

THE BROOKINGS INSTITUTION

WHY AMERICANS ARE PROUD TO PAY TAXES

Washington, D.C.

Tuesday, April 4, 2017

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P R O C E E D I N G S

MR. DIONNE: Welcome. Good afternoon, and thank you so much, all of you for being here today. My name is E.J. Dionne; I'm a senior fellow here at Brookings, and I'm really happy to be here for two basic reasons. One, this is a great book, and two, Vanessa is an awesome person. And I am just so happy that Vanessa -- what is it, about a year ago -- joined us here at The Brookings Institution and then promptly produced this great book, you know, having been here for a short time. And I think I'll go through the formal intro of Vanessa, but here's something that says a lot about her I think, which is Vanessa has written two books, and co-authored the first. The first one is called "The Tea Party and the Remaking of American Conservatism". And Vanessa, as this book shows, is a woman of very strong convictions, but in her Tea Party book, and her convictions were obviously quite different from those of Tea Party activists, she showed an enormous capacity for sympathetic understanding of people she profoundly disagrees with. And, boy, do we need that gift of empathy at this moment in our politics.

So just to tell you how we're going to do this, Vanessa will come and talk about this great book and her findings and then I will introduce an all-star pair of respondents who will respond to Vanessa, and then I'm going to start a discussion among all three, and then we'll bring you all into the conversation.

So, who is Vanessa? She is a fellow in the Governance Studies program at Brookings. She studies the politics of redistribution with a focus, as this book shows, on taxation. She is co-author of "The Tea Party and the Remaking of Republican (sic) Conservatism" with the great Theda Skocpol. It was named one of the 10 best political books of the year by The New Yorker. She has also examined the political origins of the earning of tax credit, the electoral effects of the American Recovery and Reinvestment Act. She's testified before Congress, she's been on CNN, MSNBC, she's written for a variety of publications, not only The New York Times and The Atlantic, but also Teen Vogue and also her hometown newspaper, The Sacramento Bee, as well as the Atlanta Journal Constitution. She's been cited all over the place by The Economist, the AP, The Washington Post, NPR, and others. She received her Ph.D. in government and social policy from Harvard University. This is very cool: she has a master's degree from NYU's Institute of French Studies, so she'll do a side lecture on the wine people consume

while they're paying their taxes. And she has a B.A. in French language and literature from NYU.

I love having you as a colleague, Vanessa, and congratulations on the book. (Applause)

MS. WILLIAMSON: Thank you. So my goal today is to convince you that Americans see taxpaying as something to be proud of. I have studied this for six years. I've done interviews, I've conducted surveys, I've read people's public statements about taxation, and I've watched what people do when they vote. And in America to pay taxes is something almost universally understood as a civic duty and a moral obligation.

Now, I recognize that in this political moment I have set myself a difficult task in convincing you of this. So last fall, for instance, we elected a president who describes tax avoidance as the smart choice. In the next few weeks we're going to see major tax reform policies that will likely involve very large tax breaks, probably heavily aimed at the wealthiest among us. And, of course, for years our federal government, but especially our cities and our states, have struggled with major budget shortfalls. So in this context how can it be that Americans are proud to pay taxes? Aren't we in fact a nation of Grover Norquists, right, happy to drown the government in a bathtub if we get a few dollars in our pocket? And I don't want to distort or discount the views of conservative Americans. In fact, as E.J. kindly said, my last book was a study of the Tea Party. And it was actually at a Tea Party rally that the question that I try to answer in this book first occurred to me because it was at a Tea Party rally where I noticed how common it was for Tea Party activists to describe themselves as taxpayers. I pay my taxes. As a taxpayer I -- and the end of that sentence was almost never about taxes, it was almost always about their right to be heard, their right to participate in American politics. In America, even for very conservative Americans, being a taxpayer, using taxpayer, is a shorthand for being an upstanding contributing citizen who has earned a place in this country and has earned representation by their government.

So on many issues the Tea Party, of course, is on the American right. But in seeing taxpaying as a commitment to community and country, they are in fact part of a very long American tradition. Americans use their status as taxpayers to define their community and to demonstrate their worthiness as citizens. The revolutionary Thomas Paine said "All accumulation of personal property

beyond what a man's own hands produce is derived to him by living in society, and he owes on every principle of justice of gratitude and of civilization a part of that accumulation back again to the society from whence it came." For Paine the responsibility of taxpaying comes from the fact that we are, in a society, indebted to one another. And the fact that we pay those debts when we pay our taxes is the reason we have the right to be represented by our government. The National Women's Rights Convention in 1866 asked, a woman now holds a vast amount of property in this country and pays her full proportion of taxes, on what principle then do you deny her representation? That link between taxation and representation is not just something from the Revolutionary War or the Suffragist Movement, it continues in our politics today. In 1959 African-American activists who integrated the beaches in Miami -- which was an extremely dangerous piece of political activism it's worth pointing out -- they brought with them to the shore, to those beaches with the whites only signs, they brought with them their property tax receipts because it showed that they had paid to maintain those beaches. It showed that those beaches belonged to them like everyone else, it showed that they had paid their share. They had the receipts to prove it.

So the civic duty of taxpaying certainly has played an important part in the rhetoric of political reformers and revolutionaries in this country, but it is also how average Americans think about taxpaying. For 40 years, surveys had asked whether Americans see taxpaying as a responsibility, and for decades Americans have held a pretty constant view of that. For example, a common survey question is whether it's every American's civic duty to pay their fair share of taxes. Every year about 9 in 10 Americans agree, and about 5 percent of the public disagrees. I should put that in context -- about 6 percent of Americans think that the moon landing was faked. So when 5 percent of Americans believe something, that's about as close to consensus as you're ever going to get. (Laughter) And these are views that Americans hold strongly.

In interviews with some of my survey respondents I was surprised, again and again, by how often -- I asked what was frankly a somewhat boring question about taxes and I would get these bold answers about patriotism and the duties of a citizen. I remember a marine from California, this is the first question I asked him: So when I said the word taxes to you what does that make you think about? And he said "The cost of being an American." He was a marine and taxes still made him think that. I mean he

had paid in a much more concrete way. Another person I spoke to, she was a Democrat from Florida, my last question tended to be, "I've been interviewing you because I want to write a book about American attitudes about taxes, but if it was your book about your attitudes what would the most important chapter be?" And she said, "I just want to remind everybody that no man is an island. You know, we're all in this together." And it wasn't just Democrats or independents who said things like that. I spoke to a Republican in Ohio, a very conservative man, a retired mailman who was very angry about a lot of what government does. And when I asked him, "So how do you feel when you're filling out your income tax forms?" he said, "I feel I'm doing my part." And what's interesting is it's not just that Americans have these nice words to say, they actually put their money where their mouth is. So Americans as a rule are remarkably committed taxpayers by international standards. Americans largely pay their taxes honestly and on time, and economists say at rates higher than can be explained by our enforcement mechanisms. And what economists say is the explanation for the difference is what they call tax morale, which is more or less the social norm that we share, that if everyone else is chipping in, I should do my part too. So even when it actually comes to putting the money on the table, Americans are good at being taxpayers.

So Americans see taxpaying as a civil responsibility, they send their checks to Uncle Sam. Here's another surprising truth, they vote for tax increases. So about half of states have a mechanism by which voters vote directly on legislation. Many of you are probably from states where that's common. I'm from California; it happens far too commonly, frankly. So in those states over the last 15 years, it's pretty common to put a tax increase on the ballot. As often as not, those tax increases passed. Voters are voting to raise their own taxes, and it's not just one kind of tax. I thought, oh maybe this is just cigarette taxes or something like that. It's not. They're raising sales taxes, they're raising progressive taxes that fall heavily on the wealthy and corporations. So if Americans see taxpaying as a civil responsibility and they're even voting for tax increases, why is taxation such a political controversy in this country? In short, I think the answer is that being proud is not the same as being happy.

But what Americans are upset about is actually worth thinking about for a few minutes, and I think you'll be surprised. If you ask Americans what bothers them most about taxes only seven percent of people say the amount that they personally pay. Let me say that again, seven percent.

Fourteen percent of people actually say they're not bothered very much by anything about taxes. I am not one of those people, I am amazed by them. But at minimum we can agree here that the amount you pay is not a primary motivator. Only seven percent of people think that's the big problem. By contrast three-fifths of Americans say that either the wealthy or corporations not paying their share is their number one concern about taxes in this country. Another four percent of people say that they're actually most concerned that poor people aren't paying their share. And this makes sense because if we see taxpaying as a civil duty that we all share, as something that is so important to who we are and such an important aspect of being a citizen, being a contributing person in our country, of course we're angry when we think someone is not doing their part, when we think someone else is shirking.

