THE BROOKINGS INSTITUTION

TAX POLICY IN 2016: WHAT'S NEW AND WHAT'S NEXT

KEYNOTE ADDRESSES BY
REPRESENTATIVE KEVIN BRADY (R-TX) AND
SENATOR RON WYDEN (D-OR)

Washington, D.C.

Thursday, February 25, 2016

Opening Remarks:

LEONARD BURMAN
Robert C. Pozen Director, Urban-Brookings Tax Policy Center

Panel 1: Views From the Economics Profession:

MODERATOR: RUTH MARCUS
Columnist, The Washington Post

JARED BERNSTEIN
Senior Fellow, Center on Budget and Policy Priorities

HEATHER BOUSHEY
Executive Director and Chief Economist
Washington Center for Equitable Growth

ALEX BRILL
Resident Fellow, American Enterprise Institute

G. WILLIAM HOAGLAND
Senior Vice President, Bipartisan Policy Center

Keynote Address:

REPRESENTATIVE KEVIN BRADY (R-TX)
Chairman, Ways and Means Committee
U.S. House of Representatives

DAVID WESSEL, Moderator
Senior Fellow and Director, Hutchins Center on Fiscal and Monetary Policy
The Brookings Institution

Panel 2: Views From the Media:

MODERATOR: HOWARD GLECKMAN
Resident Fellow, Urban Institute

CATHERINE RAMPELL
Opinion Columnist, The Washington Post

JEANNE SAHADI
Senior Writer, CNNMoney

BERNIE BECKER
Tax Reporter, Politico

Keynote Address:

SENATOR RON WYDEN (D-OR)
Ranking Member, Finance Committee
U.S. Senate

LEONARD BURMAN, Moderator
Robert C. Pozen Director, Urban-Brookings Tax Policy Center

* * * * *

P R O C E E D I N G S

MR. BURMAN: Welcome to what we hope will be the first in a series of annual programs that take stock of the U.S. tax system. I guess I should say I'm Len Burman; I'm the Director of the Tax Policy Center.

This year the election is obviously the big news. We still have half a dozen viable candidates with interesting and varied tax plans. Next year we'll be able to talk about the new president and what the election means for tax policy. We're already working on that analysis now. (Laughter) I would like to thank the Tax Policy Center Leadership Council for its financial support of the TPC which makes events like this possible and for the Council Chair, Bob Pozen, for help in organizing this fantastic conference. He was a big -- actually the big moving force behind it. I also want to thank Bill Gale, my Co-Director at Brookings who did virtually all the work in putting this conference together, and Jessie Dzura who actually along with Blake Greene and Chelsey Crim did all of the -- well, Bill did all the work like inviting people and things like that -- but Jessie and Blake and Chelsey actually did the hard work that actually makes the conferences happen and seem like they're an easy thing to do, which they're not.

This campaign has raised a number of fascinating if controversial tax policy issues. By stepping away from the political bombast we have a great chance to elevate the tax policy debate. I think everybody should have a handout with a comparison of the candidates' plans with some graphs. Do people have that? We've released analyses so far of Rubio, Cruz, Trump, and Bush. Analyses of Clinton and Sanders are coming next week. We did them last in hopes that we'd actually see the whole Clinton plan, but it's still in the process of being released in installments and so we will analyze what we had as of last week, or we have done that.

The interesting thing is that two of the top three candidates would replace the income tax with a consumption based tax system. This precipitates a fascinating internet debate between two giants of the economics field just Monday. On his blog, Harvard Professor and TPC Advisory Board Member Greg Mankiw chided Nobel Laureate Paul Krugman for misrepresenting the incidence of Marco Rubio's X-tax proposal. So this is like nirvana for tax policy geeks. (Laughter) To just unpack that, Marco Rubio proposed an X-tax. It's a progressive variant of a value added tax -- they get made when we say this, but it's actually true -- that many economists favor because it doesn't penalize saving, but which has never been a presidential plank before. As a result we're having a semi public debate about economic incidence, a fundamental notion of public finance that the people who bear the burden of taxes may differ from the entities that write the checks to the IRS. That's why economists think that the amount employer's pay in Social Security and Medicare taxes ultimately comes out of your paycheck. Krugman said that Rubio's X-tax exempts capital income from tax, and this is a quote, "Mitt Romney would end up owing precisely zero in Federal Taxes". Mankiw shot back, "The Rubio plan is a progressive consumption tax. Anyone who consumes bears the burden of the tax even if you don't send a check to the government". The incidence is actually more complicated than that since retail prices are unlikely to change, and my colleagues, Eric Toder and Joe Rosenberg, have an excellent paper on the subject. But Mankiw's basic point is absolutely spot-on. However, the question of course is can a tax where the idle rich don't have to write checks to the IRS be politically viable. I guess we'll find out.

Rubio isn't the only candidate with a consumption based tax. Ted Cruz has what he calls a business flat tax. Rubio says it's a VAT, Cruz says it's not. It's a VAT. (Laughter) Cruz's proposal is a textbook example of a subtraction method value-added tax. Again, in tax policy geek land, it's very similar to a retail sales tax, but it's collected in stages. Cruz avoids the Krugman-Romney optics problem by imposing a 10 percent income tax in addition to his 19 percent VAT. His 19 percent VAT he calls a 16 percent VAT because it's a tax inclusive rate. And for the second part of this tax policy (inaudible) or I will explain what that means. (Laughter)

And I know you'll all want to be my Facebook friends when I tell you that there's been an impassioned debate about the relative merits of Cruz's and Rubio's consumption taxes on my Facebook feed. The X-tax has a couple of real advantages. It's designed to be more progressive because the tax rate on the wage portion doesn't have to match the flat VAT rate. It will be more transparent to workers than a VAT because it would be deducted from their paychecks. The advantage of a VAT is that it's much easier to collect tax from a few million businesses than from 100 million plus individual tax filers. I'm not going to take sides, but I love that politicos and my Facebook friends are passionately debating which is the better implementation of a tax that we've never seen in this country before.

And then there is Donald Trump. That was a laugh line -- I'm sorry. (Laughter) I was not going to say that. Donald Trump's tax plan is something of an outlier. He lowers marginal tax rates like the other GOP frontrunners, but he retains the income tax. His tax rhetoric is unusual for a republican in that he says he's going to go after the hedge funds and multinationals. Hedge funds and private equity funds would be taxed at ordinary rates under carried interest in his plan rather than at lower capital gains rate as under current law. That's a proposal Barrack Obama has made for years. Hillary Clinton and Bernie Sanders have it in their proposals. Multinationals would be taxed currently on their worldwide income. He'd eliminate deferral. That's another actually fairly far left democratic proposal. This sounds pretty hard nosed and in line with Trumps populous rhetoric. But there's a catch, which is that business income would be taxed at a

15 percent rate, 10 percentage points below the top rate on wage income, and far less than under current law. The result, populous rhetoric aside, is that his plan would convey giant tax cuts for very high income people, like Donald Trump.

You can see how all the GOP plans would affect the distribution of tax burdens in figure 1 which is in your handout. The plans would all cut taxes across the board, but with the biggest cuts accruing to those with very high incomes. Cruz's plan is most skewed to the rich because he likes flat taxes, but Trump's plan would also give the top one percent tax cuts of over 15 percent of income. Rubio's plan is actually the least top heavy of the GOP packages because of the progressive rates in his X-tax and also because he offers very large new child tax credits. The first version of Rubio's plan was co-sponsored with Senator Mike Lee of Utah where they have big families. (Laughter)

So is the change in the distribution a bad thing? Something else that's being debated. Supporters say that concentrating tax cuts within the top income ranks is only right because high income people pay the highest taxes now, and cutting their high rates would spur growth. And critics point to the record high income inequality -- another fun debate.

The budgetary implications of the GOP plans are also somewhat disconcerting, especially in light of already rising and unsustainable levels of public debt. And here I want to give a plug to a brand new paper by Alan Auerbach and Bill Gale, which shows that just under current law the national debt is going to rise -- just because of demographics, because of the tax cuts that were just passed and other factors, the debt is going to rise at an alarming rate, much faster than we had expected over the next 10 or 20 years. Before considering the effects of the republican tax cuts plans on the economy they pile up $6.8 trillion to $9.5 trillion in deficits. Trump's is the biggest and Rubio's is the smallest. If you add interest costs the plans would push debt held by the public to over 110 percent by 2026 and over 150 percent by 2036. That's figure 2.

The candidates would object that they plan to cut spending -- Rubio and Cruz support a balanced budget amendment -- but the cuts would have to be enormous and much bigger than anything we have seen in peacetime or than they have stipulated. None of the candidates seems inclined to cut defense, although Donald Trump I think thinks the Mexicans will pay for a national defense. (Laughter) And Donald Trump has promised not to touch Social Security or Medicare. There is just not enough money in non defense discretionary spending to make the numbers work. So that raises the question of what the effect of these plans on the economy would be.

All of the GOP plans would cut marginal tax rates. And there are models, some of which have gotten a fair amount of prominence, in which juts cutting marginal tax rates, cutting -- the third chart in your handout shows the marginal effective tax rate on new investment. And all of these plans would significantly cut it. What that means is that the tax burden on a new investment is lower than it would be under current law. And all else equal that would encourage more investment. Rubio's plan is the best. Basically it's a consumption tax, plus he keeps the research and experimentation credit, which makes for actually a negative effective tax rate on new investment. The other plans cut marginal effective tax rates, but not to zero. And they cut it a lot for corporate investments. So these cuts in tax rates, all else equal, would result in a lot of new investment which would boost growth. And some models basically just say that, that by improving the incentive to make new investment, that there would be a surge in new investment, people would work harder. All of these things would contribute to a larger economy. And those would produce positive feedbacks. When income goes up there's more income to tax, tax revenues go up.

There's a large caveat, and the caveat is that if spending can't be radically trimmed then all of the additional government borrowing would push up interest rates and could even precipitate a debt crisis. If you're thinking about debt levels of 150 percent of GDP, even in the United States, the richest country in history, people might become a little nervous about lending. If those push up interest rates that actually makes the debt problem worse, makes us a worse risk for foreign investors, and there are situations in which that could create a spiral where we would not be able to finance additional borrowing at all.

But even if that doesn't happen Bill Gale has a paper with Peter Orszag; we surveyed a lot of past evidence and he found that there's a connection between the structural deficit, the difference between what the government brings in and what it's paying for current services, and interest rates. And if that connection holds in the future, then interest rates would go up. And we did some calculations that we will release after we've finished all the candidates' analyses, that shows that the interest rate increase would offset the effects of the lower marginal tax rate on new investment, so that in net there would be less of an incentive for businesses to invest. Higher interest rates are bad for business investment, they're bad for purchasing homes, and things like that. So in that scenario the dynamic score could result in a bigger deficit than our so-called static estimates.

The democrats also raise a host of tax and budget policy issues. Bernie Sanders proposes a new financial transaction tax and a carbon tax, things we've never seen before in this country and no one else has wanted to propose. He's sharply increase marginal income tax rates on high income filers to finance very expansive social safety net proposals. By this year's standard Hillary Clinton is being positively modest, at least so far. She too has some interesting new proposals, but none would be surprising additions to an Obama budget, and many are actually carryovers.

While the republicans cut taxes for almost everyone, and Clinton promises to hold couples earning under a quarter of a million dollars harmless, Sanders unabashedly raises taxes on everyone. The big tax increases in both Dem's plans fall on those with high incomes. Hillary's plan looks relatively fiscally responsible, although she says she still has campaign proposals coming, whereas Sanders would raise trillions, but all or more than all of it is earmarked to pay for new spending.

As for the economic effects, the democratic plans would also tend to impose a drag on the economy by raising marginal tax rates. Basically the reverse of what we were talking about in the context of the republican plans. And in the case of Sanders it really is just the flip side. You're going from giant tax cuts to a really giant tax increase. The democrats would object that their taxes are financing new investments that would boost the economy in the long run. That is they also want a dynamic score, but of the magical economic benefits of spending programs designed by omniscient social planners, which always work out well. (Laughter) So the election offers lots of choices and lots of wishful thinking and lots of teachable moments.

With that, I'd like to introduce Washington Post columnist Ruth Marcus, a Pulitzer Prize Finalist, who cares about tax and budget policy and writes about it with a clarity and grace that I envy. Ruth will introduce our first panel.

Thanks. (Applause)

MS. MARCUS: Hi, good morning. Len, I don't think I've ever heard a sentence before with the words "tax" and "grace" in it together, so thank you very much for that. I come to you not quite hot off the campaign trail because I skipped South Carolina, but I really don't want to burst your bubble here, but the campaign trail is not actually consumed with the discussion about the relative merits of the X-tax and the subtraction method. And actually one thing that we can get to that's really striking is the disconnect between the size of the tax proposals on the campaign trail and the absence of actual discussion of them, including by the candidates themselves who are proposing them.

But let me start by introducing everybody who knows much more about that than I do. Bill Hoagland is the Senior Vice President of the Bipartisan Policy Center which is an oasis of bipartisanship in this crazy town we live in. Bill spent 33 years in the Federal government, including 25 years on the Senate staff, Director of Budget and Appropriations in the Office of Majority Leader Frist, and when we first met, Staff Director of the Senate Budget Committee. Taught me everything I then needed to know about what was going on in the budget.

Heather Boushey is a Senior Fellow at the Center for American Progress and Executive Director and Chief Economist at the Washington Center for Equitable Growth.

Jared Bernstein is a Senior Fellow at the Center for Budget and Policy Priorities and from 2009 to 2011 was the Chief Economist and Economic Advisor to Vice President Biden, and Executive Director of the White House Task Force on the Middle Class, which as we know is what tax policy is all about if you listen to the folks on the campaign trail.

And finally, Alex Brill, Research Fellow at the American Enterprise Institute. Before that Policy Director and Chief Economist at the House Ways and Means Committee. Previously on the staff of CEA and, near and dear to my heart, on the staff of the late lamented Simpson-Bowles Commission.

So, I thought we would get started as I was taught to start when I first began writing about budget and taxes longer ago than I think I want to admit right now, is with the baseline. And that baseline here being how this campaign is different from other campaigns, how the tax policies that these candidates are presenting are in line with what we've seen in previous campaigns and discussion is in line, or how they are vastly different. And so since you've seen more than others on this state, Bill, I thought I'd start with you.

MR. HOAGLAND: Oh, dear.

MS. MARCUS: How is this campaign different from other campaigns?

MR. HOAGLAND: This campaign?

MS. MARCUS: Yes.

MR. HOAGLAND: This campaign.

MS. MARCUS: When it comes to tax.

MR. HOAGLAND: Well, of course the decision that was made at the end of the last Congress to extend a number of the expiring tax provisions makes a whole lot of difference in terms of how meeting particular targets going forward impacts reductions. And making permanent the R&D tax credit and a number of the other tax credits makes it a lot easier. The difficulty is that the deficit, as Len is talking about, at least measured in terms since those tax extenders were not offset, it means that getting to balance it, the republican candidates still believe in getting to balance, if they still believe in that, it makes it extremely difficult in a 10 year window, as the House Budget Committee is finding out right now and the Senate Budget Committee is finding, it makes it extremely difficult to find a way to get to a balanced budget in 10 years. The deficit for 2025 and 10 years out compared to a year ago, in that year alone is nearly $200 billion higher than it was a year ago. And yet that's the year which most people say we've got to get to balance.

MS. MARCUS: Jared, from your perspective how do the tax proposals in this campaign --

MR. BERNSTEIN: How does this night differ from all other nights?

MS. MARCUS: Yes, exactly. Thank you for getting my little analogy. (Laughter) I didn't think anybody in this room would get it.

MR. BERNSTEIN: It's a good question for me. Well, I'll tell you. I think there are similarities and differences and they are quite interesting. I think on the Republican side I see broad similarities between what is being proposed and what we've seen say in Mitt Romney, or for that matter in the Ryan budgets, where you have very large high end tax cuts allegedly offset by spending cuts that tend to be a pretty magic asterisk. And if you do the math that Len suggested, awfully hard to see you get there once you take so much off the table. So the numbers tend not to add up and in my view -- and I think Len corroborated this -- that that's a problem. However, I don't think we've seen consumption taxes to this extent in at least recent campaign proposals. So that's a bit new.

And of course on the democrat side we have another similarity and a difference that are interesting. Secretary Clinton's pledge not to raise taxes on joint filers below $250,000, that's something that's been around for a while. It's something I'm quite critical of by the way. I think that's an unfortunate pledge. By the way, people may not know this, but the percent of household income above $250,000 is 3. So basically you're saying I will only raise taxes on the top three percent. The other sides are basically saying I won't raise taxes on anyone. That leads to a very cramped debate.

Of course the other piece of this that's different is the Bernie Sanders plan which is actually quite radically different from what we've seen in the past.

MS. MARCUS: Feel free to answer the previous question, even as I ask the next one, but this is for Heather and Alex. It doesn't have to do with baseline it has to do with relevance. In other words, should we really -- I mean thank goodness for the Tax

Policy Center and the work that it does in analyzing these plans and giving us both bottom line costs and distributional effects because it brings a granularity to an otherwise incredibly fuzzy debate. However, that said, given the unlikelihood in this climate, both this political climate and this fiscal climate, of the candidates' tax plans being enacted, should we really be kind of focusing in on the precise elements of what they're proposing, or should we all like go home and have another cup of coffee? (Laughter)

Heather?

MS. BOUSHEY: Well, let me try both questions at once because I think both of them are interesting. I mean I think that Bill and Jared made a number of points about the baseline, but one of the things that does feel different, I mean I think it's both the Bernie Sanders and the Donald Trump phenomenon, that are pushing a different -- there are some elements that are playing against type that I think is really important to elevate in this conversation that I actually think gets to your question of relevance. I mean so, you know, you have this population out there in America that they're trying to reach who -- you know, we've had a recovery for many, many years now but yet families are not feeling it, so they're trying to address this economic anxiety. I found it quite striking when you look at this chart -- and thank you for putting this into a nice a colored chart for us -- when you look at Trump, that he is like -- he is actually going to not -- he's actually going to increase after tax income for the middle quintile slightly more than his colleagues. He's willing to go after the hedge fund people. He's kind of taking some of these democratic pieces into his argument. That is different. We haven't seen that on the republican side, at least in the elections that I've followed. So I think that is different.

