct the country's progress towards a stronger nation cannot be avoided any further. The government will always defend its actions and policies by claiming it is in the best interest of the country. Yet what politicians may consider good for the country may not be necessarily good for the people.

News organizations have an exceptionally important role in informing the public through critical analysis of political occasions. Ultimately, news organizations have the obligation of being watchdogs. However, in the past decades, mainstream media has been tamed down to a lapdog, thus contributing to the lack of political awareness present throughout the general population. In reaction though, alternative media such as WikiLeaks, which primarily functions through the internet, has taken the responsibility of exposing unjust classified documents essential for the public to be aware of in order to make decisions about the government in place. However, as technological advancements are further made, the distinction of what can be considered media becomes increasingly ambiguous. The United States Government does not consider sites like WikiLeaks as media, but maybe only because it could interfere with the high profits earned from the industrial military complex if it becomes too popular. If the United States realistically worked under a traditional democratic system though, this would not be the case.

In terms of tax policy, the government has responded against the pleas of the citizens. As people demand better school systems, repaired infrastructure, and more social security benefits, the government responds by passing greater tax cuts that will negatively affect social services the greatest. The United States tax code is progressive but not progressive enough to provide the country with the quality services experienced in other developed nations. The current tax code is riddled with loopholes and deductions for the wealthiest Americans and corporations. Yet while the elite class gets a “brake,” the lower and middle-income families have to make the difference. Tax cuts throughout the twentieth century have done nothing but increase the level income inequality.

Because the current tax code allows for little redistribution of income, there are severe limitations on the potential of what tax dollars can accomplish. Rather than proposing a more progressive tax though, there is a strong push by the government towards austerity. If needed, deficits should not be cut from social services but rather from departments that are unnecessarily large, such as the Department of Defense. However, such a proposal would not benefit the elite class as much as it would the lower and middle-income households.

The United States government is a mixture of systems that are not working. Policies are set up in a manner to provide the wealthiest Americans and corporations with the greatest opportunity to accumulate wealth. This system has robbed the public from their rights to social services. If the policies in place today continue, there will be a greater economic crisis than there is currently. Unemployment rates will only increase as money is continually removed from citizens and not returned through social programs. It is time for the United States to catch up with the developing world. The apathy towards government and policies must end. However, the only way this can be achieved is through citizens. People have the power to unite and influence the direction of government and policy, but that can only be accomplished when people stop accepting whatever mainstream media and politicians say. People have to choose to think independently and refuse to let the smallest percent of the population control. Citizens must become active, whether it is organizing, electing the right representatives, or just questioning aspects of government and policy. Only then, can the country eliminate and replace the elite class system and readopt the traditional democratic system that gave America the name it deserved.

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