Of course, it is not easy to know how much other people are paying in taxes. For instance, you know, it's pretty common for people to have huge -- at the end of the day - misperceptions about the tax code and what effects it has. You may remember a statistic that made the rounds a few years ago about the 47 percent. So this was a statistic that suggested that, you know, accurately if you phrased it exactly right, that about 47 percent of households who filed a federal income tax return either got back more money than they paid in or ended up at 0. So 47 percent of households have a net income tax responsibility at the end of the year. The way that was unfortunately commonly remembered and repeated was that half of Americans don't pay taxes. Now, to believe that you'd have to forget about things that we all know, like the existence of the sales tax or the property tax or the payroll taxes that pay for Social Security and Medicare. And yet this false version of the statistic made the rounds and I think had a pretty big impact a few years ago. And it's far from the only example of people misunderstanding how tax responsibilities are distributed. For instance, it's very common for people to believe that immigrants are not paying their share of taxes. And, unfortunately, attitudes about who counts in this country as a taxpayer replicate longstanding stereotypes about who works hard. And, as we all remember from things like the welfare queen, we know that these stereotypes about work in this country are deeply racialized, recapitulate racist stereotypes. And unfortunately that travels through directly to today, and we see it in how people think about who really pays taxes.

Now the second part of my book talks a lot about these limits of our community. People

are proud to pay taxes to support their community, but they don't always see everyone in America as part of that community. So I talk about that. I also talk a lot about the specific misperceptions people hold about the amount of taxes paid by the poor, about what kinds of policies might raise taxes on the rich, and also, of course, where all that tax money is going. And I'd be happy to talk about all of those things in the discussion. It's an uncomfortable truth that we really do need to grapple with, that smart, educated, and politically engaged people often have misinformation about policy and that that misinformation means that it's hard to take their values and connect them with the right policies that would actually implement the things they want to see in our politics.

But I want to leave you with a different question. If I have convinced you that Americans are not knee jerk opponents of taxation, if I have convinced you that Americans see taxpaying as a civic responsibility, as patriotic, as something that we must all do to support one another, if I have convinced you of that I'd like you to take a minute to think about why it is that we do not see those attitudes replicated here in our government in Washington.

Thank you. (Applause)

So now I'd like to ask our panelists to come up here and join me.

MR. DIONNE: Thank you. While everybody is being mic'd up, I want to say two things. Wasn't that the most uplifting talk you've heard at a think tank in a very long time? (Applause) I want to just read the first paragraph of Vanessa's book, as it gives you the spirit of it. By the way, it's only 182 well written pages plus some excellent appendices, if you want to read them. But the first paragraph is as follows: When I tell people I study American's opinions about taxation their reactions are predictable. First, a pained look usually passes across the face of my interlocutor as he or she regrets asking me about my presumably dreary work. Second, he or she informs me that Americans hate taxes, Americans are angry I'm told, or selfish, or short sighted, or prefer to be self-sufficient and therefore intrinsically antigovernment. For one reason or another Americans just do not want to pay government's bills. As we just heard, that's not true.

I also want to bring special greetings from a dear colleague of ours who now lives in California, Tom Mann, who many years ago wanted to form an organization called Willing Taxpayers of

America. And when he heard about Vanessa's event today he sent us a note from California to say how grateful he was that we were having this meeting here today.

So I'm going to introduce Heather and Frank and then I'm going to ask a broad question to open to each of them to give them a chance to respond to Vanessa and her book.

Heather Boushey is the executive director and chief economist at the Washington Center for Equitable Growth. Her research focuses on economic inequality and public policy, specifically employment, social policy, and family economic well-being. Her latest book is "Finding Time: The Economics of Work Life Conflict", published by Harvard University Press. She writes for The New York Times as room for a debate feature, the Atlantic Democracy, she's appeared on all sorts of networks -- Fox isn't on here for some reason -- Bloomberg, MSNBC, CNBC, PBS. She previously served as chief economist for Hillary Clinton's transition team, as well as at the Center for American Progress, the Joint Economic Committee for the U.S. Congress, the Center for Economic and Policy Research, and the Economic Policy Institute.

Frank Clemente is the executive director of Americans for Tax Fairness. He helped found the organization in 2012. He was previously campaign manager for the Strengthen Social Security Campaign, a coalition of 320 organizations. Prior to that, he managed a health care campaign for the Communication Workers Union of America in support of the Affordable Care Act. He was also issues campaign director of Change to Win, the labor group, and director of Public Citizen's Congress Watch. He has also been senior policy adviser to the House Committee on Government Operations, and was issues director for Jesse Jackson's 1988 campaign. He wrote a book, edited, "Keep Hope Alive," a book about that campaign.

So let me just start by asking a broad question. Vanessa (sic), you care a lot about equity. So why don't you tell us a bit about what you learned from Vanessa's book as to what this tells us about inequality and its relationship with taxation. And I'm going to ask, Frank, broadly the same question. Frank said there was an important lesson he learned from Vanessa and I can't wait for him to tell us what it is.

But why don't you start, Heather.

MS. BOUSHEY: Yes, thank you, and thank you for writing such a great book, Vanessa. It was a real joy to read. I'm just going to take a moment to do one small brag on her, which is that the Washington Center for Equitable Growth is a grant giving institution, and in our first round of grant making to young scholars, Vanessa was in our first cohort. So we could not be more excited that we were able to help support this research that is so important for the questions around equitable growth.

So there were a couple of things that were really striking in the book vis-a-vis equity. And the first was -- and you talked a little bit about it in your remarks -- that this idea that people feel that paying taxes is a civic duty, that they think that the tax system should be fair, and in most part -- I mean they definitely -- in qualitative work definitely you have the voices of different people, but the sense that taxes should be progressive, that this is probably what makes the most sense in terms of fair. And yet I think that it's what the next step, which I think is hard for folks to really connect the dots between, is how the fairness of the tax system isn't just about the fairness of whether or not you are paying your fair share versus me, but what it is that we're paying for and the broader implications for economic growth and economic stability.

And so one place that I'd like to figure out how to take these ideas that you work on in your book is how do we make that link for people and how do we make that link for policy makers. You ended your remarks with this idea that misinformation means that it's hard to connect values with policy. It's also difficult when you have misinformation to connect policy back to values. People don't understand that the way that our tax system is structured actually enhances inequity and does not promote growth in the way that we're often told. Then that actually can also have I would imagine an effect on how people feel about whether or not the tax system is fair.

So let me give you an example. Someone that we work with a lot at Equitable Growth is Emmanuel Saez and with his co-authors, Thomas Piketty and Stephanie Stantcheva, they've done some research looking at whether or not there's room to increase taxes at the top of the income distribution, where of course over time -- a little sidebar here -- over time we've seen the marginal tax rate at the very top of the income distribution falling, from about 90 percent in the 1950s, to about 70 percent in the 1960s, to less than 40 percent -- a little over 39.6 percent today at the very, very top. So you've seen

these rates falling for families at the top, yet there's economic evidence that there's a lot of room to actually increase rates at the top in ways that will actually not only promote fairness, but will promote economic growth. We've been told a story, some of which has been pushed by economists, that we need to keep taxes low at the top because that will affect the work incentives of the very, very wealthy, and then that increases investment in labor supply and that's what makes the economy grow. Sort of a basic argument that we hear a lot about in Washington. I now we're going to hear a lot about this over the next few months.

Yet at the same time, the tax rates at the top -- there are other factors that affect whether or not people work. It's not just the labor supply question, it's also the question of whether or not you are using labor income versus transferring income into other kinds, like capital income or business income, and whether or not those tax rates actually change behavior. And what this research by Saez, Piketty, and Stantcheva shows is that the most important factor in having lower tax rates at the top is it changes the incentives to have higher salaries. So it creates the conditions for rent seeking for those at the top because it creates a greater incentive for those corporate boards when they get together to give, you know, the CEO at this company and the one at this company, and to give each other these very, very high salaries because they get to keep more of it, which is not actually leading to the kinds of productivity-enhancing things that we want to see.

Now, that's a complicated little story there to figure out how to connect the dots between that sense of fairness, in terms of that we want a tax system -- or at least I took from your book that people want a tax system that is not only fair but is doing right by their community. And the way that we've been talking about taxes, especially at the top, that is sometimes about fairness, but it's also about growth. And so how do we, sort of, work to change that in people's minds?