And then of course Bernie being so willing to say I'm going to just raise taxes a whole bunch and I'm going to cut how much you're going to spend on things. And I think most of us are like trying to wrap our heads around, like well, okay wait, could you actually do that? And if so what would that really look like. So they're putting like a new idea out there to think about, which I think it's -- to go into your question around relevance, I think I have like three thoughts on this. I mean one, when you sit down and look at these tax plans, especially the way that the Tax Policy Center and Senate (inaudible) so nicely on the republican side, it's just so easy to see how disconnected this set of ideas is from the other discussions that we have here in Washington all the time about fiscal responsibility and budget. Just that massive disconnect that is not getting through to voters I think in any way, shape, or form, is one question of relevance. Like once they get here what are we actually going to be talking about if one of the republicans were to win. But then, second, the disconnect between the spending side -- like all the things that we need to be doing. For something else I was thinking about yesterday, I was sort of re-remembering that we've cut so many jobs at the state and local level in education over the course of the recovery and if you sort of listen to the campaigns so many people are really concerned about education, you know, K through 12, 0 through 5, college. So how are we going to reconcile these two big things? It seems there's a lack of relevance on that as well. Setting aside the tax debates, it seems totally disconnected from the other economic debates we're having.

MS. MARCUS: And, Alex.

MR. BRILL: Thank you. I think it is a relevant issue, but I think despite the fact that it's not sort of the primary issues that we hear about in the debate. But I think it's important also not to view the candidates’ tax plans as binary choices, all or nothing. It is perhaps in a political sense because it tells us about what they, you know, philosophically believe to some extent, but given both the large revenue loss from the republican plans and the contrast between size of those tax plans together, whether it's 6 trillion or 12 trillion, either way, and what we're hearing in Washington. Just as Heather said, there is a disconnect. Republicans here in Washington have a very different perspective on the baseline question, right. When I had the opportunity to work with the Simpson-Bowles Commission, the divide between republicans and democrats was not over raising taxes or cutting taxes, it was over raising taxes versus holding taxes constant. And if you look at recent budget proposals here in Washington, they're generally revenue neutral. And so that's a very different baseline perspective.

Now there are similarities I think between what the candidates are talking about, both among the candidates on the republican side and what republican leaders in Washington are talking about. And they are talking about lower marginal tax rates. They are talking about maintaining a progressive tax system generally, most of them are, although maybe adjusting that progressivity. And they're talking about lowering the marginal rates both on investment. And I think the candidates are focused on a concern -- Heather just mentioned it -- a concern about what's happening in the middle class. And so we see a lot of middle class tax relief on the campaign trail on the republican side. And you compare that to what you hear in Washington right now, or what you heard yesterday in the Ways and Means Committee, it's a very different discussion. And so there is a disconnect and that raises some of these questions, both the baseline and (inaudible).

MS. MARCUS: Jared.

MR. BERNSTEIN: Can I respond to Alex? Because I think a lot of that makes sense, but a big chunk of it doesn't resonate with me in the following sense. I sometimes encounter people who I feel have over-learned the lessons of Simpson-Bowles, and that's what I feel I may have just heard a bit in there. But you can correct me if you disagree.

So, you know, Simpson-Bowles was not supported by the members of the Commission, and one person who voted against it, a pretty important republican right now, is Paul Ryan. And Paul Ryan viewed, as I understand -- you know better than I probably, that the tax increases in Simpson-Bowles were unacceptable. And if you look at Paul Ryan's budget, as I said earlier it's actually a lot closer to the kinds of tax proposals we see on the campaign trail. Perhaps not as egregious as some, but very much in that same spirit, very much by the way what he and Mitt Romney ran on. Furthermore, I recently testified at the Ways and Means Committee and I know Kevin Brady is going to be here. That testimony was very energized around the idea of cutting taxes, cutting taxes to generate growth. So my view is that there is a kind of -- at least the center right or certainly the far right, in Washington tax policy is closer to where the republicans on the campaign trail are than you think they are. I'm not saying I'm right and you're wrong, but that's just a different perception.

MS. MARCUS: So we talked about that pesky little deficit thing and I feel like in previous campaign cycles that's kind of been an issue that people have addressed. And back in 2000 George W. Bush ran on the notion that the was going to -- it was obviously a different deficit situation, or at least purportedly a different deficit situation -- he was going to give the surplus that the tax authorities had taken from the American people back to the American people, and Al Gore was going to put some of it in a lock box. And as recently as 2012 Mitt Romney's tax plan was assertedly deficit neutral. Is 2016 just a kind of different animal where deficits don't matter anymore in terms of throwing out tax policy?

I'm going to throw it open to anybody who wants to address that.

MR. BRILL: Yeah, I mean I think that's why it's important in part to disaggregate these proposals. And so we can say that the wish list of policies that have been talked about on the campaign trail dig big holes in the deficit. I think on the republican side it's undeniably true. I think the question is, is if one of those candidates becomes president and the legislative process begins, what might we expect. And part of that question relies on the answer to the question what will the president's first priority be tax wise. No president gets their entire agenda. And what is the rest of Congress thinking about what to do. So what would, given a modest say $1 trillion or $2 trillion tax cut -- and I say modest jokingly -- what would that look like from any of these candidates? Because some of the good work that TPC and others have done has started to disaggregate and I think that there are proposals within those tax platforms that affect marginal rates, that affect investment, that provide relief to the middle class, and mixing those things up. Some affect on the margin, some don't. And I think it's important to disaggregate that.

MS. MARCUS: Bill, did you --

MR. HOAGLAND: I want to go back, kind of tie this to your first question. There is a real disconnect out there. And quite frankly I'm beginning to wonder whether or not policy really makes an issue on the campaign trail.

MS. MARCUS: That was kind of occurring to me.

MR. HOAGLAND: It's more personalities than it is policy, it seems to be indifferences (inaudible). But I want to back, and Len had raised this issue and Jared's raised this issue, being a budgeteer I went back and just did a little calculation, and over the next 10 years we will spend somewhere in the neighborhood of about $46 trillion, and that's on the discretionary side and that's on the mandatory side. And if I look at the republican proposals out there and I add them up to get -- and they'll still say we want to get to balance, we want to get to balance. To get to balance and have tax cuts anywhere in the neighborhood of $10 trillion or $13 trillion, that would mean you'd have to reduce all spending nearly 50 percent over the next 10 years. Or, if you're going to separate out and let defense go up and leave the discretionary, you'd have to cut all the mandatory -- and let's be clear what we're talking about -- Medicare and Social Security, you'd have to cut it two-thirds to get to balance by the year 2025. There is such a disconnect here that I can't believe it. And quite frankly earlier this week another think tank in town, The Heritage Foundation, came out with a proposal to get to balance, and guess what -- it had a $1 trillion tax cut, not a $13 trillion tax cut. And for the conservative Heritage to be saying the best we can do -- of course they also had $10 trillion in spending cuts to go along with it (laughter) -- this is just unbelievable.

MS. MARCUS: So -- go ahead, Heather.

MS. BOUSHEY: So on this deficit question and on the campaign trail, I mean so just to take it a little bit out of the Washington, right, so these candidates are supposedly out there talking to real people. They're trying to connect with what they think voters want to hear. So when you think about what people have lived through over the past 10 or 15 years, right, this build up to the financial crisis that quite frankly most of real America, myself included, many days don't quite understand like why that happened and what we could have done about it. The sense that we've been talking about deficits for what, you know, 15 years now and Washington keeps saying we're going to do something about it, but it doesn't, and these numbers are just sort of big and confusing to people anyway. But I wonder how much of this the, you know -- after the great recession the American public and workers and their families needed a set of economic policies that would get people back to work. We know that we've been successful in some ways, but we haven't gotten back to where we were in 2007. And what I see in this economic conversation is people focusing a lot on those kinds of issues. You certainly hear that on the democratic side. Rather than the rule specifically about taxes in that piece of the puzzle, I think that some of the deficit stuff, I think it's sort of going over voters' heads and so they're trying to focus on other aspects of it. I can't explain what the republicans are doing, but it does seem that you hear them wanting to talk more --

SPEAKER: Trying to get votes.

MS. MARCUS: They're trying to get votes.

MR. BERNSTEIN: I mean I think this is -- a lot of what you're hearing in my view is way too alarmist. And I'm nervous about it too. I share some of Bill's anxiety. But, you know, the deficit was 10 percent of GDP at the height of the great recession. It came down to 2.5 percent. We were in primary balance. We stabilized the debt as a share of GDP as an unacceptably high level, but it was stabilized and it actually would have remained stabilized if they hadn't gone and passed $700 billion of unpaid for tax cuts which I argue was a mistake. However, we do have I think time to implement some of the kinds of policies that we could talk about, some of them are in the President's budget in my view. I see very few of them in the campaign proposals. When you talk about $46 trillion, to me that's kind of a fear number. I mean that's probably 23 percent of GDP or something. Now that's a couple of percentage points higher in terms of outlays than the historical average. That's not nothing and it's something we have to deal with and I think we could deal with. But the idea that deficits are this terrifying force, especially in the midst of the inequality problems that Heather has describe, is somewhat a distraction and I share the American people's view on that.

MS. MARCUS: Bill?

MR. HOAGLAND: I just wanted to say, Jared, I agree with you that this is not necessary to have this kind of debate, except for the fact that wouldn't you agree that $14 trillion in unpaid for tax cuts is not good?

MR. BERNSTEIN: Yes.

MR. HOAGLAND: Okay.

MR. BERNSTEIN: Fist bump. (Laughter)

MS. MARCUS: So now that we've had the fist bumping I actually want to continue with the therapeutic role of this panel, which is why Bill talked about the disconnect. And I suspect that some of the people in this room and some of the people on this panel have had the experience of yelling at their television sets while --

MS. BOUSHEY: Never, never.

MS. MARCUS: -- watching -- well, I have -- while watching debate moderators ask questions. So I want to empower each of you pretty briefly to be a debate questioner. But it's going to be -- I want you to ask the debate question of somebody who you would be more apt to be ideologically aligned with.

And, Jared, I'm going to start with you because you said something critical about Secretary Clinton and her $250,000 proposal. So what I'd like to hear from each of you is your best tax policy question to an individual candidate based on his or her plan. And then we can assume the response, which will be one version of waste, fraud, an abuse, get rid of special interest loopholes, or cut wasteful spending, or something else. And so sort of not just what the question is, but the question for the candidate.

MR. BERNSTEIN: In my case, for HRC.

MS. MARCUS: Yes. Question for the candidate and then how do you -- what's the follow up question?

MR. BERNSTEIN: Okay, that's a great -- I'd love to try that. So first of all let me be very clear, I think I'm a big admirer of Secretary Clinton and have long been so. And my critique is about the pledge. And by the way, let me remind you that when President Obama made his pledge, I won't raise taxes above $250,000, in the hurly-burly of the tax debate that quickly became $450,000. That means that 99.5 percent of the income distribution is left out. I think that I would say based on some of the numbers that

Len cited earlier, Secretary Clinton, it seems inevitable that even revenue neutral tax policy, which is what I generally think I heard you talk about, meaning that when you've raised taxes it's to pay for something, won't be enough. Simply demographics alone, not to mention threats that I know you, Secretary Clinton, recognize, threats of climate, threats of poverty, threats of insufficient infrastructure investment, investment in children, so we're going to have to raise more revenues, aren't we?

That would be my question.

MS. MARCUS: And her response will be, are you serious? We're in a campaign, right?

MR. BERNSTEIN: Yeah, exactly. (Laughter)

MS. BOUSHEY: Yes, that's exactly --

MR. BERNSTEIN: So that would be her response. And I would say that's --

MS. MARCUS: In some nicer version of that.

MR. BERNSTEIN: And I would say, I understand. You know, I'm not running for president, you are, so I apologize, but I still say how are we -- so that's where I would go. That would be my follow up. I wouldn't be good at it, I'm just saying what I would do.

MS. MARCUS: Alex, what is your question? And the other response, the traditional response from a republican candidate that I left out of my waste, fraud, and abuse litany before is magic economic growth. So pick your republican target there and go at him.

MR. BRILL: Sure. I'm torn. I want to have --

MS. MARCUS: You can have two, very quickly.

MR. BRILL: So my first one is a very short one, which is tell me again why it's not a VAT? (Laughter) Because --

MS. MARCUS: I see televisions across America just clicking off. (Laughter)

MR. BRILL: Yeah, that's right, but we'd stay watching, right? But, you know, as Len talked about with Senator Cruz's plan, I think that that debate is sort of distracted from a debate about tax policy. We've got a big debate going about nomenclature instead of real substance. But I think I sort of telegraphed where my question would be earlier, when I think it's important to look within the tax plans and not look at them in a binary sense.

And so the question that I would pose to the candidates is given a budget constraint, not a budget neutral agenda requirement, but given the constraint of only $2 trillion of tax cuts, or some number like that, what would be in your tax plan?

MS. MARCUS: That's an interesting question. I guess the answer on a debate stage would be, getting back to you on that. I mean how would you get them to sort of be, you know, in an instantaneous way to make those -- give them the sets of choices that they would be facing.

MR. BRILL: Yeah, so, I mean I think you might motivate it by saying, just as others up here have said, that there's been a big -- and the candidates themselves have said -- there is a struggle in the middle class. People have not seen the kind of wage growth that they've been accustomed to in the past and there is a lot of economic anxiety in the middle of America. At the same time, we have sort of from a different perspective the worst corporate tax code of all the corporate tax codes in the world, and one that's really hindering the growth and the ability of our multinationals to expand and compete in a global environment. If you can't provide tax relief on both sides, you know, what are you going to do first. I mean where are the priorities? I think it's important because as we look at plans like the Rubio plan, which as I think a lot of appealing characteristics, aside from the budget aspects --

MS. MARCUS: Other than that.

MR. BRILL: -- you know, which is the big one right? And so, you know, as Len said, talking about the expanded child credit, the additional child credit. I mean it has a lot of popular appeal and is that his first priority if he had to pick, or is it some of the reforms that drive down the marginal effective tax rate on new investment.

MS. MARCUS: All right. I think actually those are -- the first two questions have been excellent questions which just ramps up the pressure on you, Heather. You could ask Secretary Clinton a question if you want, but I'd love to hear one for Senator Sanders as well.

MS. BOUSHEY: Gosh, that seems tough. So I mean I think for Sanders I think that the big question that I have for Senator Sanders is around his -- and I am -- this is why I'm not a journalist because this is like a hard thing, like coming up with the right question -- but the big question I have for him is around his healthcare proposal. And as I sort of mentioned a little bit earlier, what he's asking us to consider is that by increasing taxes to pay for this new plan we're going to see all these reductions in family expenditures, in private expenditures. I think my fundamental question, though, isn't actually about the taxes, but about all of the social change that is embedded in this, which actually gets to if I were to ask any question, I think which is actually for all of them, a deeper question which is that all of this sort of presumes that taxes is really our most potent economic tool and it's just one of our tools. And so as we're thinking about either healthcare or how to address inequality, is thinking about the tax system the first place that we should be starting, or -- and now I'm asking two questions -- like if I'm thinking about inequality should we be thinking about other issues, like say antitrust enforcement.

Would that be a better focal point of government resources rather than thinking about just taxing the rich? That's a conversation that I'd like to see happening.

So those are two. So one is, you know, are taxes the solution to every problem, and I want to hear really more about how you're going to actually do this healthcare thing if I were to ask Bernie Sanders one.

MS. MARCUS: I like the way you phrase that. (Laughter) Bill?

MR. HOAGLAND: My first thought is I want to ask all the -- I'll take the republicans, okay.

MS. MARCUS: Please.

MR. HOAGLAND: I want to ask them did they math in high school. (Laughter)

MS. MARCUS: Donald Trump wants you to know he was a very, very good student and he has an uncle that was a professor at MIT.

Next question.

MR. HOAGLAND: Very simply, very straight forward, no surprise coming, and we've already touched on, Mr. Trump, do deficits and debt matter? And he'll say, sure they do. And then the follow up question is should we have a balanced budget. And he'll say absolutely. And then the next simple question is, then how are you going to pay for $13 trillion in tax cuts over the next 10 years? Simple.

MS. MARCUS: So you know what that answer to that question is.

MR. HOAGLAND: What is it? Growth?

MS. MARCUS: It's actually multiple --

MR. HOAGLAND: Growth. It will be great.

MS. MARCUS: It's going to be --

MR. HOAGLAND: It will be great.

MS. MARCUS: (A) I'm a good manager -- I love that I'm playing Donald Trump -- (B) I'm a really good manager, there's massive waste, fraud, and abuse in the Federal government. You see it all the time. Look at the cost of that hammer. And number three, massive, massive economic growth. I'm going to make America great again, I'm going to be tough on China and I'm going to bring those jobs back home.

MR. HOAGLAND: And then the follow up question will be, Mr. Trump, you're being elected to be president of the United States, you're not being elected to be a king.

MS. MARCUS: I'm a great deal maker.

MR. HOAGLAND: You're going to have to work with a Congress, you're going to have to work with a Senate, and the Senate is probably not going to have a 60 majority vote. How are you going to do all this? You've made all these great promises.

MS. MARCUS: Have you read my book, The Art of the Deal? (Laughter) It's the best-selling book short of the bible. I love the bible.

SPEAKER: You do a good Trump. (Laughter)

SPEAKER: These two Corinthians walked in to a bar (laughter).

MS. MARCUS: And I think actually we've now demonstrated why we shouldn't be cruel and critical of my colleagues, because it really is hard to get these guys pinned down.

SPEAKER: As John Harwood found out, yes.