So this is sort of a question for you, but a big thing that came out of my reading of the book.

MR. DIONNE: Thank you. I'm so glad you focused on that because I'm tired of the argument we hear so often in Washington, that we need to give rich people more money so they'll work harder and poor people less money so they'll work harder (laughter), and there's some kind of disconnect.

I don't know where the logic is.

Frank, tell us about your big lesson here. And then I'm going to ask a couple of questions of Vanessa, including -- I see a dear friend who is a political consultant in the audience and I'm going to ask about a certain skepticism that I have a hunch exists in the world of political consultants about your thesis.

Go ahead.

MR. CLEMENTE: So, for the last five years the hat I've worn is on tax fairness. When we created -- to determine our name -- and actually our pollster is here, Guy Molyneux from Hart Research -- to determine the name of our organization we actually did a whole bunch of focus groups, not just to determine the name, but as we started out we did six focus groups and we did a big poll. And what came through loud and clear was what the public felt was the tax system was grossly unfair and it needed fixing. We knew back then, prior to Elizabeth Warren running for president that everybody felt the system was rigged --

MR. DIONNE: Wait, you're one election cycle too early. (Laughter) She didn't run for president. That was a Freudian slip. MR. CLEMENTE: Sorry. That was simultaneous -- when she was running for Senate actually, we took her speech -- remember that first speech, that video of her speech --

MR. DIONNE: I'm sorry.

MR. CLEMENTE: -- in probably Fall River, Massachusetts actually --

MR. DIONNE: My hometown.

MR. CLEMENTE: -- and it was -- the room was packed and she's talking about the rigged system. And we actually took that, we took her rap, her speech, and we put it in front of a focus group and tested it out. So this feeling about the unfairness of the system pervades the culture. And it's on both sides. I mean it's why a Bernie Sanders does well and a Donald Trump does well. It's a populism that is out there. And from our point of view, from a tax point of view, I think it's profound and very helpful.

I think that the obvious finding was a little bit shocking to me only because I have not --

the only time I think about the civic duty part of this is kind of when tax day comes around every year -- in fact it was this year, part of the tax march effort that's going on on April 15 and we were actually writing principles for the tax march, and I wrote a principle for what's tax day. And I got into this whole frame of mind around civic duty and it's that time of year and it's the common good. But it's a language that I hadn't been using. We've not used it in our political advocacy work, lobbying work, public education work. And the reason it was important to hear this for me was because it is a place of common ground I think between people of different ideologies. So much of this tax debate is about the role of government. I mean, fundamentally this flows from, do you believe in government or do you believe much more in the private sector? And what is your relationship to the government, what do you think the government ought to be doing for you, for communities on your behalf, or whatever.

And then kind of the light bulb came to me, which was boy, if we do have that kind of common ground, it says a lot about how far we've gotten away from that place and how there's probably - this country used to be united around that common ground, whether you were a Democrat or a Republican. And what's happened is that, frankly, one side has what I call the tyranny of theology on taxes and on government, and we can't get through that to get to that place of common ground that you found is where the public is. And so I think it's our education program, our work needs to remind people that we are in this together, that taxes are something that we are actually proud of doing because of what it means for us, and we've gotten very far away from that. I think we need to do more of that.

MR. DIONNE: Thank you. By the way, I want to thank you for writing this book for another reason, which is one year I discovered that my column -- I write a column for The Washington Post -- was falling on April 15 and I couldn't resist writing a column under the headline, "In praise of the IRS" on April 15. And the lead was basically, if you support our men and women in uniform, you have to support the men and women of the IRS. And to this day, God bless them, I still get stopped by IRS agents on the street because no one had ever chosen to write that column before for some reason.

(Laughter)

MR. CLEMENTE: I remember that column by the way. I said, "Wow, he's really on it."

MR. DIONNE: Two questions. Question one is, which we talked about before we came

in, which is you said about half the time tax increases win, about half the time they lose. Under what circumstances do they tend to win and under what circumstances do they tend to lose? You know, is there any common -- or is it random, but there's probably some particular aspect to that.

The other is -- and this is the political consultant question -- you are not old enough to remember, but I am, that Walter Mondale promised to raise taxes in 1984. Most Democrats saw this -- Democrats -- saw this at the time as a big mistake. Ronald Reagan certainly went after him on that. And I know a very few political consultants who suggest to their candidates that they go out and tell voters, "I'm going to raise your taxes." What's wrong with that analysis in light of your findings?

So if you could put those two political questions together I'd be grateful.

MS. WILLIAMSON: Yes, I mean that's such an important question. So on the question of when people vote for tax increases, this is ongoing work and to some extent it's hard to untangle because each state is different and elections happen over time and there's a wave election going one way or another. And so it's hard to unpack this. But one thing that comes through very clearly is that tax increases do better when you make it very clear where the money is going. Now that seems very straight forward, doesn't it? Who would want to pay a price for something that was unclear? I just want to pay more at the store to get nothing extra. So obviously it's the case -- I mean it's obviously quite reasonable that voters would prefer to understand where the money that's being raised is going to go. And they tend to do very well when they -- tax increases tend to do very well when they're funding things that people really like. So it's the things that are most popular in American governments are local services, things like schools and roads and bridges. And less remembered, but when reminded of them, also significant, sewers and sanitation and all those sorts of things. And of course public safety, these are all issues that people will think that taxes should pay for and are willing to pay for, feel quite positively about and are willing to pay more to improve those services.

So that's the real take away in terms of when these ballot measures do well. Make sure voters know what they're getting in return.

The second part of it is actually related to the first. So I told you about how tax measures have been doing in the last 15 years. I said that as often as not they pass, about 50 percent of the time

they pass. Well, that is a striking change from the era of people like Mondale. If you look over the last 40 years there's been a very steady increase over time. In the late '70s and early '80s about one in five measures to increase taxes passed at the ballot box with the voters. And it's not that there are vastly more of these measures now, there are not. They're actually -- it's been varying up and down but it's been more or less steady over time. What's changed is their success rate. So partly, I'm sure, people are better at explaining what a tax increase is going to do. They're probably doing a better job of explaining what that money is going to pay for, but I think that in a way we're trapped a little bit by a political moment that happened -- well, frankly right around the time I was born, which was the tax revolt. And so we remember this era, and having grown up in California, you know, Proposition 13 that capped property taxes in the state is a very salient political memory, in part because it continues to limit what California can spend today. And so it has caused real problems for our schools in that way. But because it's this very salient political memory from the late 1970s, I think that people sometimes forget that it's possible, given the fact that we've gone from one-in-five to one-in-two of these measures passing, people have forgotten that it might be the case that we need to reexamine what tax attitudes are and not use the advent of the Reagan revolution as our pinpoint for where Americans are today.

MR. DIONNE: Frank.

MR. CLEMENTE: Well, I did a little bit of empirical research in 2014, the 2014 elections. Sort of related. In mid-term elections, we documented as much as we could every ad that was run in the congressional races. And we contracted with a service to get the information. And what we found was shocking to me, was that twice as many ads were run by Democrats against Republicans as Republicans ran. You usually think about who runs tax ads, it's Republicans bashing Democrats or being big tax and spenders. In that race we found that it was Democrats, and they were using the tax issue to their advantage. And because it represented I think where the public is on this rigged system and fairness, and especially on the offshoring issue. The public feels very strongly, they have a sense that corporations are leaving America or shipping jobs and shipping their profits off shore in order to take advantage of the loopholes in the tax system. They feel very deeply about that. That's what a lot of the content of these ads were. But that was the first time I saw where democrats were running really full-

throated.

Now Obama did it as well in 2012 against Romney. I mean that was a key theme in his campaign, was taxing the rich. Now, it was only the top one percent -- actually it was the top two percent. I think what we have to do, E.J. -- and I always criticize -- to me the democrats have a hand tied behind their back in this thing, in this debate. Republicans, as I say, this is theology, it's foundational in terms of their attitudes about taxes. And democrats are sort of half in and half out on it. They are not full throated about it. They're pretty comfortable taxing the wealthy. They have a lot of ambivalence about taxing corporations for lots of reasons. We can go into that. But until both parties are in this game at the same level of passion about this thing, I think we can't quite achieve the policy changes that we want to achieve.

MR. DIONNE: Before you come in let me just note -- but ask -- I can't resist to ask you -- democrats didn't actually do very well in the 2014 elections.

MR. CLEMENTE: That's true.

MR. DIONNE: Is there any link? (Laughing)

MR. CLEMENTE: No, I don't believe there was a link.

MR. DIONNE: I thought you'd say that, but I just wanted to point out what the result was. Heather?

MR. CLEMENTE: Taxes were the fourth most common ads run that cycle.

MR. DIONNE: Oh, thank you.

MS. BOUSHEY: And I was just going to add to that that I think that debate is made even more complicated of course because middle class families haven't had a raise in so long. When you look over the past 40 years and you see this growing disconnect between productivity and wages and family incomes. You know, we very quickly -- and we saw this in the early 2000s -- like what I'm watching for this spring and summer as we go into this tax debate is how much there will be this sheen of a small tax cut for the middle class who's struggling on top of a very, very, very -- add like eight more verys -- large tax cut for those at the top. But because it's hard for folks on both sides of the aisle to not acknowledge the very real struggles that the middle class is having, that sort of we walk into that conversation as well.

That makes it a little bit hard for those who say we want to have a more progressive tax system or we want to raise taxes, make that argument when the other side adds this little sweetener to the conversation that's based on real struggling of families.

MR. CLEMENTE: Do we want to explore the middle class tax cut issue a little bit or?

MR. DIONNE: In fact, what I wanted to ask is -- and each of you build on what Heather just said, explore that and also what do we learn from Vanessa's book -- so you can just be somebody sitting there talked about in the third person -- what do we learn from Vanessa's book for this coming fight? And then I want to come back to Vanessa on something. And, sure, talk about the middle class tax cuts.

MR. CLEMENTE: We're spending a lot of time talking to folks in our legislative advocacy work about middle class tax cuts and whether it should be a big feature here or not. Obviously, republicans will run and say their tax bill is a big middle class tax cut bill. They will do that despite the fact that half Trump's plan gives \$6 trillion in tax breaks, half of those tax breaks go to the top 1 percent. Paul Ryan's tax plan, believe it or not, by the -- I know you want to believe it -- but by the 10th year 99.6 percent of the benefits of the tax breaks go to the top 1 percent. OK, like virtually 100 percent, virtually all the tax breaks go to richest 1 percent of Americans. And the democrats want to be for something in this debate. And so they think, OK, well we'll be for middle class tax cuts. And there's two challenges with that. And it really goes to Heather's point, which is people haven't felt like they've had a raise and so they need more money in their pockets.

First of all, if you're making \$50,000 a year and it's Trump's plan, you're going to get an extra \$1 a day. It's an extra buck a day. A millionaire gets a \$1 million extra year, somebody who's making \$50,000 gets an extra \$1 a day under Trump's plan. So it's not -- I don't know, what can you buy for a buck a day? Not very much, right?

MS. BOUSHEY: Not even a cup of coffee.

MR. CLEMENTE: Not even a cup of coffee. Secondly is, we have a revenue gap in this country that is quite profound. We can talk economics for a minute. You know, think of a flat line, revenue as a percent of the gross domestic product, which is how these things are measured, is 18

percent. It's been 18 percent for the last decade, it's going to be 18 percent for the next decade. Spending is at 21.5 percent. So 3.5 percentage points difference, it's going up to 23.5 percent. That's mostly baby boom generation, retirees, health care. So that's a five percentage point gap. Now you can do what the republicans want to do, which is to cut, cut, cut and basically not have any economic security, retirement security, or you can do what my organization advocates, which is to raise revenue, to close -- at least significantly close that gap. That's where we need to go. If you're out there advocating for middle class tax cuts, that gap is going to grow because it's just going to become a bidding game between both parties in that case.

MS. BOUSHEY: Well, and I think what Vanessa's book teaches us is -- although I would like to hear your views on this as well -- I think what your book teaches us is that there's room to make those arguments, that I don't think we've tried hard enough to make that argument that what we don't need is another middle class tax cut, what we actually need is to raise revenue, and there are places that we can take that from. It certainly does not start by giving massive tax cuts to those at the top, but because we need to make these investments in the United States, and I think there's a few really compelling things. I mean one is that we know that investments in infrastructure have been and continue to be highly popular. People get it, they understand when their bridges fall down that you need money to fix them, and they don't want to have trains that don't work or crash because the rails aren't kept up.

So I think that's one, but a second bucket of issues that we don't talk about enough is that when the republicans talk about wanting to cut back benefits for Social Security beneficiaries or upping the age for getting Medicare or cutting families off Medicaid, that those are expenses that are going to be borne by someone. And there's two ways to do that. One is to have it socialized, if you will, over our lifetimes and over all of the American people so that it's being paid for out of this fund, through Social Security, or these other programs. Or it's going to fall directly on families, which is going to have this very negative impact on families' ability to be full participants in the labor force. If you have to have an aging loved one move into your home or if you have to spend more time caring for them, we already know that this is affecting the labor force participation rates of American workers in their 50s and 60s, at that time when they need to be working and saving for retirement. But at the same time -- so it drags down family

income, makes that budget even tighter, but all of that will drag down economic growth. And so what we're not doing is actually making the kinds of investments that are going to make us a vibrant 21st century economy. We're not making those investments in infrastructure, in research, in all of these things that we should be doing with those tax dollars.

And I think that what I take from your book is that we need to be doing a lot more to make those trade ups really concrete and less of the -- I mean I'm an economist, so totally guilty of this -- but less of the abstract, you know, we need to raise taxes because it's progressive, and more of the really concrete. This is why we need to have fair rules of the game, because of course if we are using our tax dollars to make capitalism work better, then the people that are benefitting most from that economic system should actually be putting a lot of skin in the game because they're the ones who are going to benefit the most.

So I feel like with the middle class tax cuts the answer is -- I think we need to change that conversation, because there's no way to say to somebody who's struggling, we don't care about you. But I do think sort of focusing on how we're going to create good jobs, and that this is a part of that puzzle.

MR. DIONNE: I wanted to bring Vanessa back in, and I just want to say I knew Heather was extraordinary. You're the first guilty economist I have ever met. (Laughter) So that was a wonderful thing.

Can I bring Vanessa back in and then you can -- two things. One is just to respond to what's been said so far. The other is I think for a lot of us, certainly for me, everything you say about the need to contribute to common life, that we're all in this together, the Tom Paine idea that our individual success owes a lot to the society in which we live and work and are raised. That is beautiful language and I think a lot of people kind of resonate to.

When it comes to taxes, the word that gets used instead of all that is government. And that when you look at -- there are a lot of surveys that show declining faith in government, how government works. Some of that is the result, you can argue, of conservative propaganda, some of it is a sense that things aren't working well for a lot of people and government is the natural force to be blamed. But I think that does create a challenge, if you will, for this argument, even though clearly your own

research says people still do think of taxes as paying for our common life.

So sort of respond to what's been said and if you could sort of take that one on too.

MS. WILLIAMSON: Yes, I mean I actually think they're very closely related questions. So in my mind, the argument that I think people sometimes want to make is that we should be able to recognize that a tax cut results in a shortage of services. That's a connection that should be clear. The pothole in your road is because we didn't have the dollars we needed to fill in that pothole. And those dollars went somewhere, we made a choice with them through some kind of tax expenditure or we didn't raise rates or whatever it is. So you'd like to be able to make that case, that our schools and our roads and our hospitals and our parks could be better if we put in the cash.

But the challenge, I think, in making that case is that people have a very deep concern about government waste. And I want to talk a little bit about what people mean by government waste. So it's actually a commonly used statistic to suggest Americans don't understand anything about government. If you ask Americans what percentage of every federal tax dollar do you think is wasted, the average answer is about 50 percent, right, half of all federal tax dollars are wasted in their mind. Now, experts will tell you that waste, fraud, and abuse is maybe seven percent of the budget, waste itself may be two percent of the budget. So people are -- wow, what a terrible disconnect between what experts know and what average people believe. That's how we normally talk about public attitudes about government waste. But if you ask people what they mean by government waste, you actually hear a very different story, and it taps into this more general concern. First of all, when people are talking about government waste, they're talking about entire programs they don't like. So if you're on the left, that's usually the military, and if you're on the right, that's entitlements. And that is in many ways a reasonable way to talk about waste. It's not inefficiency. If you do something efficiently, the thing that I thought was a bad idea, it is wasteful in the common parlance. So that's one thing.