MS. MARCUS: Yes. I have no good segue on this, so I'm just going to -- one of the interesting things and the hardest thing to talk about because it's so difficult for people to wrap their head around in the tax debate has to do with corporate tax policy, which several of you have mentioned. From the democratic candidates, you know, talk about the problem of inversions and companies shipping jobs overseas and how we need to change the tax code to stop that. The republican candidates put a lot of emphasis on the horror of our current high corporate tax rates and the degree of wealth that's trapped back home. But since I'm playing Donald Trump on the Tax Policy Center panel, he says it's not -- I love this -- he says it's not 2.5 trillion, that's other people's estimates, he says it's 5 trillion. So we'll get a little bit of extra revenue that way too by the way, when I'm president.

I'm going to just throw this open in a very open ended way. These are two very different approaches to talking about corporate tax policy, but they share the sense that our corporate tax policy is super messed up, which I think is the technical term. Anybody who would like to kind of jump in and talk about what they find that's interesting, intriguing, infuriating -- pick your poison -- in what the candidates are talking about in that zone.

Jared.

MR. BERNSTEIN: I'll start because I've thought a lot about this. I learned I think a pretty important Washington lesson how people really actually, as opposed to what they say -- where they actually are at on the desire to reform the corporate tax code when Dave Camp dropped I thought a pretty thoughtful piece of tax legislation and it was drop kicked in a New York minute out the window by his republican colleagues. This had a corporate tax reform that looked actually quite a bit like one the President has. Camp went to 25, the President goes to 28. That's spitting distance in this world. So I think the problem is that when people talk about everybody wants to lower the rate and broaden the base, the politicians actually agree, it's all the lobbyists who value those base-broadeners as, you know, we think they're inefficient waste, they think they're treasure job creation programs. So I think that the debate has been somewhat misrepresented in DC because everybody seems to say they want to do it, but when it actually comes to doing something, the entrenched interests block you.

The one point I'll make about the candidates is Donald Trump does something that is really interesting, and in my view extremely distortionary, of the tax code. The TPC identifies this but they didn't push it very far. This is not a critique. I think they made a legitimate choice not to do so. He basically makes -- one of the problems with taxing business income these days is the increase in pass-throughs. The share of business incomes moving through to the individual side of the code now has gone from something like 20 percent 30 years ago to something like 50 percent now. I think there are TPC people in the room who know that number better than I. But that's certainly the general trend.

Donald Trump says -- the top rate on income under Trump's plan is 25 percent, but for pass throughs it's 15 percent. That's the top rate. I mean I like paying taxes and I would incorporate tomorrow because the incentive is huge. Now the TPC decided not to make the assumption that everybody is going to self incorporate. If they did the numbers would have looked even worse. So I think that's a huge distortion going at it to happen.

MS. MARCUS: I want to say something about this because Len and I have talked about this and I've written about the Trump plan, and one of the real restrictions on the capacity to translate candidate's plans into the public is actually illustrated by this provision because I've probably in two or three columns written a chunk of maybe 100 words about that distortionary effect, and I always have to cut it from the column because for lack of space. And it's just illustrative of how hard it is to translate tax policy to serious tax discussion.

Alex or Bill, did you guys want to about the corporate issue at all?

MR. HOAGLAND: Go ahead, Alex.

MR. BRILL: I mean, a couple of thoughts. You know, in my view -- and I may disagree with some of my colleagues up here -- of all the taxes that we have today, the corporate one is the one that's causing the most harm and the most distortion and deserves the most attention for reform. We have a question about how to do that from a budget perspective. If we're talking about rearranging the deck chairs in a budget neutral corporate approach, so it's both budget neutral and all the revenues are supposed to stay within the -- in the -- from the corporate income tax. In my view it's difficult if not impossible to get ahead under that constraint. And what I mean by that is it's very difficult to lower effective marginal tax rates on new investment in a budget neutral -- if you impose that budget neutral constraint on the corporate tax.

There are ways around it. You could look for revenues from other places or you could deficit finance that change. But if you're just trying to broaden the base and lower the rates, if you do the math it's hard to get a change on the margin. But I do think that our corporate code sticks out among all our competitors and it is to the detriment of our economy.

MR. HOAGLAND: I want to go back to kind of your opening question about disconnects. These are tax experts, I'm not a tax expert, but I think the difficulty we have with talking about corporate tax reform which I agree needs to be done. The inversions is an issue. Try to buy an American beer. The only one -- Samuel Adams in Boston is the -- and he's holding out. And he's being told to go to Ireland. Can you imagine Samuel Adams coming out Ireland? But anyway, the point I want to make is that the campaign out there is a populist campaign. It's about me, it's about my text. To have a discussion about changing corporate tax rates without changing mine is -- the pitchforks are coming to Washington. (Inaudible) if that's the case.

So how do you tie corporate tax reform to individual tax reform with the pass throughs? No wonder you have your 100 words taken out every time. It is extremely difficult. I'd like to hear what Mr. Brady has to say, what Mr. Wyden has to say later today, because can you do international without getting into individual. I'd like to think you could, but I don't think given the campaign out there, the populism will allow for that to take place.

MS. MARCUS: So you can answer any question you want after I ask the question.

MS. BOUSHEY: No, I wanted to add something -- yeah.

MS. MARCUS: Just like what I've learned doing TV panels. But I want to save some time for questions, but throw out one really kind of lightening round one, one policy -- since this has been a kind of Debbie Downer discussion -- one policy that you like the best in all of the candidates' tax plans that you think merits further discussion.

So, Heather, you go first and say what you wanted to say also.

MS. BOUSHEY: Well, I just wanted to tap into this conversation about corporate and just note -- I mean tap into something that Bill just said. I mean on the one had you have people who want to do something about inversions, want to do something about all these companies that we read about in the paper every day who are having other profits overseas or they're doing these ways of avoiding taxation here in the United States. And on the other hand you have all this fear about if we tax them then they won't create jobs. And so that also seems a really difficult place to be, having the conversation out on the campaign trail. Because it is also about fear mongering as well I think.

One policy, so something that I've worked on. It's not been talked about at all up here today, which is sort out of the general tax thing, but Sanders has signed on to the Family Act, which is about giving every worker in the United States access to paid family medical leave. And he has proposed doing that by raising a very small -- he signed onto legislation that's already in the House and the Senate, which would raise payroll taxes in a very small way. So we haven't talked at all about payroll taxes and the role of that in social insurance and providing protection for people. So that's one policy that I'd like us to hear more about.

MS. MARCUS: Okay, great. Alex.

MR. BRILL: The question was?

MS. MARCUS: What's your favorite --

MS. BOUSHEY: Favorite policy.

SPEAKER: A favorite policy.

MS. MARCUS: Pick your favorite policy.

MR. BRILL: I mean I think it's very interesting how -- so again, budget aside, how radical the reforms are. I mean I guess budget inclusive I guess we should say. I mean the debate has been quite radical and a lot of discussion about transformation of the tax code. And in particular I would note policy that I've supported in the past, which is the movement from a progressive income tax to a progressive consumption tax. I think that that's a policy that has a lot of merit because it separates this question of income versus consumption versus -- from the progressive debate, about a flat tax versus a progressive tax.

MS. MARCUS: Great. Jared, do you want to progressive consumption tax?

MR. BERNSTEIN: I'd rather say one thing I like on the republican side and one thing I like on the democratic side. And I've been very critical, as we all have. I mean I think, yeah, we all have about the holes in these republican budgets. But interestingly a number of them have gone after some wasteful tax expenditures in ways that I think re useful and important. And Trump I believe wants to end the deductibility of interest, which it creates a real distortion such that debt financing actually faces a negative tax rate. And if you think about a country with a negative tax rate on debt financing that would be a country that would get over leveraged, and in fact that's exactly what we've done. So that's a neat idea on their side.

On the democratic side an idea that I quite like is this financial transaction tax. I wouldn't go nearly up to 50 basis points on stocks as Bernie does. I'd probably start at one basis point. But I think it's a good idea, both in a Pigouvian sense in terms of kind of shutting down some of this distortionary noise trading, but also you can raise serious revenue off of a large notional base. The TBC did an excellent piece on this way, if I can put in a plug for it.

MS. MARCUS: And, Bill?

MR. HOAGLAND: My mother brought me up if you had nothing nice to say about anything, don't say anything. (Laughter) But I guess to your question I'm old enough to have been in this town and gone through with previous bosses something called the USA tax, which was a (inaudible) proposal. And if was a form of a VAT tax, a consumption tax. I like the element that's in some of these plans that have to do with refocusing on consumption. I know it's a difficult one, but then increasing savings. I think savings are critical here.

And I agree with Jared. I think there's the financial transaction tax. I wouldn't go as far as Senator Sanders, but I do think there's an element there that needs to be looked at.

MR. BERNSTEIN: That's great to hear.

MR. HOAGLAND: So do you want to bump up again? (Laughter)

MS. MARCUS: Great. All right. Well, on that cheery fist bumping note, let's open it up for questions and we'll start up here with Bob Pozen.

MR. POZEN: One of the things that Donald Trump might say to defend his tax plan besides, Ruth, what you said, was dynamic scoring. In other words, that he would say -- somebody said it more generally -- he'll produce so much economic growth. So I wonder whether the panel could comment on what range of incremental growth is realistic. I mean if you were to justify these huge tax cuts you'd have to have huge economic growth in order to put that together. But should we be realistically saying if you did dynamic scoring you talk about 10 percent economic growth change or 25 percent or 50 percent? Just ranges to see how far off this argument is.

MS. MARCUS: Did you want to take that, Alex?

MR. BRILL: I'll start. I mean I think Len was absolutely right when he teed this up. And we need to answer that question in the context of understanding what the financing would be for these proposals. And so if these proposals were married with contemporaneous spending reductions so that they were if not revenue neutral were deficit neutral, that -- a tall task, I'm not suggesting it's now -- but I think we could expect economic growth as a result of that because the marginal rates are coming down. Not 10, not 25, and not 50, certainly, less, but meaningful economic growth. But as Len described, in the absence of off-setting financing much, if not all of that could be mitigated.

I'd also note on the scoring front, to distinguish between the dynamic issues, which I believe are true and important, and the general uncertainty in variation, even within the conventional system, so these numbers that the government puts out or a think tank puts out are estimates and there should be confidence intervals around these. And so we don't know who is plan is the most expensive. We know that they cost money, and a lot of it, but we don't know with a sort of precision either that the Budget Act of '74 requires, or the sort of precision that we're seeing in some of the nongovernmental estimates, exactly how much any of these policies are going to cost. And that's true whether you're considering growth or not.

MS. MARCUS: Well, a certain candidate that we are no longer hearing from talked about four percent economic growth. And the estimates obviously would have to be for growth even in excess of that to pay for some of these other plans absent serious cuts. Did you want to just touch on that briefly, Heather?

MS. BOUSHEY: Well, I mean I think that this is one where we tried in the 2000s cutting taxes at the top in ways that are kind of similar to some of these proposals. These are taking it to the next level. And we didn't actually see the kind of growth that was promised. So this is one of those places where I think, you know, when you invest and you see past performance should not indicate what's going to happen to you, it does seem like we could look back over history and say wow, well times where we lowered taxes for people at the top and lowered the corporate, did these sorts of changes actually -- in the 2000s wasn't followed by the kind of strong, stable economic growth that we wanted to see. So I think we should be approaching all of this with a much bigger grain of salt, I would respectfully offer, than just what our econometric models may or may not be showing because it seems like we sold the American public a bill of goods and we have incomes today that are back where they were when I was in college and we didn't actually do that and that was sold in large part on cutting taxes at the very top and a deregulatory environment for finance. And I think we lose that history if we sort of say well, no, there's these magic numbers, but we're not actually going to look at what happened in the past.

MS. MARCUS: All right. Let's try to go to another question. Sir, in the bluish tie right there, glasses.

SPEAKER: Senator Hatch is said to be working on a corporate integration plan. So this is kind of off of the campaign discussion, but I would like to know the panel's thoughts on corporate integration, kind of addressing differences between the cost of equity and debt financing and other thoughts on changing the way that we tax dividends.

Thanks.

MS. MARCUS: Anybody want to take that up?

MR. HOAGLAND: I understand that Senator Hatch made that speech yesterday that indicated -- gave some hope that there might still be a possibility, which I'd be interested in what Mr. Brady has to say about that -- that there's still some possibility. But on the integration, I think what he's getting at is exactly what we were talking about earlier, and that is as it relates to how to reduce those corporate -- how to increase corporate -- reduce corporate rates at the same time of maybe integrating so that maybe one way to do this, to handle the pass throughs is not to -- is to allow for some sort of integration on the not paying -- how can you pay the taxes on dividends, some way of managing it. Bottom line, just cut to the chase, I think this is all good to have this discussion. I think the last time I checked there are about 41 days before the conventions this summer. I think we still -- this is not going to happen in this session of Congress.

MR. BERNSTEIN: The only thing I would add is -- and this is a bit of a critique of the Rubio plan, which we haven't really gotten into so much, is that once you -- I obviously think not just revenue-neutrality, but revenue-positiveness is important. But I also don't want a tax change that's going to exacerbate inequality. So I think the thing is that you should try to hold after tax inequality, not worsen it. And I think once you start taking taxes on investment income down to zero you have a real problem there. It's really hard to maintain and you can see that in the TPC tables, even for the Rubio plan.

Although it's not the worse.

MS. MARCUS: And then just to be clear, Rubio does eliminate taxes on investment income, which is a pretty radical notion as campaign notions go. Another thing that we're not quite talking about there.

MR. BRILL: I would just pick up and echo a point -- not the point that Jared just made, but a point that he made earlier on the tax treatment of interest. I think that there are interesting ideas -- I've written about this in past -- whether it's to eliminate as some of the candidates have suggested or to limit the deductibility of interest. As part of a comprehensive business tax reform I think we can create more neutral taxes on new investment and mitigate the disparity between debt financing and equity financing. I think that's a very interesting idea in this context.

MS. MARCUS: I see other hands. Joe back there.

MR. MINARIK: Hi, Joe Minarik from the Committee for Economic Development. The question for Senator Sanders -- and I wonder if I could ask the panel to reflect on this -- one question you could ask Senator Sanders would be identical to the question that was asked by PT Barnum in an old story, when an individual talked about -- he asked for a million dollars for an act, and the act he said was going to be that he would walk to the center of the center ring and blow his brains out. And PT Barnum's question was what do you do for an encore. And for Senator Sanders you've used up all your ammunition to not quite pay for all of your spending proposals.

And with all respect to Jared a moment ago, we had the debt to GDP ratio stabilized at too high a level for a non second at which point we recognized all those temporary tax cuts that we knew we never were going to manage to repeal. We now have the debt rising from too high a level, and per Len and his colleagues, rising pretty soon fairly rapidly. We are just really wasting a lot of time talking about proposals that we cannot possibly justify given the problems that we've got in the baseline, arguably.

MR. BERNSTEIN: My only quick point, and I want to get out of the way and let others take this, is that I think if we're going to have a good discussion about that I think you need to more heavily weigh some of the advances we've made in terms of slowing the growth of healthcare costs. I think that's actually providing more fiscal oxygen than your wrap that you just gave suggests, and it's something we need to build off of.

MS. MARCUS: And I guess Senator Sanders, if I can now channel my inner Bernie in addition to my inner Donald, would say that his healthcare plan would arguably -- well he argues would build on that even further and create even more space for all of that magnificent spending.

I do have to say it is pretty refreshing in a campaign year to see a candidate not only proposing massive tax increases, but acknowledging just straight forwardly for the first time I guess since maybe --

SPEAKER: Mondale?

MS. MARCUS: -- 1984 -- Mondale -- thank you. I had a little senior moment there -- that everybody is going to have to pay more in taxes. And I wonder if that's just a sort of flash in the pan or a kind of lingering effect, a salutary effect of campaign discussion.

MS. BOUSHEY: Well, it's amazing because he's doing that and yet people seem to like it, right. I mean he hasn't been booed --

MS. MARCUS: His people seem to like it.

SPEAKER: Some, some, some. Some people.

MS. MARCUS: I mean think some people. But I mean I think the fact that he's giving, you know, Clinton a run for her money, and running on raising

American's taxes to address inequality seems kind of -- I mean we should be talking about that. That's kind of stunning. I mean we haven't done that ever. I mean in my -- you know, like we haven't done that in a really long time. So I think it does beg the question. And I think your question actually hit the nail on the head because we're up here talking about taxes, which is taking the American people's money for what, and you said well we don't -- Sanders you can't do that because we can't afford to spend. Sanders is out there saying we need to make these investments in America and we all need to come together and pay for it. That's the key argument that he's making, which is a very different argument than we're going to give all the money back to the rich people because they're going to create jobs. I mean that's like in a nutshell kind of where I see --

SPEAKER: Why are you looking at me?

MS. MARCUS: I don't know. I don't know. Because you're at the other end of the table. (Laughter) I don't know. I'm not actually look at you.

But I mean those seem to be the two axes of the debate. And I mean it does seem like people are really struggling with those two very different visions of what makes America grow. And I mean this is actually the most fun campaign season ever because we're actually having that conversation.

MR. HOAGLAND: I'm old enough to have gotten Clean for Gene, if you might recall, and George McGovern.

MS. BOUSHEY: Clean for Gene?

MS. MARCUS: McCarthy?

MR. HOAGLAND: McCarthy.

MS. BOUSHEY: Oh, gosh.

MR. HOAGLAND: Yeah, see? (Laughter)

MS. MARCUS: Heather, you may now leave the stage.

MS. BOUSHEY: Yeah, exactly. Gosh, that was embarrassing.

MR. HOAGLAND: I guess I --

MS. MARCUS: Not because you embarrassed yourself, just because you made the rest of us feel old. (Laughter)

MR. HOAGLAND: But if he wants to increase taxes $13 trillion I think he'd have a better selling with this with his people if he sold it on the basis that either tax me now or tax me in the future, because the level of debt we're going to have is a transfer of tax to the future generations. And that's the current generation that's getting screwed if we don't do something about reducing the debt. If he puts it all on debt reduction I'd be happy.