But the other thing people talk about when you ask them what they meant by government waste is they talk about, what I call in the book, plutocracy. They talk about government operating on behalf of the very wealthy, on behalf of corporations, about congressman living lives that are completely unlike average Americans, with their fancy offices and jetting off to go places. And they don't live like me,

they don't have my health insurance or my lack of health insurance. That's a really common thing for people to say when you ask them about government waste. So what that suggests to me is that a problem we face is that people don't trust the system by which we allocate the dollars that the American people are giving to government. And when they have these profound doubts about not just the outcomes, like not just about where the money ends up, but the process itself, where the process respects them as citizens. I think that creates the big challenge in convincing people that there's a trade off when there's a tax cut, because if you think half the money is getting wasted anyway, I mean how much does it matter that there's one more little tax cut.

And then also having faith that contributing your dollars and voting are going to get you the government that you should have as an American citizen I think also undercuts the capacity to make that argument.

MR. CLEMENTE: Yeah, I think this is a very fundamental -- it's a foundational problem we have. And it's related to campaign finance reform and money in politics and, you know, all that sort of stuff. I thought one of the little nuggets in the book is that people -- and I spout this having seen polling on it -- is that a lot of people are very supportive of a flat tax in public opinion polls. Now they're the same folks who really are very animated by the tax fairness issue and they don't understand -- or what they think is the loopholes are so bad, the corporations and the rich are doing it, they're not -- if we could get a minimum tax that they have to pay, a flat tax -- they don't know what the number is -- then they would be better, then society would be better off.

So the level of cynicism out there is profound, we know that. The selection displayed that greatly. And I think until we -- sort of how we get over that hump, it's sort of the flip side of -- it's related to role of government. I mean we have one party that's really tearing government down a lot all the time, and so that's bringing down how people feel about government.

I think the latent feelings about the public -- the disposition of the public is there, but it's -- for the lack of trust is not able to be bridged. I mean, just think about it -- if both parties were saying, we ought to raise the gas tax in order to rebuild roads and bridges and ports and railway systems across this country, if both parties were saying that, I think that the American public would say yeah, right on, I'll pay

an extra quarter, five, ten cents in gas taxes. But that's not the dynamic we're in.

MS. WILLIAMSON: Can I follow up on that?

MR. DIONNE: It's your show. (Laughter)

MS. WILLIAMSON: So I think there are two things there. First of all, specifically on the question of the gas tax, it's one of these problems of tax invisibility, which came up a little bit before. The complexity of the gas tax, people do not know what the gas tax is as a general rule because it's not obvious. It's folded in with the price and it varies so much by state and all this kind of thing. It makes it very hard for people to make a reasonable calculation about whether the gas tax is even high or low. So I think there's a real challenge on that side, which I think is something we should talk more about.

MR. CLEMENTE: Bad example.

MS. WILLIAMSON: No, no, no, no. I think it's exactly a good example for that reason. But alongside that, I think this question of, how do you make people believe that their democracy can function when there are very obvious ways in which the democracy is not functioning is kind of the great challenge right now.

MS. BOUSHEY: And one thing you point out, one of my favorite charts in the book, is -- it's in the preface, it's on page 14, xiv, where you show the successive tax increasing state ballot measures, fraction passing over time. And it goes up. So state ballot measures have been more likely to pass over time. And I mean one of the questions -- I mean if you don't mind if I ask Vanessa a question.

MR. DIONNE: Please.

MS. BOUSHEY: But one of the things that I think this conversation gets at for me is it seemed to me from reading the book that people really -- they value things that they could feel and touch. And that actually kind of I think would push us to having more of these conversations at the state and local level, which is not what we usually talk about here in Washington, D.C. That it seems like well people are raising taxes, they're increasingly in favor of these ballot initiatives, yet we're having this conversation here in Washington. Based on all of the folks you talked to, is that a good reading of your book? What comments would you have on that?

MS. WILLIAMSON: Yeah, I think that's exactly right. I mean I think, first of all, people's

views about their states are kind of like their views about their local schools. Everyone thinks their local school is great, but American schools are failing. And everyone likes their home state and thinks every other state is not nearly on the same order.

MS. BOUSHEY: We're tribal.

MS. WILLIAMSON: We are a little bit -- and that I think gets -- so on the one hand, it's definitely true, that you do things at the state and local level, of course people can feel they have a bigger say, they are a bigger say. I mean it's mathematically true if nothing else. So that's absolutely the case. But at the same time, you face the challenge that we are tribal and we have sorted ourselves politically and geographically so that you hit up against the problem of, you build your little enclave where I look out for me and mine. And that I think is the sort of more general challenge that I alluded to at the end of my talk. I spent a lot of time talking about the positive side of this, and this was actually -- you know, in our politics we don't talk much about civic duty and patriotism in that sense of what are you going to sacrifice. It's an old fashioned style of talking about our political life. And so it was interesting to me in my interviews is that everyone had to come up with their own language.

You know, on some things if you asked people about a subject they have a talking point or two ready, that they've heard a lot. So one thing that you hear a lot is they don't want taxes to punish work. The number of people who said that exact phrase to me, so many people. And it clearly captured an important sentiment that they care a lot about, but they all had the same words. Now, just as many people talked to me about -- in fact, more people at the end of the day because almost literally everyone talked to me about this idea of community and that taxes are a way that I show that I'm responsible to my community. But they all had different ways of talking about it. Some people talked about caring about their neighbors, or this no man is an island. They all had to fall back on whatever metaphors they could pull together to describe what I call in the book fellowship, that sense that we're in it together. Because it's not common in our politics now to give people the language that -- they can have a shorthand. It's not that the sentiment is not there, it is, but they don't have a shared language to express that feeling. And I think that's actually an important part of the role of politics, is to give them the language to express those feelings.

MR. DIONNE: You're saying that sparks something in me -- and by the way I am going to go for questions. We've got mics going around the room, correct? And I want to invite our pollster friend to ask a question too.

You talked about civic duty and the like and what it made me think of is, ask not what your country can do for you, ask what you can do for your country. Now John F. Kennedy said that in 1961. That was the high point of the greatest generation. It followed a period when Americans actually believed that government had helped end the Depression and had won World War II, and that there was a kind of public confidence and collective endeavor that we have been losing starting around 1968 or '70, wherever you want to date that, but I think we can see. I guess part of it is how in the world did we ever get that back. We don't want to have a World War as a way to do it. And maybe, was that just a very unusual time? But there really was I think a civic sense where -- I think Robert Reich wrote this years ago -- where people felt a palpable stake in common endeavor. They felt that it was in their interest, it wasn't just an altruistic thing.

I'd just like to toss that to the panel and then open it to questions.

MS. BOUSHEY: If I may, and I'll be brief, Frank. But I mean I think that one of the challenges of course is that 1968, early '70s was also the low point of inequality in the United States. And many of the reasons why people lost that faith and trust in government, and there's a lot of them and one of them was Nixon era and what happened in Vietnam, but it was also about large swaths of our society which had been excluded from economic growth wanting in. Racial justice movements, the feminist movement. And now we're sort of at this era where we have inequality is higher than it's ever been in the United States, or just as high as it was right before the Great Depression in the 1920s. So you have this massive pulling apart. And I think what you do see is people congealing around the fact that that is a problem. You saw that on all sides of the political spectrum in this election. That in many of the Trump voters, like frustrated that somebody is -- you know, America is growing but they are not actually seeing any of the gains of growth. So now you have this sort of the flip side of that coming together, which is the frustration that somebody is getting something and people aren't.

So I think that is our challenge today, is to figure out how you can take the negative

experience of inequality and make that into something that we have a common purpose around. That would just be my two cents.

MR. CLEMENTE: I'll just take a stab, and I shall throw a question at Vanessa about it. I mean I think our hope lies with what's called the rising American electorate, which is essentially Obama coalition, millennials, single women, people of color, very diverse population, young folks -- people who I think have a different attitude about government than the current dominant age cohort that's out there. As we know, our demographers tell us I think in 2020 that this rising American electorate is going to be the biggest voting bloc. It came close this last cycle. They have a much greater comfort level with government, they are much more communally-oriented, much more engaged through the wired world I guess you'd say, they are more comfortable with government spending. I think they're feeling a heck of a lot less secure economically than previous generations. A lot of them are still living with their parents. I got a couple of kids coming up in college, I'm wondering if they're going to be coming back.

But anyway, so that's kind of my hope. And I don't know if, Vanessa, in the quantitative work you've done, if you've teased that out or not.

MS. WILLIAMSON: I mean I think this is a really critical question. I think that I'm hesitant to feel confident about demographic destiny just because I know that America's political institutions have been structured historically and to this day to limit the power of the majority. I mean it was fundamentally a part of the plan originally in our Constitution. It continues to have its effects, most obviously in the last election, but just in general. I think that I would be hesitant to put my confidence in simply having the most potential voters because I think that it's quite clear that in a number of states they're willing to change who votes before they're willing to let the majority rule.

But alongside that, I think on the broader question of how to create this sense of shared fate, that's maybe what that generation had. That at the end of the day we had to defeat the Nazis. There was something that we all had to do together and we had been through this contraction in our economy. So people's fates really were closer together. You couldn't just buy your way into a life that had nothing to do with other Americans.

I have my own take on this and I think that there is something like a World War that we

face, and it's climate change. And I know that that sounds maybe a little bit like well we're never going to convince conservatives that climate change is a big deal. But you know what climate change is doing? Causing droughts in rural America. And every farmer notices that. Climate change is flooding our rivers, it's flooding our coasts, it's a danger to cities and to rural people, it is a danger to people at every economic level, and undoubtedly most dangerously to the poor, but Hurricane Sandy let us all know that New York is one city. So I think that looking forward, what I would say is that if we can identify that as the shared risk that it truly is, it might be, it could be something like a World War II-level commitment.

Now I have admitted my true level of Pollyanna-ish optimism. (Laughter)

MR. DIONNE: Right. But you need the --

MS. BOUSHEY: Optimism, climate change, yes.

MR. DIONNE: I think you'd need the catastrophe before you have the --

MS. WILLIAMSON: Well, we can be assured of those.

MR. CLEMENTE: Yeah.

MR. DIONNE: Maybe we should just start a cable channel that shows nothing but 1940s movies.

MS. BOUSHEY: Or just weather disasters.

MR. DIONNE: Yes, weather. There you go.

MS. WILLIAMSON: Inter-dispersed with weather disasters.

MR. DIONNE: Let's see, we've got a bunch of hands up. This is great. Let's start in the back. The lady in the back there. Yes, please.

MS. GAINES: Hi. I'm like jumping out of my seat so excited about this conversation. Elizabeth Gaines, Forum for Youth Investment. I've been working with your colleague, Bruce Katz, on this notion of new American localism as I kick off what we're calling the Children's Funding Project. And two quick facts, and then a question.

I tracked 14 ballot measures on the local level in places like rural Ohio, suburban Kansas City, et cetera, this November where 11 of those places elected to tax themselves to pay for children's services. Yay. People literally coming out of the polls saying, yes, I voted for Trump and I voted for the

children's services fund. So that's very promising to me.

The other thing is that there are eight children's services councils in Florida, many of them had to go back for reauthorization. First time around, some 10, 15 years ago they got right around half the vote and passed. This time they've got these accountability structures in place, people trust them, like you talked about, and they're winning between 76 and 82 percent. And that's property taxing Florida voters.

So question. Children are very popular. Do you talk about children in your book and any advice for me as I kick off this new project?

MS. WILLIAMSON: Well, thank you for a great question. I should have talked more about that actually. It is one of those things that really does cross all kinds of divides. You know, the frequency with which people say, our children, and they don't mean the kids that live in their house, they mean all our children. And that I think is a really amazing commitment. And I think you see that in the commitment of people without children to public education and being willing to fund more for our schools, because after all we need to look after our children.

Yeah, it is a real point of commonality. I think you're exactly right.

MR. DIONNE: Well, do you have like defeated bond issues in places where you have a very substantially older population whose kids are not in school anymore? So I mean it works both ways, correct? I mean it doesn't always happen.

MS. WILLIAMSON: Oh, no. I mean these things, as I say, my positive statistic is a 50-50 shot. So, you know, no, it is certainly no guarantee.

MR. DIONNE: I love Reinhold Niebuhr's line, original sin is the only empirically verifiable doctrine of the Christian church. I think it's always important to talk about human frailty.

Sir?

MR. RYBECK: Rich Rybeck with Just Economics. I was very interested -- well, loved everything that I've heard from all the panelists, learned a lot. Very interested in the remarks about people's perception of tax fairness relating to, well what's the relationship between what I pay and what I get? And I wonder if our tax mechanisms don't play into that. And what I mean is that we tend to rely a

lot on general taxes and I think, for example, sales taxes. And the nice thing that politicians love about a sales tax is you can raise it by an infinitesimally small percentage and rake it lots of moolah that I can then spend hither and yon. But people have no concept of how that money gets spent. And I think in particular that when it comes to water and sewer, most of us pay a per gallon fee for the water we drink or the toilets we flush. And it seems kind of fair that the more you drink or the more you flush, the more you pay. And we could pay for water and sewer with a sales tax, but if we did, would people have any incentive to conserve water? When they see leaky faucet today they see their water going down the drain, but if we paid for it with the sales tax would they go out and buy something they didn't need just to compensate the water authority for what they were wasting? Probably not.

So I'm wondering if there's maybe a lesson for politicians that if you want the public to understand and support taxes, we have to create some better linkages between what people are spending and what people are getting. And that would mean maybe moving away from general taxes towards maybe things like user fees and value capture, where people pay sort of in proportion to what they get.

MR. DIONNE: That's a good question. Let me append one. I've forgotten who wrote it, but in *Democracy Journal*, with which I have an association, we had a very good piece on this whole idea of tax receipts that when people get their refund they also ought to get an accounting, like a one page accounting, here by the way is what your tax money went to, this is what it's spent on. And I'm not sure it would revolutionize everything, but it would be a very useful piece of public education so that people get where it's distributed. I'm curious. The user fee question is an entirely different question, but it's related to the issue of knowledge.

MS. WILLIAMSON: So I think there were basically two questions. One is the question of making benefits visible. And that clearly is an important thing for government to do. And there are many ways that could be done. For instance, with a tax receipt. I think at a federal level, a tax receipt has shown mixed success, but where it's really shown tremendous success is on Social Security. Some of you may have at some point received a little green statement about your own Social Security benefits. I'm amazed how often people remember having received those, but it actually had a measureable -- they

did that as a randomized trial, which is the sort of sentence that makes social scientists so happy just to be able to say -- so that you could actually measure the impact of people finding out -- you know, a statement of here's how much you paid into Social Security and here's what your benefits are going to look like. And if you keep paying in like this, this is what will happen. And it not only measurably increased people's knowledge of Social Security, it increased their confidence in Social Security. There's a lot of misinformation about what's happening with Social Security.

So I think that to the extent that we can make the benefits of government visible, that's important for two reasons. One, because it would be good for people to know what benefits they're receiving so they can sort of judge those, but also because people aren't just consumers, they're citizens. They're supposed to go back to the polls and say whether the government was doing a good job. And so they need to know what government is doing and that needs to be obvious to them. And when we do social policies of the tax code, which we do a lot of in this country, we often lose that connection. So I think that's a crucial issue.

The second point you made was about fee for service, basically, a benefits principle. And I think that we can disentangle those. There may be places where fee for service is a good idea. The gas taxes sort of operate in that same way, particularly for things we would like people to do less of. But at the same time I think that having every tax dedicated to a particular purpose -- first of all, sometimes that ends up pretty regressive. It falls very heavily on lower income people. And secondly, it doesn't create a place for our democracy to make those decisions. And at the end of the day, that's what we would like. We would like to be able to trust our democracy to allocate money from a general pool. I would prefer that, fundamentally, than to believing we had to have each and every service paid for separately because we couldn't trust any lawmakers to make those judgments.

So I think that there are two issues going on there, both of which are really important.

MR. DIONNE: I think there's a lesson in here. And then whoever wants to come in, and some of the United Way and sort of big philanthropy declining as people give more money to very particular things that they want. And my understanding is one of the net effects of that is less money ends up going across town from richer to poorer parts of town, and that you need some general fund that

is now user fee based in order to achieve sort of a level of social decency in the parts of town that don't have a lot of money to spend.

It goes with aggressiveness, but I think it's a larger part of the story.

Did you guys want to come in? And then I want to go to this side of the room and then I'll get some other voices that are on this side.

MS. BOUSHEY: I want to comment on the question that you just raised, Vanessa, about people knowing what benefits in the taxes -- the benefits that they're receiving.