MS. MARCUS: That would be a little hard for him to do given his massive expansion of Social Security for everybody as well.

Additional questions? And I would like to say as the moderator's prerogative I am looking for some women raising their hands in this room because I don't want to get criticized for only calling on men. And you know who I'm looking at, Joanne. Right here, and then I'm going to you, Joanne, no matter what.

Yes, sir.

SPEAKER: Thank you. One of the intriguing aspects about Mr. Trump's plan is his -- the amount of the standard deduction, which I believe is around $25,000, but he would increase it to $25,000. I'd be kind of curious if there are any revenue numbers with respect to if he would choose to raise it to $50,000, what that particular number might be in terms of helping out the middle class or those that are lesser than the middle class.

MR. BRILL: I can touch on that. So current law is 6 and 12 and he proposes to quadruple it to 25 and 50, roughly speaking. Some of the other candidates have talked about doubling the standard deduction. Doubling it is probably about $100 billion a year. I guess the numbers are probably in the TCP analysis, but my estimate, doubling it is probably about $100 billion a year. I think it's an interesting piece. I mean it's a piece that a number of republican candidates have latched onto. It's a simplification, right, it's taking people off the income tax rolls, that continue to pay other taxes of course, and it's not only simplification in the sense you don't have to keep track of all of your deductions, but it takes a big bite into a lot of the distortions that some tax economists have talked about. In particular, you know, you've seen a number a candidates who say I want to broaden the base, but I want to protect mortgage and charity, and I want to double or quadruple the standard deduction. Well, if you're doubling or quadrupling the standard deduction how many people are going to be claiming the mortgage interest deduction? A lot less, right. I mean if you're taking the mortgage interest deduction you're itemizing. And if you're dramatically increasing the standard deduction, you're cutting the number of itemizers in half or more. So it does have both a simplification impact, targeted middle class middle relief, and it affects the consequences or the distortions imposed by some of the itemized deductions.

MS. MARCUS: We have time I think for one more question. Joanne? (Laughter) Not to put too much pressure on you.

SPEAKER: That's okay. You also know me as Jo, so. Thanks. It's a great panel. I teach economics over at GW and we're doing tax policy. And I have to say -- I mean I've got 35, you know, 25 and under, and if I'm out there on the campaign trail, I say who do I want to cheer for, the person giving me a gigantic tax cut or the person with the fantasy of a gigantic tax increase. I mean if we have fantasy economics why does it matter?

MS. MARCUS: Fantasy economic anyone?

MR. BERNSTEIN: That sounds like a rhetorical question.

I mean I guess the only answer -- I mean I think your question speaks for itself. The only answer I give, and this relates to something I think Heather was getting out, is that to the extent that supporters of Bernie Sanders are hearing something they like, it's less I'm going to increase your taxes and it's more you're going to get free college and your healthcare costs are going to go down. So it's not like the tax cuts are somehow disembodied from what they pay for in the minds of I think voters. I'm just trying to get inside the heads of the people you asked us to try to get inside the heads of.

MS. MARCUS: All right. We should wrap up here. Thank you very much. Excellent panel. Thank you.

MR. BURMAN: Yes, please join me in thanking Ruth for a great job and for the panelists for giving us lots of good questions to ask Congressman Brady, none of which he is prepared for. (Applause)

MR. WESSEL: I'm David Wessel. I'm Director of the Hutchins Center on Fiscal and Monetary Policy. It's a pleasure to be here today and see a standing room only crowd on Tax Policy in 2016 when most of us think nothing is going to happen on tax policy this year. It's my pleasure to introduce the Chairman of the Ways and Means Committee Congressman Kevin Brady. I looked up a little bit about Kevin Brady in preparation for this and discovered that he's not actually from Texas originally. He's from South Dakota. He worked his way through the University of South Dakota and was elected to the city council in Rapid City at age 26 but he is -- we all heard the phrase a chamber of commerce republican. I've never actually known what it means but Congressman Brady really is one. He worked 18 years for various Chambers of Congress. He moved to Texas in 1982, served six years in the state legislature, was elected to Congress from the Houston suburbs in 1996. He beat his primary opponent last time 68 to 32, beat his Democratic opponent 89 to 11 although that doesn't seem to have discouraged three aggressive challengers who are showing up in the March 1st primary to challenge him. Congressman Brady has been in Washington for 20 years but he still lives in Texas and I read somewhere -- I can't remember where, I hope it's right -- that he has logged 2 million miles commuting back and forth for which America's airlines thank you Congressman.

Now being chairman of the ways and means committee is I think we all agree one of the most important jobs in Congress. Taxes, trade, social security, Medicare, it kind of makes you wonder what the other committees do. According to the Ways and Means Committee eight presidents, eight vice presidents and 21 speakers of the house have served on ways and means. Congressman Brady disclosed to my friend Richard Rubin of the Wall Street Journal that actually his wife does his taxes. We're going to talk about that, but he really, really wanted to be chairman of ways and means. He ran against Paul Ryan for the post a couple of years ago, fought off a challenge from Pat Tiberi when Mr. Ryan became speaker. It's kind of like the dog that chased the car and finally caught it. You caught it Congressman now what are you going to do with it?

Congressman Brady has layed out a very ambitious agenda, simpler flatter tax code with fewer loopholes, deductions and credits. It doesn't disadvantage pass throughs relative to Sea Corps and encourages businesses to locate in the U.S. and promises economic growth and he says he's going to get it all wrapped up by the end of 2017. Congressman we are interested in hearing how are you going to do that.

MR. BRADY: The answer is we've got a plan. And so let's talk a little about that. David thanks for the introduction. Very thorough. Len thank you for having me here as well and for your leadership of the tax policy institute. Good morning, everyone and it's an honor to be here today. To address a problem I think whose time has come. A problem that has really slowed the economic growth of our country that discourages investment at home.

I think it discourages families as well, it's just plagued us too long which is our broken tax code. David made the point, I started out on Main Street. I was a Chamber of Commerce executive in three dramatically different economies. In the Midwest it was agriculture, tourism and in a military environment in Beaumont, Texas is was slow growth, heavy trade or a union oriented petro chemical area. In the Woodlands area where I am now it is fast growing in healthcare, energy and more trade going forward and so Main Street looks very different across our country, but there are things that are in common as you work on it and so spending most of my adult life helping start small businesses, build a business climate and recruit in industry you really get a sense for what the tax code does and how it really hurts business owners, job seekers and those who are working moms and dads who just can't handle this costly, complex and unfair tax system.

I think American people deserve better, they deserve a tax code that's built for growth, built for the growth of their families' paychecks, built for the growth of local businesses, and built for the growth of America's economy, that's what I am setting out to do as chairman of the ways and means committee. That's why I'm so privileged to follow speaker Ryan in that area. It's a responsibility I take very seriously as do every member of our committee.

In the months ahead we are going to continue our efforts to advance pro-growth, comprehensive tax reform and it's based on six core principles that we sort of alluded to.

First, is it has to be simpler, fair and flatter. It has to be. Today individuals, families, small business, it's just so difficult to grapple with a tax code that's impossible to understand, that has to change and too many people think they are not rewarded for good work, but for good connections and that's got to change. Secondly, tax reform has to close loop holes, eliminate special rules, limit deductions, exclusions and credits. The riddle of the tax code today so that we can lower rates for everybody. We can't leave everything in place and lower rates and make it simpler. The math doesn't work.

And so well advised tax payers today use an array of complex tax provisions to minimize their taxes under the law, but that complexity, that effort is a waste of resources. I think drains out of our economy, takes critical time in a capital way from growth in the United States. Third, businesses both large and small must have a competitive tax system, including a fair and competitive tax rate. Small businesses often feel like they are paying a higher tax rate than larger businesses. They believe they deserve a tax system that encourages growth as well and we intend to deliver that. Fourth our tax code has to stop encouraging the shift of jobs overseas.

Too many American businesses are being acquired by foreign corporations or engaging in inversion transactions to avoid being a ripe target for foreign takeovers. We need a tax code that encourages businesses to locate their operations in the United States creating jobs here at home, helping to grow our economy. Fifth we need a tax code that is built boldly for economic growth. I'm convinced tax reform that merely aims to place America into the middle of the pack won't cut it. Only by aiming high and taking a very ambitious approach to pro-growth tax reform will we be successful in the long term.

When Steve Jobs was brought back to Apple to revitalize it, he looked to innovation and his charge to his best employees were when you're behind, leap frog. In other words don't take action just to get back to the middle of the pack. Leap frog your competitors and so the charge I've laid out for our committee is that tax reform in the 21st century shouldn't aim merely to place us in the middle of the pack, but in the lead pack. And the charge I've given our committee is to think bold on the number and the rates we're aiming for. Look at tax reform with fresh eyes. So look at all the ideas across the board from consumption taxes, reform income taxes, the different ideas we've seen because just tweaking the tax code we have today simply won't cut it.

And it is frankly just as difficult politically to go to a mediocre reform as it is to go to a strong reform so if we are going to make the effort and a once and generational opportunity let's make it worthwhile. And we know there is no perfect way to tax. There just isn't. There are strengths and there are weaknesses but there are proven ways to grow investment and that's what we are going for. And finally 21st century tax code that's built for growth doesn't raise taxes to bail out Washington spending problems, is my final principle here. We know that to eliminate the deficit we do need fiscal constraint, we do need to address our entitlement challenges in a major way, but we need growth and the way we do that economically in my view -- you can't do it any better than having the right type of tax reform.

Here's the good news. Under the leadership of former chairman Dave Camp and Paul Ryan we build an awful lot out of good work, significant ground work for comprehensive reform. We are going to build on that foundation this year. Just yesterday we held a full committee hearing on international tax reform. I think this is a critical first step toward overhauling our tax system and it's an urgent priority in light of what's going on around the world. When Americans go online, turn on the television each week they seem to regularly learn of another major American job carrier that's moving their major headquarters to another country. And the first two months of the year we've already heard of three major American companies that have decided to move overseas and while our sky high corporate tax rate bares much of the blame other countries have also taken actions with their tax systems that disproportionally burden American companies and ultimately our American workers.

For example, the OECD BEPS project Base Erosion Profit shifting Project has advanced ideas that will make it harder for our U.S. companies to compete and grow. Worldwide American companies are rightly concerned that this project will result in higher foreign taxes, higher compliance costs and double taxation. I think in past years we've seen on average about two inversions a year. That picked up last year. January there were three. I think we're hearing the beginning of a giant sucking sound, some of it generated by our global competitors. The bulk of it generated by a U.S. tax code that is just out of touch with the global economy that we're in today.

And so as countries around the world incorporate these ideas in their tax systems, many more companies could be forced to restructure their business operations and move U.S. activities such as research and development overseas.

The European Union state aid investigations is another area. They also threaten to impose retroactive taxes going back a decade on American businesses and we can't allow American taxpayers to foot the bill for what in my view is just a naked revenue grab in Europe and elsewhere. So here's the key: my view. A direct result of these global developments is a loss of jobs here at home for hardworking Americans. The loss of just any American global business to afford a merger or a foreign take over means maybe the headquarter jobs will move to the foreign jurisdiction. Because these companies currently have American suppliers and other local businesses that support their operations the negative impact continues to ripple through our local economy. So when business decisions are made in the new foreign headquarters foreign vendors will replace many of our American small business. So when we talk about fixing international tax reform, we are really talking about ensuring that we have strong U.S. businesses buying from local U.S. vendors and building local communities.

And I'm convinced this downward spiral when these companies leave will continue until we bring our tax code into the 21st century and that essential process starts with international tax system and reform. So I think American families, workers and job creators waited long enough for this effort. Ways and means committee is ready to deliver on it and while we are laying the foundation for overall reform in 2017 we think there is an urgency I believe to act in some space in international tax reform this year.

With that, David, and if I could just stop and take easy questions from these guys as you promised.

MR. WESSEL: All right. That's not exactly what I said. The reason I really like having members of the House here rather than members of the Senate is no member of the Senate has been able to speak that briefly ever. I mean that's why there's more Tweets from the House than the Senate because the Senators can't figure out how to say anything in less than 10 minutes, let alone 144 characters. So is it your intention Congressman to try and do international tax reform this year?

MR. BRADY: It is and my thinking is we're working off of a strong foundation that was already laid and there's an urgency in this area. I think there is bipartisan support for it. I was even encouraged by Secretary Liu's comments in front of our committee about even a very difficult political environment he believes there is bipartisan effort to address this and so what are the elements of that? I think the most urgent one is the need to move now to a territorial system -- an exemption system that lowers those tax gates permanently and allows those dollars to flow back into the United States. For a couple of reasons. One is no one has yet convinced me why a dollar left stranded overseas is better than a dollar brought back home to be invested in America for any reason. Secondly it sends a strong signal I think to businesses in America that we're dead serious about overall tax reform. We're not going to leave pass throughs behind. We are not going to leave rates behind. In fact, my experience from working through the camp draft and in the work that then Chairman Ryan did on international tax, frankly I'd like to be able to address territorial so we can focus on lowering those rates and getting to a far more competitive system.

MR. WESSEL: Well, most of the proposals on territorial have some kind of a tax -- a one-time tax on profits overseas and would you use that revenue to help address the pass through rates, is that what you are saying?

MR. BRADY: Right now, I think we ought to focus on how do we get the policy right for bringing those dollars home and let companies deploy their capital where it most allows them to grow. I think if we get that policy right we can have a discussion of where that revenue goes. For me it would always go to lower rates or make the code more competitive. I know if this is to be bipartisan other members have different ideas of where that should go. Let's have that discussion. But first let's get the policy right on the territorial side.

MR. WESSEL: Bill Hoagland said in an earlier panel that he was concerned -- although he shares your concern about how screwed up the corporate tax code is and the damage it's doing -- that in a very populist year it will be very difficult to explain to people who are worried about their own taxes why Congress has made a priority of cutting taxes for big, multinational corporations. How do you see the politics of this?

MR. BRADY: I don't know of any one American who isn't worried about American companies leaving America and headquartering overseas and while they may not understand what an inversion is, people in my community understood a local business who was our corporate citizen of the year announcing just months ago he's inverting to Canada for a number of key, competitive reasons. They get that we are not competitive and they are concerned -- in this case I think local jobs will stay, but they are concerned about what happens there. In my view we can make the case that bringing those dollars home and reinvesting in jobs and research and plants and equipment here really matters.

MR. WESSEL: Another thing that came up before you came in was what all of the people identified as a huge disconnect between what people are hearing on the campaign trail from the republican candidates and what they are hearing at hearings like the one you had yesterday. And in particular the point was made that each of the leading republican candidates has tax proposals that by the tax policy center estimates would reduce revenues by trillions of dollars over the next decade end even if you did dynamic scoring and took what joint tax and CBO are likely to say at the top end of what this might do for growth would still be major revenue losers.

If we get a republican president and if that person has campaigned on six, eight, nine, ten trillion dollars of tax cuts, how are you going to manage that in ways and mean?

MR. BRADY: Here's my thinking. One I think it's really encouraging that each of the serious candidates has a serious tax reform proposal. Not all of them are fleshed out so that you can really estimate exactly what they achieve, but I think it's clear that especially on the republican side a new president is going to make this a top priority. That's very good news. Each of them have very different areas that I think are very pro-growth, so they all have something I think that's worth looking at. And my thought on the revenue side of things that revenue neutral within dynamic scoring.

So a real life analysis, a rational economic analysis of tax reform will bring us I think the space to be very pro-growth, but I've said very clearly we are not going to leave growth on the table if we are off a dime or two. We are going for the growth and the opportunities. I think within dynamic scoring that gets us to where we need to be. But if we do…

MR. WESSEL: That dynamic scoring that joint tax and CBO have discussed there is no way that the republican candidates are going to be revenue neutral.

MR. BRADY: Each of those provisions and I've got every one of their proposals in my briefcase as we speak -- going through that there are elements in each one of them that are I think very pro-growth. So we'll go from there.

MR. WESSEL: You mentioned in a political point that you made, where you said that incremental changes that get you mediocre tax reform are as politically difficult as comprehensive reform which is maybe the most encouraging thing I've heard lately. Explain that to me a little, because it seems to me the problem is as you well know that when you do comprehensive reform there are lots of losers. There are people who are gaming the system, there are people who love those deductions and credits you want to get away with. There are some businesses that like the current international code because they find a way to exploit it. Do you have a political strategy for doing comprehensive reform, recognizing that you are going to have a lot of enemies and in a Congress that seems very polarized and very difficult to get things done?

MR. BRADY: Tax reform is always difficult. That's why it happens once a generation. And I would alter my remark in this way: it's more politically difficult to do a mediocre tax reform than it is to do something that gets people excited about being competitive again. It's incredibly difficult. My point is not all of the deductions, exclusions will go but not all of them will stay and each one is going to be weighed on how much does this grow the economy? How much does this grow paychecks?

It's all going to be rather than focus merely on tax policy, it's going to be on economic growth and that's where we want to drive this discussion. But look we don't go into tax reform with rose colored glasses here. We know it's hard, but you've got to find a way that the average family understands why simplifying the code is better for them.

MR. WESSEL: And how important is it for you to look forward a decade and see the deficit shrinking and the debt stabilizing or coming down? Revenue neutral with dynamic scoring is a good thing if it gets the economy growing better, it doesn't do much to reduce the future deficits. So do you look at taxes won't help us reduce deficits and you think you can do it all on the spending side?

MR. BRADY: Economic growth is the key. I think you get halfway back to a balanced budget through spending cuts, to actually finish that job and having strong enough growth to start paying down the debt you need economic growth. You really need both of those, so fiscal constraint both in discretionary and getting our financial house in order on our entitlements really critical, but you've got to have growth because the difference between what we are seeing now two percent plus versus what we've been doing for half a century three percent plus is dramatic.