And this is one question that I feel like is -- that social scientists seem to understand this, but policy makers don't. Or that has been my own personal experience, is that I have found it difficult to explain to folks doing policy why that really matters, or have found a lot of, sort of, pushback on that. So I just wanted to make a little bit of a plea that if anybody in the room, or listening, or watching on television thinks that there's evidence for that, that's something that we should talk about a little bit more because I think too often there's both a -- I mean how do you do something really efficiently, which may not gel well with showing people the benefits that they're getting, but there's also sometimes pressure to do things through employers or to hide them in the tax code, which really does obscure that for people. And it leaves you with programs that don't have that constituency, people don't actually understand.

So it would be nice if as we were having this tax debate over the next few months there are more voices rising up and having that conversation alongside it, about how important it is for people to see where their tax dollars are going. So just a little plug for all of you thinkers and doers out there.

MR. DIONNE: I can think of a really good think tank that could do work on that.

MR. CLEMENTE: My quick comment on your question is that I think it would lead to much more balkanization of our politics than we have now and that's the absolutely wrong direction to go in.

Lastly, the tax system is to help share the wealth. I mean I'll use the redistribution word. It is to help redistribute wealth. And if we got into, oh this tax for that and this -- the folks who are going to lose are the folks who are most in need.

MS. BOUSHEY: Unless we do a wealth tax.

MR. CLEMENTE: Well, OK, yes, to redistribute wealth. OK.

MS. BOUSHEY: You could have a user fee on wealth. I'm just saying, it's an idea.

MR. RYBECK: I did mention the value capture, which is wealth tax on land. Basically (inaudible).

MR. DIONNE: Thank you. Sounds like Henry George. Please.

QUESTIONER: Hi. I have a question about the public perception of fairness. And when people are talking about fairness, is it a notion that the system is good but it's been hollowed out, or that the system itself is not working? In other words, is 39.6 percent or 35 percent for corporations, are those fair top marginal rates but we don't like the ability to hire advisors and lobbyists to lower your effective tax rate? Or is there some deeper value that people are responding to that they think, no, 50 percent is a good rate, or income tax is unfair, or something more fundamental.

MS. WILLIAMSON: That's a great question. And there are several parts of it that I want to talk about all at once.

First of all, as a general rule, Americans support progressive taxation, something like 60 or 70 percent of Americans support progressive taxation. And you can ask that question different ways. You can ask it as percentages or as dollars, and you get progressive results either way. You can shift the results because, and particularly because this is a highly contested partisan issue you get a lot of polls trying to push it one way or the other, but overall, Americans support a progressive tax rate.

But there are some serious gaps in people's policy knowledge. One is you use the phrase marginal tax rate. That is an entirely nebulous idea in the common understanding, that is to say people do not understand the next tax rate applies only to income above the income you earned on the rate below. So people imagine you're paying 39 percent or that one time taxes were at 90 percent at the very top. They think that's 90 percent on your whole income. So that's a very common misunderstanding that undercuts support for high tax rates because that's how it's perceived.

So one thing that would be interesting is to find out a way to explain that quickly. I try and do it several times in my book. So that's a policy problem in terms of explaining how our income tax system actually works. It is commonly believed, and I think Frank made this point already, that people

like a graduated income tax in principle. They think rich people should pay a larger percentage, not just a larger amount. But they also commonly believe that our current system is undermined by loopholes. So what results from that is a willingness to trade lower rates for closing the loopholes without a clarity on what most of those plans typically do, which is lower revenue. So they think that you close a few loopholes and we're going to have all this new money and there's not going to be a problem if we've lowered the rates.

Now obviously on the corporate side that's closer to accurate than on the individual side. So that's a common, sort of, misperception. And as Frank said, it's part of the support for a flat tax. Now that's not the most popular plan in America, but people like that for several reasons. One, because a flat tax sounds like equal commitment from the citizens, and we're talking about taxpaying being something that citizens do. So wouldn't it be great if that burden could be share equally? So that's one sort of motivator behind the flat tax. If you ask someone to talk about it they often talk themselves out of a flat tax after a minute or two because they start thinking about how it would apply to different people. But that's the emotional impetus of a flat tax.

And, secondly, it's this question of, oh we'll do a flat tax with no loopholes and those guys who are not paying any of those fancy rates you were talking about, those guys will end up having to pay. And maybe we'll actually come out ahead.

So I think that's largely how that's understood. I think people have a lot more confidence about, sort of, broad symbolic ideas, like the rich should pay more, than what the numbers should be. And another example of that is this question of offshoring. People feel very strongly, as you said, about money being hidden overseas because it resonates with the symbolism of taxpaying being something that is patriotic to do. And so the fact that they're literally hiding the money outside of the country, well that just makes perfect sense. So those are the kinds of policies that stick with people because they fit with the sort of emotional understanding of it. And I think when you go too far down the road of specific numbers, you have to provide so much information to the person that it's almost impossible to be -- you're not getting their opinion in the wild anymore. You're getting their opinion with a certain set of facts, which may or may not be the kind of facts they'd encounter in our politics, which provides pretty poor facts a lot.

MS. BOUSHEY: So one question, and actually a follow up on yours, I seem to recall -- and maybe I'm crazy -- but that when we got those -- it used to be that we would get these newsprint tax forms in the mail with like all of the forms that you would then fill out. I don't get those anymore, but I thought in those they had a pie chart of where our tax dollars went.

But also my other comment is that if you have this big pamphlet and it had all those tax tables in the back, I think it made it much easier to understand. That's how I learned what marginal tax rates meant because -- but of course I'm an economist so I actually thought the whole thing was somewhat interesting. (Laughter) I may be a complete outlier here. But I'm just pointing out that just in a small way that that was a way to educate people that we don't do anymore, so how is it that people are getting that information? And maybe there are other ways that we could be doing that.

MR. DIONNE: Liz, how much time do we have left? I forgot to bring my --

MS. SABLICH: Ten minutes.

MR. DIONNE: Ten minutes. Let me bring in a couple of people at a time. The gentleman in the back there has been waving his hand, and then I know there are a couple of people farther up right here. Let me take care of this side on this round. So you start, sir, and then I'll bring the mic up here. Yeah, there we go.

QUESTIONER: I'll be quick. How do people feel about using the tax code to -- sort of behavioral engineer, encouraging certain behaviors, discouraging others?

MR. DIONNE: Great question. Please.

MR. CHECCO: Yeah, I'm Larry Checco. I'm a little disappointed we don't have Grover Norquist on the stage in a bathtub.

MR. DIONNE: Funny you ask because I'm trying to set up an event with Grover. I want Grover and Vanessa on the same -- (laughter).

MR. CHECCO: I'd love to --

MR. DIONNE: So, Grover, if you're watching, we've got to do this.

MR. CHECCO: Make sure you bring the bathtub too. Great prop. But I just wanted to say -- I think a lot of what Vanessa is talking about is narrative. I don't think that we have created a

narrative about taxation that people can understand and gravitate to. The narrative that we've got now is all topsy turvy. For 30 or 40 years we've been told, and the narrative has sunk in, sunk in, that if we give people at the top the money that we're all going to benefit at the bottom. And the only thing that has trickled down, quite frankly, is misery.

For example -- and I don't think most people know this -- but companies like Walmart and McDonalds actually have seminars to tell their people, look, if you can't make it on the salary that we're paying you, here are some government programs you can go to. Now the Walton's are worth \$40 billion. We're subsidizing their employees. We are subsidizing their wealth with our tax dollars. If that's not insulting and if that doesn't get people's ire up, then there's no hope for this country.

Thank you.

MR. DIONNE: I forgotten who just proposed a tax specifically on companies that --

MS. BOUSHEY: On the Hill?

MR. DIONNE: Yes. That sort of disproportionately use government benefits to subsidize wages or benefits.

The gentleman right behind here. We'll take those three.

QUESTIONER: Yes, just a quick question and comment. The discussion on fairness has all been around the rich and the poor, tax rates, loopholes, shelters, fair share. Has there been any consideration or in your research has anything come up about tax simplification? I mean equal treatment before the law, such as, for example, getting rid of all exemptions, credits, deductions, special treatments, in the tax system, treating, for example, all income as income regardless of its source. And I only say this because I look at the tax form every year and if you did that for me my taxes would be paid on a postcard because the IRS knows all my sources of income, they know the rate that I'm supposed to owe. And that actually would impact a huge majority of people in this country who pay wages and have their taxes withheld.

MR. DIONNE: You know, that's a bookend question to the question by the gentleman in the back, which is about using the tax code to accomplish things.

And one other idea. President Obama actually talked about this in this campaign and

none of the tax-preparing firms liked it, which is that in fact most people pay on a short form and you could actually send people a bill on their taxes where they wouldn't have to fill out anything. On this tax simplification, the people who complain are the people who get the most damn benefits out of the tax system. And if all those things weren't there they'd pay in many cases a higher tax. So it's a very odd -- I think simplification is harder than it looks.