In fact over 50 years random numbers of adjoining comp committee I think having just that slow a growth reduces our federal tax revenues by 90 trillion dollars over that period and reduces our economy by a third, so growth critically important for not just financial stability but for balancing our budget.

MR. WESSEL: Are you suggesting that the only tools that the government has to get faster growth are our tax cuts? That there is nothing on the spending side that might do that?

MR. BRADY: I think on the regulatory side certainly. I think more free trade is critical to the economy. I think a sound dollar that focuses on not stimulating so much as protecting the value of the dollar over time -- the strength of the dollar over time, all those are critical. Tax reform alone won't do it but it's a critical part of that.

MR. WESSEL: But spending on infrastructure -- on education and kids do you look at those as quid pro quo.

MR. BRADY: All of those. Absolutely. They are. And I'm one of those that believes if those changes are big enough we ought to do dynamic scoring in those areas as well. I don't have any problem with weighing what the impacts of these investments are rather than the estimates we get. Sometimes they are dramatically overestimated, sometimes not. If the changes are big enough, that can capture dynamic scoring, let's use it.

MR. WESSEL: I think we have time for some questions. Fred Goldberg do you want to start?

MR. GOLDBERG: Thank you, Congressman. This topic to date has been about tax policy, but the other side of all of this is administration and the internal revenue service and if you could comment briefly on that side of your portfolio. There are many of us who live in that world that believe the systematic underfunding of tax administration, the ultimate folks suffering from that are taxpayers and I certainly appreciate the issues with the IRS, but if you could talk about that side of your responsibility that would be helpful.

MR. BRADY: I long for the day when the IRS was truly an independent agency, where I frankly couldn't tell you which party the commissioner was from, when they were in our office twice a year talking about their challenges on customer service. Those days seem like a quaint memory. I think the IRS has lost credibility through this process and continue to because they simply won't address those issues and I think the moment they start to in an independent objective way I think you will see support for stronger customer service. Our argument would be they have spent their money poorly that they have, invert it for a number of areas they shouldn't be in and take money and key funds away from customer service to what I would say are more political uses. And so, one, they need to do a better job of what they have. Two, when they restore credibility I think there will be bipartisan support for the resources.

MR. WESSEL: What are you talking about here? I mean really. There's an incident on the 403b or whatever it was, you think the agency is now politically motivated?

MR. BRADY: Yes, I do. Far too much. Not the rank and file members to be honest. But frankly provide our tax folks and small business, they might be busting their tale, but yeah, I think the agency has lost credibility. I think they can get it back and I think it's not just one incident. I think frankly as an implementation tax there is the affordable care act. There have been real problems. I know in our efforts to try to literally just open the books and see what happened, let's make sure no American and I don't care what party you are in, is targeted based on their political beliefs. You can't allow that to happen, but you create a new culture there, a new openness towards Congress you'll see some different (inaudible).

MR. WESSEL: And how do you -- is customer service included, enforcement and auditing and all those things that all of us hate, but some of us believe are essential?

MR. BRADY: It has to be. It's essential. The question is NGO just did a series of reports as you know about the auditing practices at the IRS and revealed the number of areas where it's just far too open to political considerations rather than the driving of the actual audits themselves and so we're trying to close those loopholes and

I'm anxious frankly for an IRS Commissioner who I don't know whose party they are in who runs that agency differently than what we have today.

QUESTIONER: I'm encouraged to hear that you want to do international corporate tax reform first. I agree it's a big problem. One of the real challenges is if you are able to reduce the corporate rate to 25 percent by using some of the revenue that you get from international tax and closing other loopholes, the tax -- the pass throughs don't -- feel they don't get a benefit from that and I was wondering how you are going to deal with that issue. Are you going to leave that to another year?

MR. BRADY: I think it would be difficult, one, to generate enough revenue from territorial system to dramatically lower corporate rates without huge tolls on those dollars coming back which is counterproductive in this process.

We want those tax gates to be lowered and affordable, make sure that money flows back. I'm thinking more about having that discussion on where we use those revenues whether it's on the corporate side, the pass through side, reserve for comprehensive reform. All of those in my view are pretty positive directions. I know the democrats feel strongly about more investment, more infrastructure, more areas like that. Again, let's have that discussion once we agree on the right policy on how we bring those dollars back.

It needs some work but there's bipartisan interest in approaching that. We've looked at the innovation box obviously because it's worked in Europe and selected areas coupled with lower corporate tax rates. It made them very innovative. The initial drafts were received with an okay response. A lot of feedback. Truthfully as we lay out drafts we get smarter every time. Every time Dave Camp and Paul Ryan -- others lay out a draft in a certain area the feedback we get we just get more clarity on how this complex code fits and how their competitiveness around the world, how they view it and so we are going to take a look at those things.

MR. WESSEL: Can I ask you about a comment you made about the OECD and BPS where you made the point which a number have that the Europeans seem to be interested in raising their tax rate revenues from our companies at our expense, but the way you frame it suggests that there is a competition between the governments to see who can get the jobs and the tax revenue. Do you think there is any way to have an international effort to make sure that the companies pay taxes somewhere? Do we have any common interest with the other OECD…

MR. BRADY: I think the overall BPS approach is exactly to that point, when you -- they've also sort of evolved from that. To recognize there are a strand of profits around the world, why not grab it for ourselves and as we are doing it let's make changes in our own tax code that draws that investment because the nexus part of base erosion -- having something in that country -- drives more investment and more location and more R and D overseas. I don't blame them totally for the sucking sound. We are equally responsible but part of the hearing yesterday made the case if you are ignoring this confluence of tax changes around the world you are ignoring something that's a real risk.

MR. WESSEL: Right, but do you see any way to work with your counterparts overseas rather than a zero sum game against them?

MR. BRADY: We are in a competitive world. They are not lowering these rates for fun. They are doing it to increase jobs and investments. Attract it and if we don't engage ourselves we are going to see not just our jobs base, but we are going to see our tax base go overseas I think.

MR. WESSEL: Bill Gale, do you want to ask a question?

QUESTIONER: Thanks, the ways and means has an enormous portfolio including not just taxes, but social security and Medicare. That's got to create a lot of work but it also creates the option for deals. I was wondering if you could talk about the idea of a fiscal grand bargain involving taxes and entitlements and how that might work through ways and means.

MR. WESSEL: Because comprehensive tax reform isn't ambitious enough.

MR. BRADY: I'm not a fan of the grand bargain approach simply because to your point each of these areas is incredibly substantive and difficult and it's not hard to put so much weight on a swimmer that they sink. And I think that tends to be what happens in these areas. I am certainly for tax reform. We are going to have a lot on our plate just moving this. Even if we are taking a first step and that leads to overall and there is resistance as you know to that as well.

We don't know how far we can move some element of pro-growth reform this year, but we are going to try it and we are also going to lay the foundation for overall reform. And then to you second point. There is no question a portfolio ways and mean on trade, welfare reform, social security and Medicare -- we're actually in the Medicare area going off some momentum, fixing the way we pay our local doctors, transforming the future into offer procedures and more on quality was the first and most important step to saving Medicare in the long term.

Now the second step is doing the same reassign with the way we reimburse others within Medicare and then the third I think final step on Medicare is to create more options for seniors, one of them is Premium Support, a tailored Medicare plan that works for you in retirement. So we've sort of layed out in ways and means a three step approach to how we tackle Medicare which is not the 800 pound gorilla -- say it's the 1,000 pound gorilla in our budget. It's going to take a lot of work to do that.

QUESTIONER: Two questions. The first is on repatriation of funds held overseas by corporations. Any tax that would be levied on that would be a windfall of a one-time gain, it wouldn't continue forever. If one uses that revenue to finance cuts in rates that is forever, so even if things are balanced within the revenue estimating period that measure would bake into the cake and increase in deficits in the future. Does that cause you concern? That's question one. The second question refers back to entitlement reform. Usually that's a softer way of saying cutting benefits. Do you mean it in that fashion? If so how would you cut social security?

MR. BRADY: Why don't we reverse it? Why don't we start with Medicare? Medicare clearly not built financially for the long term. Hospital Trust Fund being the first one in a decade. How we use those revenues is increasingly more important. What we are seeing are major changes in the way providers actually use Medicare dollars. We are moving dramatically closer to value based reimbursement. The quality of care carefully coordinated, the reverse of the old school thinking which is cost controls out of Washington, mandates, the government micro-managing every moment of your healthcare practice toward sort of the 21st century approach which is more competition, more quality, us actually stepping back and you taking on more risk and reward for providing quality care. Those 21st century solutions are coming, are already happening. I would say 25 percent of our healthcare sector are already there. We are going to need that type of innovation to stretch the Medicare dollars.

A good example most of our healthcare is regional, you are seeing these great innovative models already happening. Some of whom in a year's time have served more patients with higher quality at 11 percent, fewer Medicare costs. And they estimate that they believe they can provide the same or higher quality care to patients at 20 to 40 percent less than they are getting today.

So the key on Medicare is to really drive the innovations to allow us to stretch those dollars much further and as the physicians will tell you the reforms we're making there end up with similar reimbursement totals, but a whole different way you provide quality care. So that's my thinking on Medicare reform. You are not going through line item cutting this reimbursement, that reimbursement, you are redesigning the incentives.

MR. WESSEL: He asked about social security as well.

MR. BRADY: Look, we all know what we have to do on social security. You have to gradually raise the full retirement age to 70 over the next three and a half decades or more. Means test. Wealthier Americans within social security and create a true cost of living for seniors. You do those three things and you've solidified social security for 75 years or more. I would say we also ought to explore some other options within social security that allow younger workers to invest more wisely and allow that to grow for them. But my point would be I think everyone in this room and on Capitol Hill knows that we've got to take concrete steps in social security and Medicare.

MR. WESSEL: And his other question was are we at risk of using the one time revenues from repatriation to permanent reintroduction?

MR. BRADY: First, I may not get my way. Two, permanent rate cuts work. Permanent tax changes work. Stimulus, one offs, they have a mixed result and I still am convinced, done responsibly, done right, economic growth matters to our deficits.

MR. WESSEL: I'm sorry we are out of time. The Congressman has been very generous.

MR. BRADY: Did I filibuster all the way through that deal? No, I really was trying to answer the question on Medicare and social security. There are innovative ways to tackle these things.

MR. WESSEL: I'd say if you want to filibuster you've got a long way to go. You are being much too responsive. I'm glad you are staying in the House. Please join me in thanking the Congressman and wishing him well. (Applause)

MR. GLECKMAN: We're going to hear a little bit of an unusual perspective now. I'm Howard Gleckman by the way, I'm the editor of the tax policy center blog TaxVox. And we're going to hear about the campaign and tax policy from the perspective of journalists. You get to hear a little bit about how they see the campaign, about how they do what they do, and to help us I'd like to welcome three highly respected journalists to talk about covering taxes, tax policy and tax politics. Sitting next to me is Catherine Rampell who is a columnist for The Washington Post. She writes frequently about tax policy. And interestingly enough before joining the post she wrote about theatre for the New York Times. So perhaps she brings a special perspective to our political discussion. Bernie Becker is a tax reporter for Politico and produces the morning tax report at 5:00 in the morning.

MR. BECKER: I don't sleep a lot.

MR. GLECKMAN: He's a brave man and Jeanne Sahadi is a senior writer for CNN Money where she covers taxes and budget issues among other interests. Before we get started I'd like to give you just one other quick bit of background. Political campaigns are covered by two different kinds of journalists. There are those who spend their days on the road with the candidates and those who cover policy issues raising the campaign from the relative comfort of their cubicles. The three folks joining me today are more the latter than the former, so what we are going to hear more about is the policy issues and not about the days on the bus.

Let me start with -- actually to jump off from where Ruth started this morning. We have most of the political candidates left who have proposed enormously interesting, big, huge, controversial, creative ideas on tax policy and nobody's talking about them except maybe for the (inaudible) in this room. There seems to be very little interest. The candidates themselves don't seem to be talking about them very much. I'd like to get a sense from each of the panelists what they think is going on, how it could be that these really important tax policy issues are getting such little attention. Catherine do you want to start?

MS. RAMPELL: I lavish lots of attention on them. I would say there are a few things happening here. One is that policy in general hasn't gotten that much attention this campaign, right? It's more about the personalities. This is true in political campaigns more generally, especially presidential elections. So I think it's partly that. Tax in particular as a subset of policy can seem kind of dry, no offense. I don't think it's dry but for a large swath of the public I think that's the case. And I think also when I've talked with economists, let's say, about these issues who are not focused on tax. They are interested in them but they say well it doesn't really matter so much because they are going to promise the moon today, but what whoever ends up in office actually gets done will look very different because the politics will be very different and they won't be able to just sort of fantasize about what they want to get through. So why are we really paying that much attention to their fantasy plan that is coming out now, so I think it's a combination of those two things.

MR. GLECKMAN: Bernie, what do you think?

MR. BECKER: I think if you start with the premise that there's is a policy light campaign which I think is true, the things that have caught fire are Trump on protectionist type things like immigration and trade and I just don't think tax really captures people's imagination that way. I don't think people are sort of feeling the day to day life that this is a huge threat the way maybe immigration and trade are to their daily lives. I think that's it and I think also we are debating these GOP plans which are massive and interesting but it's sort of a delivery mechanism. They are all kind of saying the same thing, they are going to give larger tax cuts to the wealthy, smaller tax cuts on down the line and so where's the difference? I mean in other issues they are not talking about a ton, but there are differences and on taxes it's more of a delivery mechanism type thing.

MR. GLECKMAN: Jeanne how is the coverage different this time than it was say four years ago?

MS. SAHADI: In 2012?

MR. GLECKMAN: Yeah.

MS. SAHADI: Well, as we talked about I think while there's potential for teachable moments in this campaign because nobody gives a hoot about these plans, it really differs from 2012 where we learned a lot about the tax codes through Mitt Romney's public mistakes. We got to teach people what it meant to have people with no federal income tax liability, how many there were and where that was going and that's all thanks to Bob Williams. Entirely Bob Williams. Lesson to the country and interestingly though that's not of interest to people any more. Trump, his plan would actually increase to something like 50 percent according to TPC -- the people with no federal income tax liability that nobody paid any attention to that stat whatsoever. I just really think this is a passion play campaign. The people who love Sanders, the people who love Trump, they are the ones coming in and making the most noise and what they are hearing has nothing to do with the tax plans really I think.

MR. GLECKMAN: It's also interesting that the candidates themselves are not talking about their tax plans and I think to some degree they drive what reporters write about and they are not talking about it, so why do you if you are a candidate check the box with this great big aggressive plan and then bury it? Catherine do you have a theory about that?

MS. RAMPELL: They did announce their plans with a big splash when they announced them. Maybe they didn't play as well as talking about building a wall. That gets big cheers every time Donald Trump says it on the campaign trail. I'm not sure tax cuts really gets the same amount of enthusiasm, but he did have a press conference when he released it. He said a lot of things that were completely wrong about the tax plan including that rich people are going to be in for a world of pain or however he phrased it which is obviously not what people who have analyzed it have suggested will be the case. But he talked about it. There were press calls when Jeb Bush released his plan and the others as well. So it's not as if they released these plans at 2:00 am on a Sunday and just buried them. They did try to have some press around them but it just seems like they are not catching the public's imagination as much.

MR. GLECKMAN: Other than the brief discussion between Cruz and Rubio about VATs what I haven't heard at all in any of the debates for example is anybody saying my tax plan is better than your tax plan and here's why. And Jeanne why do you think that is?

MS. SAHADI: I don't know. I'm surprised Rubio chose the VAT route because as I said I really don't think that the VAT should ever be discussed out loud because it's so hard for people to understand who don't do the work that you guys do. I don't know, I just don't think they are taking it very seriously. I mean I know that Rubio has a really creative plan and Cruz has a creative plan. And I can see why tax experts are excited about it, but there's been so much extremist talk in the campaign that everyone is responding to what Trump says, so that takes up a lot of oxygen, a lot of space. I don't know. I think it's pretty interesting what they are proposing, but until we get to the general election and even then I'm not sure people are going to really delve too deep.

MS. RAMPELL: I would also add on this point that touting their tax plans also highlights some of their vulnerabilities which is they are not paid for, so if they talk about the size of their tax cuts that's going to raise questions about well what are you going to do to offset those tax cuts? And they can say big growth, yeah, and hope that the question goes away, but people are going to kind of poke at that bruise for a little bit if they do talk too much about it.

MR. BECKER: This is sort of a two way street. I think we're not on the bus every day as you were saying earlier, but I'm assuming they are talking about this somewhat when they are doing it and I'm imagining that the voters just aren't as interested and so if they are not as interested why are you going to waste your time on this? And as we are saying these are massive tax cuts but they are kind of more in agreement here than they are on other issues, so sort of belaboring the point to argue over nothing and they're not sure people really care, so.

MR. GLECKMAN: Let me ask a little bit about the way journalism has changed. And there a couple of issues that are interesting. First one, Jeanne I want to start with you. When you write a story about taxes now everyone knows how many page views you got.

MS. SAHADI: In here?

MR. GLECKMAN: How much does that drive the decisions you make about what to write about? For example, you said that never talk about VATS in public. Is that because people don't read stories about VATS?

MS. SAHADI: No, especially in public discussion it's very hard to absorb. I think it's easier to read it and get the point, but I don't decide I'm going to write about every presidential tax plan that's put out there. I may focus it on what it means to you. I might focus it more on the individual side than the corporate side like what Ruth was saying; sometimes those 100 word paragraphs get sliced. We're not going to get into corporate taxes now are we? I think that the distortionary effect in Trumps plan and I think Rubio's plan would be enormous because there would be such an incentive to shift from an individual taxpayer to business taxpayer if you are going to get a much lower rate. It is a tough sell with a general audience that is still again in the thrall of candidates.

MR. GLECKMAN: Do editors say -- if you were to say I want to do a story about incidents.

MS. SAHADI: About incidents? No, I would get fired. I try to preserve my job.

MR. GLECKMAN: That's the question. Is there some sense of that's just too complicated, we can't take that on.

MS. SAHADI: If I can make it really understandable in very plain English and I can give it a -- it does have to resonate with the reader. If it's not going to resonate with the reader -- if it's about just corporate taxes than they are not a business, it's a little harder to just do that. Inversion was a tough sell even though as Chairman Brady said people do worry about a company that's leaving the country, it's not like people are up in arms about inversion in general I found.

MS. RAMPELL: I think the word choice matters too, so using incidents versus fairness or other value laden terms. I mean there is a trade-off there right? In terms of accessibility and what the connotations are or how subjective the words are. You can use a more clinical term like incidents, but you are going to turn off a lot of readers. You can use a more loaded term like fairness or inequality or something like that and you are probably going to get more readers and you just have to balance the two.

MS. SAHADI: Right, and you want to be fair to the issue, like, you do not want to skew it just to get the eyeballs because that's just irresponsible.

MR. GLECKMAN: Bernie you write for a more technical audience, a more expert audience.

MR. BECKER: Mm-hm.

MR. GLECKMAN: Could you imagine doing a story on tax incidents and who really pays for the tax increase?

MR. BECKER: It depends on what one's pitch would depend on, but I think so. I think there is an audience out there of people who are mostly in this town and mostly working on issues in the halls of Congress that care about that, but, you know, there are stories that we write that sometimes go to a larger audience and I think there has been a dearth of a tax (inaudible) because I think it is something that -- we sort of stalled for a while on a lot of things and we talk about those more technical aspects and I'm just not sure how large that audience is broadly.

MR. GLECKMAN: Catherine, let me ask about space. You write in a fairly constrained space -- 750 words or whatever it is. How difficult does that make it for you to take on issues like tax? You do it but do you ever sit there and think as Ruth was saying I'd really like to do this but, I can't do this in 700 words.

MS. RAMPELL: 750 -- plus or minus like three words. It's very tight. At least at the Washington Post. I didn't know that. Okay, I mean yes there are space constraints. It's a challenge. In some ways I think it's a fun challenge to try to figure out what's the clearest possible way I can boil this down and make this not a several thousand word treatise, but try to get to the key points that I care about and that I think readers should know about without sacrificing too much nuance. The one way that I try to tackle that is just by taking on smaller bites of the subject or rather than doing a comprehensive piece about everything that's in Jeb Bush' tax plan one thing that I did with the help of Bob -- was I looked at how Jeb Bush's tax plan would affect Jeb Bush.

And I went through and I did his taxes for him. And that was something, it took a lot of work on my end, but actually it didn't require that much verbiage in the final product and it was like a nice lens into one particular angle of his plan. What does this mean for rich people essentially using Jeb as sort of a prototypical rich person.

And just finding interesting ways to come at the subject matter and like I said smaller bites is one way to tackle these things, because I think that they are really important issues. Finding ways to give readers who don't have expertise access to these topics is important to me and I think it's a fun challenge as well.

MR. GLECKMAN: Jeanne how do you tackle that challenge? The space challenge, do you have the same constraints?

MS. SAHADI: Well, technically I don't because I write online, but the attention span online is pretty short so 750 is on the long side. Better to do it at 650. In the case of the tax plans what I tend to do is I kind of give the nut of what the plan is about up top, so if that's all you are going to read, that is all you are going to read. Then I kind of break out some of the really big elements and then what the economic effects and what the budgetary effect would be. And then I link right back to the report, if someone wants the 50 page treatise on it. It's full service. Whatever you want. You can take fast food, full dinner, whatever.

MR. GLECKMAN: The nice thing about writing online is that you can include a link.

MS. SAHADI: I include a lot of links for that reason. Again, because you guys are so great at informing us and you give us such detail and you don't want to be irresponsible about conveying that detail and you don't want to give the shaft to some really important ones, but if you can't do all of them you at least want to give somebody the option to go read for themselves.

MR. GLECKMAN: I'm curious how often do people follow the links?

MS. SAHADI: I got to ask Leo back at the office. I don't know. Yes, there are metrics that can show that kind of behavior.

MR. GLECKMAN: Let's talk a little bit more about substance. Bernie you did, I thought, a very interesting piece the other day talking about the disconnect between the populous rhetoric of republican candidates and the substance of their tax plans. Talk a little bit about how that disconnect is and how people might be responding to it.

MR. BECKER: As I was saying earlier, I mean if you look at Trump as this phenomenon it's not policy based, right? We think it's probably based on his personality -- he's the one that will take charge and sort of end this weakness that America has. If you look at his actual policies I mean he's talking about on the health care side negotiating with drug companies which is an idea on the left but something that sort of has resonance among voters and he has other places like trade and immigration. On taxes he has this sort of very standard republican doctrinaire plan and it's not that far removed from the others.

I think it sort of gets to the point of I don't think taxes are as big a deal in this campaign. Protecting the status quo, protecting people's jobs is something he's fighting for, but you don't want to protect the tax code. No one likes a tax code. You can't be like, okay, we'll just nip around the edges here. That's not his personality either. It's a weird place where this campaign -- the GOP has just decided that we're all on the same page when it comes to taxes, maybe like the last bastion of the old school of conservatism and so it's just sort of been swept aside and there are these other more populous issues that everyone seems to be concentrating on.

MR. GLECKMAN: Do you think this is going to change in the general election particularly if Trump gets the republican nomination?

MR. BECKER: I don't think we can really say. Every prediction we made about Trump has been so wrong, that I think it would be silly of us to try. If you would have told people six months ago that he would have won three of first four contests I think people would have thought you were crazy. It will be interesting to see if -- presuming that Hillary Clinton is the person that is going to be facing him, whether she's going to make more of a point about the fact this guy's tax base is going to lose 10 trillion dollars and these guys are talking about the existential threat of a 19 trillion dollar debt so how do you reconcile those? And that's the not the thing they are talking about on the GOP side, you can see that coming in when it's a general election but again if that matters in an election where it seems to be more about this sort of larger than life persona of one of the candidates I don't think we can really predict with any certainty how those more detailed parts will come in.

MR. GLECKMAN: Catherine do you think these tax issues will be more engaged in the general election?

MS. RAMPELL: It's hard to say. Assuming Trump is the nominee or even if the other supposedly more moderate candidates are even nominated, who have plans that also lose trillions of dollars over the next decade I think it's still kind of hard for the democratic nominee, presumably Hillary Clinton to focus too much on tax issues without sounding really pedantic. Right? And part of the tenor of this campaign is that we don't really like experts, we don't really like the establishment, they are all the elites, this is about going with your gut and I think that there are some very weak points in the republican candidates tax plans that if you are their opponent are worth exploiting, but I don't know how well they will play given that saying you are going to be bad for the budget and your numbers don't add up. I don't know that that really has the populist rank that you kind of need in this campaign, but like Bernie said every prediction we've made is wrong, so, who knows.

MR. GLECKMAN: But there is a different contrast too. Can you imagine, Jeanne, I'll ask you this, a debate between Clinton and Trump that goes something like this. Clinton says I am proposing kitchen table tax benefits to help you educate your kids and take care of your mom and get better healthcare. And Trump says and I'm going to grow the economy.

MS. SAHADI: He'll say your life is terrific, or I'm going to make it terrific for you.

MR. GLECKMAN: Is that a debate we are going to see?

MS. SAHADI: He's going to grow the economy and she's going to give breaks to the middle class?

MR. GLECKMAN: Yeah.

MS. SAHADI: I think it's all going to depend on Trump's mood because his response to substantive questions is pretty pat every time. His campaigns responses of the questions are completely nonresponsive in a way that I've not seen from a campaign before. I have mentioned this as well. I had asked several times could you put me on the phone with a policy person to answer questions about your tax plan? And the response I almost always get back is his plan speaks for itself. But then I talk to myself after I hang the phone up and a colleague of mine was writing about his oft made promise to bring jobs back from China. How exactly - he wanted to know. Called the campaign and the campaign basically said and she reported this in her story, it's tough to make America great again and Mr. Trump is the only one who can do it. It's very hard to report more in depth than what the proposals are. He may decide if Hillary Clinton and her strategists decide that they can get at him in one particular way and get him to respond in a way that the Wall Street Journal and the editorial person in the CBS debate tried very hard to, unless that happens I don't know that we are going to have a substantive discussion.

MR. BECKER: He's pitching his plan as more for the little guys, he's gonna tax the hedge fund guys even though they are not really carrying interest but that's another story, but it's so narrow as to be meaningless almost when he does on carried interest and people pointed that out and it goes into the ether. I think these sorts of…

MS. SAHADI: I also don't think the general public knows what carried interest is.

MR. BECKER: I don't know what carried interest is, so.

MR. GLECKMAN: So this frustration and you're hearing a little bit of it here, Catherine you wrote a column a couple of weeks ago and the first sentence was speaking to the reader, "Donald Trump thinks you're an idiot." What generated that column?

MS. RAMPELL: Just a lot of frustration with things that he said on economic policies and otherwise that just don't make any sense and so obviously don't make any sense. I think that column I was making fun of his comments on one of the Sunday shows where he says "I'm so humble, I'm like the most humble guy ever." or something like that and I was, like, is he doing a comedy bit? This is so obviously not true and yet he says these things that are completely at odds with other things he says, his plans that he puts out. That one was about his characterizations of himself, you could talk about the same kinds of themes in his tax plan where he says I'm going to - "The rich are going to pay. I'm going to pay. This tax plan is going to be so painful to me." And

I'm like -- and you look at the plan and I forget what the actual numbers are, people here will know better, but people like him will do the best of anyone else unless he secretly gets a lot of money from carried interest which I'm not aware of. Even if he does it's probably not going to make that much of a difference. He has no shame about saying things that are blatantly wrong, blatantly false, but if he says it with enough confidence then he gets away with it.

A lot of his supporters I think recognize this that he's not being straight with them all the time whether it's about his humility or his actual policy plans to the extent that they exist. But they kind of don't care because so what? And again I get back to this question I have about how do you attack him or how do you critique him even? Attack is more of a loaded word, but how do you critique him for parts of his plan that don't add up or don't make sense when he's just going to turn around and suggest that you are begin pedantic for caring that things add up or for caring that there is any sense of consistency. And it's very hard to continue to pursue those kinds of lines of enquiry about his tax plans or otherwise if his response is something that speaks for itself. What does that even mean? I don't know. I just find it very frustrating.

MR. GLECKMAN: It's interesting to me that like everybody we are gravitating to Donald Trump and I think about my years covering political campaigns, no other politician could have gotten away with this. If a politician was proposing something that was internally inconsistent, stories would appear on the front pages of newspapers and they would point out his inconsistency over and over and over again and eventually the candidate would finally say that famous question do you regret it? And he's say I'm sorry, but that's not happening this time and is part of that just because in a sense the journalists are playing his game, he's wearing them down just like he's worn down his opponents and people are throwing up their hands and saying I can't write about this.

MR. BECKER: I don't think so. I think people point it out and he just sort of as Catherine was saying he can explain it away in a very Trumpian like, yeah, no -- not true. And people just move on and I think it also sort of -- it's an angrier electorate now than it was four years ago and they're sort of like they are tired of people telling them that this particular policy and this is the way to do it, when you guys have someone who they believe is larger than life enough to actually turn the ship around. Then they'll sort of go for it and facts are secondary to that sometimes.

MR. GLECKMAN: Let me ask you -- let's flip parties for a little bit. Let's talk about the mirror image in some sense of Donald Trump is Bernie Sanders. Are the Sanders voters, do they feel the same way, don't bother me with the details I just love this guy because he's turning the world inside out and that's what I want?

MS. SAHADI: I'm not in touch with Bernie Sander's supporters per se. I know his campaign has been very responsive when we've had questions about his plans. I think regardless of what you think about his proposals, what you think about his pay force he has been very upfront about what they are and they are willing to talk to you about it. I think that the democratic party -- immediately as soon as they heard about that premium tax and raising tax in the middle class. Nancy Pelosi was like no way -- we are not doing that. It's sort of like the GOP with Trump, they are like nope no way are we doing that and yet these are the guys that have the most passionate supporters.

I think the premium tax hasn't really sunk in. Maybe people are hearing Bernie Sander's message which is I'm going to save you way more money and then I'm going to increase your taxes by -- and the free health care, free college really does resonate. I don't know. MR. GLECKMAN: Catherine any thoughts about Sanders?

MS. RAMPELL: I hear from a lot of Sander's supporters. I don't know how representative they are of all Sanders' supporters, but I have written a few columns lately about his challenges with math too. And if I can sort of impute motive to some extent I think Trump just doesn't care about whether the math adds up. I think Sanders has some policy advisors who do care, but I think that they are wrong and they are making weird assumptions about what labor force participation rates are going to do and things like that. But whenever I've pointed that out and said something to the effect of these numbers don't make sense, I do get a lot of angry emails from Bernie supporters saying you are just out to attack Bernie. You are trying to bring him down, you are an agent of the establishment, et cetera and I think that they don't hear the critique of the policy itself and take it very personally on behalf of their chosen candidate. So I do think that there is a little bit of a similar reflexive circling the wagons amongst -- again the supporters who take the time to write to me who may not be all supporters.

MR. BECKER: I think there is a fatigue generally. I'm not going to impute motive on this either, it's seven years of basically three (inaudible) and a cloud of dust policy and progress of backwards but it's playing very much in the middle and I think people are just kind of tired of that. So when you have people promise them things which we here would say I don't think that's going to happen. I think people are willing to listen to things -- that same sort of grandeur that we've been talking about for a long, long time.

MR. GLECKMAN: I want to give you all a chance to ask some questions, but I just want to switch gears for just a minute and ask about international tax. Chairman Brady was here talking about it just before. And I'm going to ask Jean and Catherine first and then turn to Bernie. Is it possible to write about international tax for a general audience?

MS. RAMPELL: It's possible, I've done it. I think you're not going to get as many readers as you would if you talk about some other tax issues or if you talk about things that are wholly unrelated to tax for that matter. Yeah, I think it's possible. I think you kind of have to find a way in that makes it accessible, that helps people identify with what you are talking about and sometimes that's through characters. If you talk about a person or a company or something like that and how they would be affected by various tax plans as opposed to more abstract only numbers based. But it's possible. Again, it's challenging but there are ways to do it.

MR. GLECKMAN: Jeanne, how do you do it?

MS. SAHADI: I think if you seize on something -- Al Sloan at Fortune made a big deal about inversions being unpatriotic and that really took off. People really picked up on that. It's unpatriotic to invert. So we wrote a story is it really that unpatriotic? Here's what the law says, here's what companies have to do. To see how people think about what the assertion is. I try to get into it that way or I know I've talked to Ed Kleinberg in the past about the myth of cash being trapped abroad when it's not really trapped abroad, in fact it can be used here in lots of ways without being taxed so in that sense to make it a teachable moment, but it's not the sexiest…

MS. RAMPELL: I do talk about using characters and some of that is household name companies, so not even a person but Burger King. And Tim Horton's. So Burger King it's this iconic American brand. I think if you can use that as sort of an entry point into talking about these issues as opposed to even like a pharmaceutical company that may have a very high market cap, but people haven't heard of. If you choose companies or people that readers are likely to have heard of. That's one way in.

MR. GLECKMAN: Bernie you've got a little different issue. You guys can cover every twist and turn about this. But is there at some point where people say not another story about another guy saying this isn't going to happen this year?

MR. BECKER: When you say can you write about this for a general audience I was like I hope so.

MR. GLECKMAN: You're out of business if you can't.

MR. BECKER: Yeah. I think if you look at what Catherine and Jeanne are talking about on some level the entire international tax reform issue fits in with the politics of the day. You've got bit name companies like Apple and whoever -- who may not face the same tax liabilities and have ways around things that the hardware store down the street has and so that sort of broadly fits in with where the electorate is in some ways and so I think you can write about it in that way and that's sort of where the debate has gone. I think people who are for this have had to really shift their message in a way to say that this isn't just about Apple. This is about their supply chain and the people who want to buy Apple and so if we don't move now those people will be hurt just as much as these larger companies and so I think in that case yes.

I think there are ways into it and the other thing is that I've been covering tax reform on the hill for five years now and I think the things that have changed in that time have been really not much if we are going to be honest about it. There are people who care about who said what today and there is that sort of move us an inch here or an inch there, but I do think people are sort of tired of this broadened narrative of tax reform is going to happen someday.

MS. RAMPELL: The boy who cried wolf.

MR. GLECKMAN: Let's give you all a chance to ask some questions. Wait for the microphone and tell us who you are and please make it a question and not a speech. Yes, sir.

QUESTIONER: I think we are all scratching our heads about Donald Trump but to me he represents a tremendous amount of anger in this country and just the other day he said, "I love uneducated voters" which I think is the most…

MS. SAHADI: Poorly educated.

QUESTIONER: Poorly educated, which is the most truthful thing I think he's said on the trail, but the point is my fear is that -- I'm going to ask this as a question to a lot of people in this room I think is that how do you get the voter to trust the establishment again? I mean how do we change what's going on in this town to make people out there less angry so that they vote more intelligently?

MR. GLECKMAN: Catherine do you want to start with that one? And by the way just to add a little something to that one, so you all are part of the main stream media and you've all got to get over that hurdle now too, so how do you…

MS. RAMPELL: I mean everybody, Megan Kelly is part of the mainstream media now too. If the right candidate turns on you, the right candidate being Donald Trump suddenly you have liberal media bias too. I don't know is the short answer. I think it's very difficult to write things that are explanatory, that rely on facts that do any sort of fact checking, without getting pelted with this sort of pedantry label that I keep coming back to.

A lot of what I do, I write opinion but I also write a lot of explanatory stuff where I'll try to explain things with my own spin on it, right? And my aspiration is to reach people outside of this room. People inside of this room understand this stuff already. Like, we're talking about tax policy. I'm trying to reach the riders in Biloxi who read my column and help them understand these issues. And it's challenging because focusing on facts has become a sign of elitism which is very bizarre.