But anyway.

MR. CLEMENTE: Just --

MR. DIONNE: All three of these questions are good.

MR. CLEMENTE: If you look at the reasons, the messaging -- talking about narrative, the messaging that the republicans, that Paul Ryan used on his blueprint, was they always led with simplification. And they're actually now talking about making the system fairer by getting rid of loopholes too. They sort of co-opted our language on that. But the simplification can appeal to everybody, but fundamentally it's, who uses all the loopholes? The folks at the top.

On the narrative question, I think we have half of a narrative that is successful, and that's the tax fairness narrative. I think we have trouble on the other half of the narrative, which is what do you want to do with that money? What do we need to do, how do we need to make America better, how do we need -- what's the role of government? And that's where things fall apart for us. Maybe that's too strong a statement. That's where things are more challenging because of all the stuff people are hearing about government, and on the left and the right about how the system is rigged, it's really working on behalf of the rich and corporations, or it's working on behalf of big unions. So it's that problem. That's going to have to shake itself out. As I say, when the pendulum swings back, it swings to the sort of more liberal, progressive side of things, I think that will shake out.

MR. DIONNE: What about using the tax code to get things done?

MS. WILLIAMSON: So I think that has some -- and I think Heather talked a little bit about this already -- the more complicated you make the tax code, even if there are benefits to working people, benefits you'd like to see people have for child tax credit or things like this, the more complicated you make the tax code. Both it makes it hard for people to see what government is doing and it convinces

them that taxes are complicated, and if taxes are complicated I know who's getting the real deal here, it's the people who have the fancy accountants and the lawyers, not me. So complaints about simplification are, in an interview setting you can -- in a survey people will check different boxes for you, but in an interview setting they were almost impossible to disentangle. People would go straight from complaining about the complexity of filing their own taxes to the certainty that rich people weren't paying their share. Because what they're imaging is, I have to sit there and remember my little deduction here and there. At very income level you've got to remember your earned income tax credit, you've got to remember your college -- there are all these things. So everyone has to remember their own little things. And every time as they're thinking about remembering those things, they're reminded that someone fancier than them with a better accountant, is getting bigger deductions. And so it creates this emphasis on loopholes and rates and all these things. So I think that people are experiential learners and the taxpaying process is a time that they learn what government does. And right now the lessons they're learning are leading them to some very wrong ideas about how our tax policy works, but they're also leading them to certain ideas about how our government works more broadly. And so we need to think about that when we're constructing these systems and trust that rather than nudge people here and there, it would be nice to respect them and give them the information they need to make decisions as citizens.

MR. DIONNE: Although there's an irony because if you take away the homeowner deduction every homeowner will be furious, and if you take away the state and local tax deduction everybody in the high tax states will be furious. So it's in the eyes of the payer.

Guy, I can't resist putting you on the spot. One of my favorite pollsters and old friends is in the audience. Do you have a thought here for us?

And then one last question before we close after Guy.

MR. MOLYNEUX: Vanessa, you talked about sort of the positive values associated with identifying oneself as a taxpayer. A lot of the policy fights, though, that Frank and other groups will be involved in will be dealing, in a sense, with the reverse scenario, that is trying to stop efforts to give new tax advantages and breaks to corporations or high income individuals. And I'm wondering if anything you've heard in your interviews would give guidance on the kind of language to describe companies or

wealthy individuals who attempt to reduce their tax burden or avoid their tax obligations entirely. What is the negative language, the sort of reverse of civic virtue?

MS. WILLIAMSON: Yes, that's a great question. So I think that there's been some really great political science work done on how people understood or misunderstood the Bush tax cuts, which I would have as recommended reading for anyone who wants to think about what the politics are likely to be this time. And one challenge, of course, is that tax policy is very hard and people are very busy. And many people are trying to mislead them about how taxes work. So it's not that surprising at the end of the day that smart, educated people have wrong ideas about how tax policy works. And I think that's a big challenge because words like simplification sound pretty good, closing loopholes sounds pretty good. And it's not easy for people to get a clear answer on what that means for the overall budget, and it's not easy for people to draw that connection between the tax cut over here and the services that don't exist in my community over there. So I think those are real challenges.

But at the same time, you know, part of this to me is just about having the courage to talk about taxation. I think that often people don't have the courage to talk about taxation, but if we think that we should have a democratic form of government, taxes are how we pay for it. It is, in a democracy, our shared investment in our government. And so I think that having the confidence, having the courage of your convictions about why we raise money in the first place and what that is supposed to be doing, right, the equity it's supposed to be creating, or the services it's supposed to be paying for, is -- I think people can tell when you don't believe what you're saying. And so to me rather than -- I don't think it's about finding the perfect set of words to say, I think it's about being honest with yourself about what you actually believe and saying it.

But, yes, so I think that on this particular fight in the next few weeks, I would expect that the overseas question is one that will resonate with people, and that's on the right and the left. The idea that companies that took their jobs overseas and now they want to keep their money overseas too, that is offensive to people who are paying their taxes and can't hide their money in the Cayman Islands or wherever else people imagine that the money is hiding. And it also resonated with that larger idea that taxpaying is something that citizens do to support their community and their country. And if you're not

doing that it implies that you don't share our values, that you're not doing the patriotic thing. And I think that that's something that is both true and resonates pretty easily with people.

MR. DIONNE: Could I ask, would any taxpayer feel terribly excluded if I end on time? If there is an urgent question I'll let you ask it and then we'll close.

Go ahead. You kindly put your hand down so I'm going to reward you for that.

QUESTIONER: Well, thank you. So you talked a little bit in the beginning how Americans kind of like self-attribute the label taxpayer to themselves and how that's kind of like shorthand for like an upstanding citizen. And we've seen, especially in the last election, kind of a backlash against people who they don't, kind of, label as a taxpayer even though the evidence is exactly contrary to that undocumented persons pay more in taxes than they receive in benefits. And it's kind of like they're almost just ignorant to that fact completely. And so I guess what would you attribute to this kind of change and I guess what's the future on that? Like do you think it will be improved or get worse?

MS. WILLIAMSON: I think that is one of the most fundamental questions we face, not just on taxation but just in general. And thank you so much for asking it. You're exactly right that Americans commonly believe that undocumented immigrants aren't paying their share in taxes. But at the end of the day, undocumented immigrants are doing a yeoman's work to prop up Social Security and Medicare, for which they are not qualified to receive. They also, of course, like all low-income people, pay disproportionately in sales and use taxes. And all the taxes that fall heavily on low-income people that are so much less visible because we don't have this annoying process once a year to think about them.

Yes, so that's exactly right that that's a misunderstanding.

I don't know, and I think it would be very hard to find out whether -- I don't think just telling people the facts when they are responding to an emotional reality for them. They're responding to an us and a them that predated any information they had about how our tax code works. I'm not sure that coming back with some facts about the health of our Social Security system is the way to change those minds. I think in this case what we're seeing is that our understanding of tax policy is a mirror for the divisions in our society. And those divisions are pretty fundamental and we've had them for a long time. I

said I think a little bit in my talk there was this idea of the welfare queen. This is someone who benefits from taxes and doesn't pay in. And that was a racialized idea. And I think we're seeing a very similar kind of rhetoric around a different ethnicity now with the idea of these undocumented immigrants who aren't paying taxes. And I think that that is a deep divide in this country and I think that I would like to say that providing better information about tax policy was going to bridge that divide, instead what I think is that when we bridge that divide, suddenly no one will ever wonder who is a taxpayer. That's one of the ways you'll know that we've crossed that, I think, fundamental challenge that we face, which is building a fair economy with a multi-ethnic community.

MR. DIONNE: Thank you. (Applause) I want to close -- one of the nice things Vanessa does -- a lot of social scientists do these interviews and then people wonder, are these fair accountings of all these interviews? So she has an appendix where she sort of summarizes all of her interviewees. And I want to give Patsy the last work. Patsy is a 58-year-old registered nurse from Sacramento, California. And here is what Vanessa wrote: asked if it is ethical to find legal ways to avoid paying much in taxes, Patsy says, "Hell no, it's not. Pardon my language. Taxes keep everything going as it should so that we can continue to have laws upheld and have people following diseases and immunizations for our kids. Otherwise we'd be screwed." (Laughter)

Thank you very, very much, Vanessa and Frank and Heather. (Applause)

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