And I guess the way to overcome that is to just try to make things accessible, to try to find common ground or touchstones that people can identify with whether it's like a sexy company or something else. But it's very challenging when expertise or facts themselves are signs of the -- are seen as tools of the enemy. In the lead up to this campaign a lot of news organizations invested in fact checking operations. I mean they existed in 2012 as well, but a lot of news organizations threw a lot of bodies at those efforts. Which initially it seemed like would hold politicians to account. They would say something in a debate and it might be wrong but there would be like fast action fact checkers who could be live blogging. Oh, know that's not true what they said about unemployment isn't true, what they said about Obamacare isn't true or whatever and it seems like it's almost had the opposite effect. That the politicians just say the fact checkers are biased because they are members of the establishment. If they say anything that I say is wrong no, you can't trust them. It's really a paradox. How do you help people understand things? How do you help debunk things that are false or shed light on things that are poorly understood without just being pigeon-holed as too concerned with the minutia, too concerned with fact? It's a very strange situation to be in and I don't exactly know the answer.

MR. GLECKMAN: Jeanne how do you break through?

MS. SAHADI: I think we're a little bit in danger, not just the media but the intellectual elites are sitting here sounding awful. The people who really support Trump they are Americans too. He's getting them out to the polls. They are voting. They are voting with their feet basically. We can't dismiss them as you just don't understand, you're an idiot. You can't do that. It's truly disrespectful to voters. The same problem that Catherine brings up, if you just -- it shouldn't be seen as that you are a traitor to the candidate if you say he said this, but really experts think it won't be quite that way and here's what they think it will do to the deficit.

It shouldn't be perceived as you're against the candidate because you can do that for Hillary Clinton, Bernie Sanders and Rubio and Cruz and Trump and everybody. I don't know that we can control for that. I can't control people's anger. You can just do your best work and put the information out there.

MR. BECKER: Real quick on that and I don't know how true this is what I am going to say, but essentially I think part of the fear out there is that the world is moving more quickly than people are ready for and I'm not sure what facts can assuage you how to fix that. That's part of the issue is that there is just this feeling outside in the world and we don't really know about it in here and so I don't know how we speak to that to be honest.

MS. RAMPELL: And people don't believe numbers right? I get conspiracy theories all the time about the unemployment rate is wrong and there is a secret hyperinflation that the government won't report and if those are the pieces of evidence that you are relying on to help people understand things and they believe that there is like a conspiracy out there to taint the evidence, I don't know what you use instead.

MR. BECKER: This reminds me of Senator Moynihan's famous phrase that we are all entitled to our own opinions but not our own facts and it appears that now we are all entitled to our own facts too and that seems to make a political debate very difficult.

QUESTIONER: Trump becomes the Republican nominee and let's say it's against Clinton, how do you think this whole talking about -- how will it change in the general election. Will it change? You are all talking about facts again, when everybody just says you are favoring Clinton.

MS. RAMPELL: Clinton doesn't feel that way.

MS. SAHADI: I don't plan to change the coverage if he's the nominee or if he's the President. I'm going to keep my job until they fire me. I hope he will talk more substantively about the issues. I think if he's elected President he's going to be -- I believe him when he says he's a negotiator. He does make deals, so when you look at his tax plan not only do I know in general a candidates tax plan never comes to fruition in its entirety or in part, but with him as president in particular I can't believe he won't be cutting lots and lots and lots of deals. It's not going to be nearly as big or misguided as people may think his plan is now.

MR. BECKER: There is a sense in the establishment and I could be wrong again that essentially he doesn't know much about policy so if you get him in the office maybe he won't be as -- maybe he'll be more open to ideas that Rubio or Cruz wouldn't be because he has never studied this stuff before. I don't know if that's true or not but we've heard that before.

MS. RAMPELL: He's going to get the best people. The terrific people.

MS. SAHADI: But he is smart enough to win this and we have to keep that in mind. We have outwitted everyone so while his experience may not be on the policy front it's a danger to us to underestimate his capacity.

MR. GLUCKMAN: Let's hear from another former IRS commissioner, Fred Goldberg.

MR. GOLDBERG: At great risk I would like to ask you three personal questions: One is do you think this alleged anger of the poorly educated is not justified, second: do you think the establishment is deserving of unquestioned trust and faith, and the third is the comment about facts and I don't mean to pick on anyone. It is factually accurate the way you portrayed the impact of (inaudible) proposal on his tax returns. You think that is a truthful description and portrayal of his proposals? You don't have to answer any of these questions.

MR. GLECKMAN: Or you can answer any one of them if you'd like. That is actually an interesting question that journalists wrestle with for a long time about the difference between facts and truth. And I don't know if anybody wants to tackle that. You are channeling your inner Hunter Thompson who used to make that argument all the time. Anybody want to tackle any of Fred's questions?

MS. SAHADI: More broadly I can't speak to the anger of a particular demographic, but I do think what I see in reader comments and people I talk to for stories is that the anger against the top one percent and the anger from the top one percent have ratcheted up a lot. And I think that the anger of the top one percent being portrayed as these greedy monsters that doesn't really get enough play frankly because every time I hear that from both sides I think -- well guess what lawmakers from both sides made this dumb tax code. You all can take advantage of it in different ways and guess what the middle class aren't over taxed and they have plenty and plenty and plenty of tax breaks. Yeah, they may be badly targeted and all of that but I think everybody's a little too angry about their own situation broadly. I can't speak to the poorly educated; that's not my bailiwick so.

MR. GLECKMAN: Anybody else want to tackle this question about the elitism of journalism? Are we part of the establishment, are you all part of the establishment?

MS. RAMPELL: Yeah, I think I am. I work at the Washington Post. I'm not at an alt weekly. I'm at an old brand that carries certain connotations and to your question about should we have unquestioning faith in the establishment and expertise? No. And certainly there is a lot of deserved anger I think about experts missing. Major catastrophes including the financial crisis which is part of the reason I think people are so reluctant to trust the experts. But I think it's partly that, it's partly sort of talk radio and the consistent pummeling of the elites. I think it's justified but there is also some hyperbolic rhetoric there as well. That said I don't know that the alternative is to just throw out everyone, not listen to anybody who has a PhD or whatever. Which seems to be where we're headed right now.

I think you can take what experts say, take what the elite say, people in the establishment say and take it into consideration and try to use judgment. That's why politicians themselves are generally not expert on some issue. They have advisors, part of what you are voting for is someone with sound judgment who can sort out the advice that they are getting which may be conflicting. There is no one handed economist for example. You want somebody who has sound judgment, but they should be taking under advisement the advice that they are getting and that's what worries me that we are -- there's this wholesale rejection of anybody who purports to know anything about anything and instead we should just kind of go with our gut and say well the plan speaks for itself or the candidate speaks for himself and that's what's worrisome to me. I don't know that it's an either/or. It's like you either have to trust everything that Harvard professors say or trust nothing that they say but it seems like we've swung too far in the opposite direction.

MR. GLECKMAN: Time for one or two more questions. Diane you had one?

QUESTIONER: I'm Diane Lim, I'm with the Committee for Economic Development. I was wondering if the panelists thought that the reason why people distrust or label fact based analysis as part of the establishment or the elite is because of the kinds of facts we're presenting to the American public and the analysis we do. That they are very hard for regular people to understand because when we talk about all these costs of these big tax cuts we are talking trillions of dollars over 10 years and to the average person it doesn't mean anything. Both because it's such a large number and also because I think a lot of the American public thinks that what the government is arguing about or what the politicians are arguing about it just a Washington D.C. thing and it has absolutely nothing to do with their own lives.

And so I'm wondering if the answer is for we establishment and elite type analysts to start doing a more careful job at translating our analysis into terms that ordinary people can understand and not just all the rest of us who always talk to each other and always listen to each other.

MR. SAHADI: It would be super helpful for us because we have to do that anyway, but I didn't have enough coffee this morning because talking about the establishment automatically sets up this group that -- I really didn't have enough coffee I'm sorry. I think the people should be respectful of knowledge and expertise and experience. I also think we should be careful of what we call facts. I mean even when we do -- Tax Policy Center does an amazing analysis but they are all estimates, it is their best judgement directionally of where something is going and I feel much better about it when it sort of parallels what others have said even if the numbers are different, so I'm sure I've made the mistake of presenting it as facts and I shouldn't. I should backtrack and say this is an estimate and here are their assumptions and you could look at it a different way. I don't think you could convince all of the people all of the time that something is important or useful.

MR. GLECKMAN: You have the last word, thank you all very much.

(Applause)

MR. BURMAN: Thank you. Senator Ron Wyden has spent 35 years serving the citizens of Oregon. He was elected to the U.S. House of Representatives in 1981 and to the U.S. Senate in 1996. He is currently the ranking member of the Senate Finance Committee and has also served as chair.

Senator Wyden is known for his bipartisan approach to legislation. He co-sponsored tax reform legislation with Senators Judd Gregg and Senator Dan Coats, and Medicare reform legislation with Paul Ryan, for example. He's not afraid to stand up to the Obama administration or congressional leadership. On his Twitter page he opposes the FBI's demand that Apple help the government hack a terrorist's iPhone and he rebuked Senate leadership for refusing to consider a nominee to replace the Supreme Court Justice Scalia.

Besides for his intellect and passion for good policy, the thing I like most about him is that he is an optimist in a city where cynicism often passes for wisdom. He believes that bipartisan tax reform is possible and he's in a position to help make it happen.

Finally, my favorite fun fact about Senator Wyden, he holds the unofficial congressional free throw record, making 47 out of 50 baskets in the House gym, which is especially impressive given that his former colleague, Senator Bill Bradley, was an NBA Hall of Famer and one of the better free throw shooters in NBA history. Senator Wyden is a much better basketball player than I am, has been a tireless champion of bipartisan tax reform, and is never boring. It is a great pleasure to welcome Senator Ron Wyden. (Applause)

SENATOR WYDEN: What an inflationary introduction. (Laughter) The tall guy's caucus always sticks up for each other. And Len, thank you. Thank you for inviting me. I'm going to make this a filibuster-free zone today and just offer up a few thoughts to get us going and then I think we're going to have plenty of time for questions.

Obviously, the presidential election is now only eight months away. And I think it would be fair to start by way of saying that on the home front the dominant theme is anger, anger particularly about where we are in terms of our economy and millions of Americans are simply feeling disconnected from our country's growth engine. They just don't feel that they're a part of it.

And I would just say when you kind of strip it down, there's anger at the disappearance of good-paying jobs in industries that were once the pillars of the economy; anger at the cost of child care, housing, and college that just keeps soaring through the moon; anger at having to stretch every paycheck; and anger about how you just never get ahead and you can't build a nest egg. And I want to start today by saying that when it comes to this country's tax code there is a lot to be angry about.

And I want to begin by saying that it's my view that our country on taxes is offering a tale of two tax codes. There is the involuntary system that most of our people deal with. If you work the line at a factory or put in a 9-to-5 at a cubicle in an office building, your taxes come straight out of your paycheck once or twice a month. There are no special dodges, no clever strategies, no cutting corners to escape paying what you owe.

Now there's a different system for the well-connected, one that has been worked by clever accountants and lawyers at fancy, white-shoe firms, and it's got a full array of tax-dodging schemes. You can call them wash sales or collars or swaps or derivatives, but slippery definitions of capital gains and income abound. And make no mistake about it, under this part of the tax code with the right advice you can pretty much pay what you want when you want to.

So building on a report I released last year on how tax pros game the system with sophisticated financial instruments, I'm now working on legislation that goes after this issue head-on, goes after it and fights inequality in our tax code as represented by this tale of two systems. It's all about ending a system that, in my view, has a great disparity between taxes on wages and taxes on wealth, and it's all about cleaning out the complicated web of rules and loopholes that just is wildly unfair to the typical American taxpayer.

The spotlight of the presidential campaign has begun to shine a little light on this unfair, overly complicated system, and I'll start by telling you it absolutely has to change. And it's important as we begin this debate to remember that Ronald Reagan, nobody's idea of a liberal, signed a law that equalized the treatment of income from wages and wealth.

But if you hop online today and you read the details of the tax plans that have been released by the Republican presidential candidates, you will see unbelievably regressive proposals with astronomical price tags of trillions and trillions of dollars. And so here's my take on where those campaign proposals are going: I have a better chance of playing in the NBA than these multi-trillion-dollar tax giveaways have of passing in the United States Senate.

The tax code is an overgrown infested mess. There are cobwebs of complexity woven into every one of the dark corners. That complexity, in my view, is what drives so much of the unfairness and the inequality, and it is slowing down our economy. The answer is not to hand out trillions of dollars to people who don't need the help, as the Republican presidential candidates have proposed so often.

The answer is to drain the swamp, folks. It's to clean up the tax code in a way that gives all Americans a chance to get ahead and strengthens the economy. My view is you ought to start with radical tax simplification. By radically simplifying the tax code in key ways, policymakers can go a long way towards ending this unfair two-tiered system and addressing many of the codes chief problems. So let me take just a couple minutes to talk about where the country and the Congress ought to look.

First, let's talk about saving for retirement and paying for education. I believe young parents just starting out should not have to spend days and days trying to parse the difference between the many types of retirement savings vehicles. I sponsored a bipartisan bill a few years ago to make the choice of how to save for retirement simpler and I continue to look at ways in which to develop bipartisan approaches to make it easier for working families to save.

And I believe those same young parents, when they're thinking about trying to pull together savings for youngsters who will go to college should not have to go through dozens of calculations to figure out which tax incentives are going to deliver the most benefit. Now that the American Opportunity Tax Credit, one of my priorities, has been made permanent, Congress ought to take the next step to simplify our entire portfolio or education tax incentives to address three concerns: help people save, cover tuition costs, and pay their loans.

Second, I think it's time to clean up the business tax rules because obviously it's not just on the individual side of the tax code that is too complicated and too unfair. There are enormous challenges to address with business taxes, as well.

For one, I believe that an entrepreneur's ingenuity and sweat equity are much better spent growing their company than shuffling through paperwork in order to figure out how to comply with arcane accounting rules. Starting and running a small business shouldn't require an applied mathematics degree. And as those small firms mature and grow, they shouldn't have to spend half the year or more working through the math on depreciation. So I am developing a proposal that will simplify that system, as well. Instead of 100 sets of depreciation rules, I want to get it down to a handful -- a handful -- that are easy for our businesses to work with. And businesses ought to be able to average out the useful life of their equipment instead of having to use a separate schedule for every single item in their inventory.

Next, let's turn to energy for a moment. I believe our tax code ought to be centered on the goal of helping to build a fairer and more affordable low-carbon economy. But today, the code has a byzantine, uneven patchwork of more than 40 different tax breaks for various technologies, fossil and renewable. They've all got their own rules. They've all got their own definitions. Some technologies get a lot of taxpayer investment; others don't get much at all. Some breaks are permanent; others are temporary.

So I have already proposed legislation to go from 40 energy tax breaks down to 3. So we're eliminating well over 90 percent of the energy tax breaks and we would have 3 based on commonsense goals: cleaner power, cleaner transportation, and greater energy efficiency.

This approach would not only cut down the number of energy breaks, but my hope is it'll be particularly appealing to both sides of the aisle, including Republicans, because we cut the cost of current energy tax incentives in half. And at one point I was chairman of the Energy Committee and I heard a lot about energy subsidies. We're proposing to cut them 50 percent. You'd energy policy far simpler and it would put the country on a road to a low carbon future.

Now let me turn to the question of the international challenge that I know you've been talking about with some of my colleagues already. Today's international tax system, if unchanged, is going to siphon much of the gas out of America's economic engine and just send it overseas. My view is it ought to be replaced with a system that encourages Americans to innovate here, to make things here, add value to them here, and then sell them to the 95 percent of the world's consumers who live outside the United States.

Our international tax system now traps capital overseas instead of drawing it back home. Against all common sense, it creates unjustifiable tax windfalls for companies that move to the Isle of Who-Knows-Where. There they can produce and manufacture, again abroad, sell their products back into the United States.

And the biggest danger of the international tax system, in my view, is that it drives bold entrepreneurs with transformation ideas from the United States. And I have a very real concern that if nothing happens, nothing happens to the status quo as it relates to the international side of tax law, our best and brightest are more likely to build the next Silicon Valley between Oxford and Cambridge than between Eugene and Corvallis. So here are my principles for international tax reform.

First, our corporate tax rate has to become competitive again.

Second, the code should attract investment to the United States and reward those who create red, white, and blue jobs, not those who can game the system.

And third, international tax reform must yield real revenue for infrastructure investments in our country.

In my view, an international tax reform plan built around these principles is something that could be called a territorial system without the gaming. The right set of anti-abuse rules can crack down on mind-numbing strategies, like the double Irish with a Dutch sandwich, and end the race to the bottom. A code that eliminate barriers to investment and helps the United States compete will strengthen our economy and create good-paying jobs. And as long as the rules are tough and there's revenue for infrastructure, this is a proposal, I believe, that can bring Democrats and Republicans together.

For example, the Finance Committee's bipartisan Working Group on International Reform, led by my colleagues Senator Schumer and Senator Portman, basically agreed to this framework that I've just described. Chairman Hatch and I knew that Senators Schumer and Portman would be able to move the ball forward. That is why we asked the two of them to lead the effort and it's my view that they made very real progress in their work.

Now, with that said, I think there is no doubt that with election year politics, you're not going to do a complete tax overhaul between now and the end of the year. I also feel that Congress is not just supposed to take a year off, and that's kind of guided some of my thinking in other areas that Len mentioned.

I don't think the Congress can afford to wait until 2017 to address several of the immediate challenges, particularly the ones on the international front. It is vital that Congress triage the inversion virus and the ramping tax gaming that we have seen that erodes our tax base. You simply cannot ignore the way inversions and other M&A activities have infected the American economy because it is an election year. With firms that have already inverted now gobbling up more American companies, there is a dangerous type of feedback loop developing. It threatens to winnow down our tax base more and more. And as that happens, it's going to get even harder for policymakers to make fiscally responsible business tax reform that's going to deliver any sort of meaningful boost to our economy. The Congress has got to take steps to deal with this emerging crisis and there are a number of ideas that deserve consideration.

For example, it's my view that the foreign company on one side of an inversion ought to own much more than the 20 percent of the American firm it's acquiring. The Congress ought to increase that requirement to 50 percent.

In addition, it should not be so easy for inverting companies to bend the rules around transfer pricing or to strip the value and earnings out of an American firm by loading it up with debt, which, of course, American taxpayers would end up subsidizing. And I think our tax laws also ought to be tougher on what has come to be known as spinversions, hopscotch loans, and other games that enable merging firms to head for the exits without paying their fair share.

So I am putting together a proposal on this front that would combine many of these ideas into one package to crack down on inversions and the tax games so as to preserve our tax base as we look beyond this inversion virus to broader reform. The fact is the inversion virus has once again leaped from the back page of the Business section to the front page. Americans who see the headlines understand that much of this is a symptom of a very diseased tax code and it is a bad deal for taxpayers in Oregon and across the country. But an international reform plan that ends the gaming, invests in our crumbling infrastructure, attracts more investment, and creates red, white, and blue jobs is one that I think the American people will rally to.

Now, I want to wrap up, when I was coming in Len and Bill said, Ron, try to be positive. (Laughter) You know, we heard all these -- oh, my god, doom and gloom, Western civilization is going to end. I continue to be optimistic that there can be bipartisan tax reform. Hammering out the details, getting people together on the final numbers is not going to be a piece of cake, but I do believe that there's an opportunity to create what I call principled bipartisanship.

You know, bipartisanship is not about taking each other's bad ideas. Principled bipartisanship is about taking each other's good ideas. And against all of the odds -- all of the odds -- Democrats and Republicans figured out how to do it last December to pass a major tax agreement that delivered some real fairness and certainty.

Now, the parameters of that December agreement would have just seemed like an absolute impossibility just six months before. And you might know that the last tax bill essentially before this had a shelf life shorter than a carton of eggs, so you get a sense that people's kind of expectations were sort of down. But the December agreement worked out because of the approach that Democratic negotiators and

Republican negotiators took to the job at hand. The end of the year agreement proved that Congress does not have to just automatically speed towards a fiscal cliff to reach a significant bipartisan agreement.

When the talks began on this particular tax challenge, the members did not just go to the mat over the dollar figures or the baselines and all the things that automatically get elbows flying around. What we did is try to focus on some principles, again, not unlike what was done in ’86, where people said, look, there are some specific priorities we have to have. Let’s see if we can forge a bipartisan agreement, again, around taking each other’s priorities that happen to make sense, not ones that were bad ideas, but happen to make sense.

So last December, my Republican colleagues pushed for certain business tax breaks to be made permanent. And this, of course, was part of the stop-and-go incentives that have gone before and are known as extenders. And in talking to my colleagues I said, you know that research and development tax credit? I think that’d be a real win for everybody because you already heard me talking about small business. And the research and development tax credit often goes to pay the wages for the high-skill kind of jobs of the future. Marco Rubio drinks water, I spill it. (Laughter)

And what we said is that we were going to get away from this kind of approach of just stop-and-go on a number of the key kinds of priorities. And we said that if Republicans were going to get their priority on permanent business tax cuts, we wanted the same thing for working families. That’s how the agreement worked out. We said we needed the provision for the Earned Income Tax Credit and American Opportunity Credit and the Child Credit. The Republicans said that it was important to them to have those two provisions in particular that I just mentioned. But everybody walked away with several reforms that, in effect, also set the table for tax reform in a comprehensive way and that would really respond to concerns that the American people have.

I mean, I have been telling working families now for months that other than the Affordable Care Act, the provisions that I just described, which affect 50 million people who are part of working families, that is the biggest anti-poverty program that the Congress has passed in decades. Other than the Affordable Care Act, there isn't anything that's even close. That was a real shot in the arm for working families. And as far as tax policies are concerned it was the biggest bipartisan deal since 2001 that wasn't driven by some kind of legislative crisis.

So put me down as looking back at that November/December period when Congress kind of defied the odds and everybody thought, well, we'll have another extenders bill on the last two weeks, three weeks. But, as I say, I think the analogy to the last one being shorter than a carton of eggs summed up the disgrace that this has been, where nobody has any predictability and certainty.

So the Congress coming back to this now has the work of this last November and December as a blueprint for broader reform to clear out the complexity. And my view is you start by radically simplifying the tax code, which takes you off with a strong start to building a better and fairer economy, one that gives everybody a chance to get ahead, and you keep going from there. And we're going to get as far as we can this year working with the Obama administration and the next president to see these reforms through.

And notwithstanding having damaged some of the property up here, let's go to questions, softball questions especially welcome. But let's talk about what you're interested in for a few minutes. (Applause)

MR. BURMAN: Senator Wyden, thank you so much for your remarks and I look forward to seeing the bipartisan tax reform bill that comes out next year.

One thing that struck me when you were talking about going to a territorial system, which actually I think is probably in our future, whether we decide it's a good idea or not, just because it's the way the rest of the world has gone, is that it seems to be going in an opposite direction from the Democratic leaders. Both Clinton and Sanders -- well, Sanders would repeal deferral, which is going in the opposite direction and saying we're going to tax all worldwide income currently. And Clinton does a lot to just try to bolster our current system, including some of the things you talked about trying to stem inversions. How do you get your Democratic colleagues to sign on to a territorial tax system?

SENATOR WYDEN: Well, first of all, Len, I am not talking about anything that resembles a garden variety territorial system. I'm starting with competitive rates and rewarding red, white, and blue jobs, and getting rid of a lot of the incentives that tilt the landscape towards doing business overseas. And, in effect, what I have just described is not very different than the bipartisan tax reform bills that I've written with Judd Gregg and Dan Coats.

What I have described does not resemble a garden variety territorial system. It is quite different. And the reason I've called it territorial without the gaming is to make sure that everybody understands that territorial as it's proposed now will not win any support or any substantial support among Democrats because what it does is basically says let's just keep going and create the incentives for doing business outside the United States. But competitive rates, rewarding those who create red, white, and blue jobs, and getting rid of some of the incentives for doing business overseas, in my view, could be called territorial without the gaming.

MR. BURMAN: Can you give me just an example of what you mean by rewarding businesses that create red, white, and blue jobs where you're talking about new tax incentives?

SENATOR WYDEN: Well, what I did in my earlier proposals was roll back deferral, use a significant amount of those dollars in order to create incentives for doing business in the United States. We keep foreign credits, but we roll back deferrals. So there are plenty of ways in which you can create incentives for doing business in the United States.

MR. BURMAN: One of the things you talked about was trying to equalize the treatment of capital and labor. One salient feature of two of the three Republican frontrunner plans is that they would go in exactly the opposite direction and move towards a consumption tax where capital income is exempt. And the argument they make I think actually ties into one of the issues you highlighted right at the beginning, which is that workers are feeling very insecure. And you're saying that if we do this there'll be a whole lot more investment in the United States and that'll create jobs, that'll be good for workers.

And they also say that basically it's becoming harder and harder to tax capital whereas labor is a relatively fixed factor. How do you respond to that?

SENATOR WYDEN: Well, I assume you're talking about the Rubio and Cruz bills. I mean, they double down on the inequality that you have today. They basically give more breaks to the well-connected and say somehow we're just going to tax working families with more regressive taxes and somehow we're going to grow the economy and those people are going to do well. I don't think that passes the smell test, which is why I wasn't exactly subtle in describing that it would be more likely that I would play in the NBA than it would be to get bipartisan support for those kind of Republican proposals.

MR. BURMAN: Though admittedly, you have the highest probability of playing in the NBA of any person in this room. (Laughter)

SENATOR WYDEN: Well, when I was 21, I wanted to play in the NBA and I was too small, and I made up for it by being really slow. (Laughter) So my chances didn't get better. But you get the drift.

Look, principled bipartisanship is going to be found with the kind of thing we did at the end of the year. For those of you that -- Len and Bill both just kind of took me by the arm and said say something positive, say something positive. You know, everybody's been discouraging. Well, you saw something in December that says, look, there is a newly minted piece of tax legislation that defied the odds, that said, in effect, my party -- and I have to admit I spent an enormous amount of time on it; I regard it as one of the most important things that we did. We improved the Earned Income Tax Credit and made it permanent, same with Child Care, the American Opportunity Tax Credit. Fifty million people who are working class benefited from that legislation at a time when Democrats are in the minority. Pretty much unheard of. That was what we thought to do.

And by the way, I thought that the Republican ideas, there were several that I wasn't wild about, but the two major things they cared about: making permanent the Research and Development Credit and 179 expensing. You drive through little towns in rural Oregon, practically two out three businesses are selling things like farm implement equipment. They couldn't get realistic write-offs, so that's what we did. And that is sort of a small version of what happened. You were around for it in 1986. That's how we're going to do this.

MR. BURMAN: So '86 was -- and I agree that this bill actually had -- it was a big accomplishment as a bipartisan bill, but '86 was revenue-neutral tax reform and the bill you passed at the end of last year was a pretty significant tax cut. I assume going forward you're talking about revenue-neutral, and it seems like that's harder.

SENATOR WYDEN: I am not talking about revenue-neutral. That's one of my principles. It's got to raise money for infrastructure.

And by the way, and, you know, my wife says Ron's almost incapable of uttering a sentence without the word "bipartisanship," but this, too, has some bipartisan roots. And what we saw was Paul Ryan and myself and Senators Schumer and Portman and Senator Hatch, we all talked about what the possibilities were at some length through much of this year. Now, we didn't thread the needle and there are a variety of reasons for that. But I thought Chuck Schumer and Rob Portman made a lot of progress. The reason Chairman Hatch and I wanted them to do it was because we thought these were legislators that had the capacity to help us make some progress.

And so I think, again, this is not going to be a walk in the park. This is a very different time than 1986. For example, one of my favorite parts of *Gucci Gulch*, the great book written about the '86 tax bill, there's an account, and I'm making this up, but barely, about how a group of legislators and others got together and they were really excited because they were going to get like a petition or something going. And they said, well, you know, Billy Bob's going to pass the petition around and they're going to get umpteen-thousand signatures within a week. And everybody claps them on the back and says, oh, that's great, that's the way to build a coalition. Well, when you do tax reform, in 2016 and 2017, if a special interest feels their ox is gored, they're going to go online in the social media and they are going to generate millions of emails and Tweets and the like within 36 hours.

So I'm not telling you that this is going to be a walk in the park, but nobody would have bet that we would have produced that tax agreement that we did in December. I don't think anybody thought we had a shot, when Chairman Hatch and I named those working groups, at making any real progress. We made some real progress on the international side.

So you can walk out of here and say, well, none of this is ever going to happen. But I'm talking specifics that I think really show that there is some reason to believe that you can get this done.

MR. BURMAN: I have a hundred more questions, but I have a feeling that there are other people who have questions, too, so I'm going to turn this to the floor. Yes.

MS. SUNDIN: Yes, Rebecca Sundin. My question is actually on entitlement reform and a quick shout out to the Impertinent Economist blog on the liberal case for entitlement reform.

Senator Wyden, in full appreciation of your bipartisan efforts, let's say if a Republican does win the presidency --

SENATOR WYDEN: It's not going to happen.

MS. SUNDIN: Not personally advocating for myself. And regardless of who that candidate would be, again, not advocating for Mr. Trump, what would you see are realistic bipartisan efforts that we can concede on entitlement reform? Particularly, what would you prioritize on the Democratic side? What are the points willing and willing not to concede?

The softball version of that question would be what are some lessons learned from the Healthy Americans Act?

SENATOR WYDEN: Well, first of all, again finding an opportunity to be optimistic in the post 2010 period. And as Len noted, I was talking to people on both sides of the aisle about a variety of reforms. I was struck by the fact that during the debate about the Healthy Americans Act both sides have largely missed what Medicare has now become.

When I was a young guy and had a full head of hair and rugged good looks, I was director of the Gray Panthers, the senior citizens group, for almost seven years. And Medicare then -- I see my friend Alice Rivlin here; we've talked about this often -- Medicare in those first days of the program was largely about people who spent quite a bit of time in a hospital if they were really sick and then if you like hurt your ankle, that was Medicare. For one a real bad injury, you went to your doctor's office, that was Part B. If it was a really serious injury, you went to the hospital, that was Part A. That is not Medicare today.

Medicare today is about cancer, it's about diabetes, it's about heart disease, it's about strokes, it's about chronic illness. So in that kind of post 2010 period, I put together a bipartisan bill in the Senate with Johnny Isakson, then Peter Welch and Erik Paulsen in the House. We were very lucky to have really three very committed, professional legislators.

And we started saying to Democrats, as I have, this is a way to protect the Medicare guarantee. Because that's what Medicare is, it is a guarantee. Those are the words Democrats want to hear. But we also can say to both sides of the aisle we're going to update this program. Because what I've described to you is more than 90 percent of Medicare spending. And yet for millions of older people, particularly those not served by Medicare Advantage, after they have their free physical -- thank you, Affordable Care Act -- things kind of go off the rails until they end up in the hospital emergency room and can't even remember all the doctors and providers that they've seen.

So Chairman Hatch, and I'm deeply appreciative of this, has put together a bipartisan working group in the Finance Committee, led by Mark Warner and Senator

Isakson, we've been working very close with them. And I'm hoping that before the summer break we can really be on our way to real reform in what is far and away the biggest challenge in terms of the health programs. In fact, I go so far to say that if somebody shows up to talk about the federal budget and they don't talk about Medicare, that conversation is not on the level. It's that important.

MR. BURMAN: Gene?

MR. STEUERLE: Hi, Senator Wyden. Gene Steuerle from the Urban Institute. I have a question with respect to your simplification ideas or at least an idea that I wonder what you would think of.

So in 1987, after we had passed the 1986 Tax Reform Act, I suggested within Treasury that we make an effort at simplification. Because in '86, despite the title, we did get some simplifications, like with tax shelters, but there were other areas we made more complex. And I thought how about something just concentrating on simplification without all the other debates that revolve around tax reform? And simplification has never been the main item of tax reform, in part because there are so many other issues of distribution and size of government that always tend to dominate.

So one suggestion I had then and I wonder what you think of it is how to provide some ammunition for it. And one piece of ammunition might be to try to require Treasury and IRS to prune almost every program that they operate, these trillion dollars of tax expenditures. What is really administerable? What's not? What has high levels of noncompliance? And what areas -- this is very important -- what areas can IRS not tell you what the compliance is, such as, say, gifts of in-kind goods and services, where nobody really measures it well? I wonder if you don't need to back up a simplification plan, some real ammunition on what just does not work and whether you have some ideas about how you might do that.

SENATOR WYDEN: This is kind of like the NBA All Stars of tax policy with Gene and Erik and all these people here. I would definitely be willing to look at what you're saying, Gene, because, as all of you know, Gene has spent a lot of time in these precincts. What I'm trying to describe is quite a different approach to tax simplification and it's, to some extent, born out of what I've been seeing and reviewing polling and the like.

When people think about tax simplification, often, not everywhere, they're mostly thinking about whether they can get some other device or Turbo-this or such-and-such that and get out from under the fact that they're giving their springtime away in terms of trying to find shoeboxes of records and the like. That is part of it. That is part of simplification.

But what has emerged most recently, and there's some polling on this, that one of the reasons Americans are now so interested in tax simplification is they have decided that this really complicated system is what is helping the well-connected and influential to get all these sweetheart deals and that's not fair and, very often, they're paying for them. And they are right.

So what I have been doing is telling people, yes, I'm interested in all of the sort of things relating to the administrative capabilities and in both of my previous bills we've had the process by which you wouldn't have to file and the like. I'm interested in all of those things. But I am mostly interested now in radical simplification to respond to what I call this tale of tax codes.

And I think what most Americans have come to feel when they hear about how the system is so complicated, they say it's another way for the well-connected to get a bunch of these dodges and collars and wash sales and derivatives and all of these exotic schemes so that they can figure out literally -- those are the words I'm going to choose -- they can figure out a way with good advice to decide what they're going to pay and when they're going to pay it. That's not the way it works for somebody who once or twice a month has extracted from their paycheck what they owe.

So I'm very interested because your ideas are always thought-provoking and valuable to look at anything you have. But that's what I'm talking about when I'm talking about radical simplification, radical simplification that can take us on a path to a fairer system that gives everybody in America the chance to get ahead. If somebody just walks up and you say, Ron, what do you want in the tax code? I want an opportunity for everybody in our country to get ahead. I think it's the kind of inclusive kind of approach that's always been our country at its best.

MR. BURMAN: Do you have time for one more question?

SENATOR WYDEN: Sure.

SPEAKER: Senator, the U.S. ambassador to China, your former colleague, chairman of the Finance Committee, Max Baucus, invested a lot of time into a topic known as "the tax gap." What happened to the tax gap? Is that an issue worth pursuing? Is that a source of additional revenues? And to your last point, is it a way to improve the fairness of the tax code?

SENATOR WYDEN: It really is. And, in fact, we have put both the IRS and Treasury on notice that we are expecting to have them focus on this, particularly the corporate tax gap. And I think, I've got everybody here, we're talking about 60-, $70 billion. We are talking about substantial sums of money yearly in terms of money that's lost.

And I think if the staff wants to nod, then I don't have to give the full answer, we asked them for a report on this here in a matter of months. So the tax gap is not gone, number one. And just in the last month or so, when we had both the IRS and the Treasury Department in, we cited some of the new figures. And, in fact, not only is it a serious gap, we are not convinced that they even have their systems in place in order to figure out what are the major sources of it. So that fight is ongoing.

More than anything, I so appreciate the good work that Brookings does. As I say, I can look around the room and this is practically an NBA All Stars of tax policy. And by all means, don't be shy about getting us your ideas and suggestions. And let's put this discussion in the "to be continued" department.

Thanks for having me. (Applause)

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2016