

THE BROOKINGS INSTITUTION

Intersections:
Why taxes in Kansas matter

Wednesday, July 12, 2017

PARTICIPANTS:

Hosts:

ADRIANNA PITA

Contributors:

VANESSA WILLIAMSON
Fellow, Governance Studies

WILLIAM G. GALE
The Arjay and Frances Fearing Miller Chair in Federal Economic Policy
Senior Fellow, Economic Studies
Director, Retirement Security Project
Co-Director, Urban-Brookings Tax Policy Center

(Music)

PITA: Hello, and welcome to Intersections, part of the Brookings Podcast Network. I'm your host Adrianna Pita. So last month the Kansas state legislature voted to overturn their five-year experiment with dramatic cuts to both taxes and government spending. They approved a tax plan that would fill the \$900 million budget shortfall they were facing and bring in approximately a billion dollars or more to the state over the next two years. They voted on this plan and they voted again to override the veto and Governor Sam Brownback. The same year that Kansas started their experiment. California voters approved a Proposition that Temporarily raised income taxes and also increased sales taxes. Last year they approved again another proposition prop 55 which extended that income tax rate hike out to 2030.

So I have with me today two of our experts in tax policy and public opinions about taxes. Vanessa Williamson, she's the author of the book read my lips why Americans are proud to pay taxes. And Bill Gale, who's the co-director of the Urban-Brookings Tax Policy Center and also director of the retirement security project. Bill and Vanessa welcome.

GALE & WILLIAMSON: Thank you.

PITA: Thanks for being here. So I wanted to start out with this example of California and Kansas because there are these two very different states very stereotypically blue and red and they carried out sort of stereotypically expected liberal and conservative tax

experiments. And so I wanted to ask you both to talk a little bit about what we can learn from what happened in California and Kansas sort of how the states responded to their various experiments. And then also then take us on to figure out what this means for tax policies at the national level as well as prospects for tax reform. Bill can I ask you maybe do you want to start by sort of giving us a brief overview about what happened.

GALE: Sure. The Kansas tax cuts were kind of a very well defined experiment. They cut income taxes across the board they cut non corporate business taxes to zero. And the idea was that they were going to I think in the words of the governor give a shot of adrenaline to the heart of the Kansas economy I'm not sure putting adrenaline in your heart is a good idea on medical grounds but on economic grounds the tax cut just didn't work. It didn't boost growth. Kansas lagged behind its neighbors it lagged behind the nation as a whole and it was sort of a stark reality check for all of the overloaded rhetoric that we hear from Supply-Side adherents about the magic of tax cuts and how they're going to fix all the economies concerns. California did the opposite. They raise taxes on high income households and their economy subsequently boomed. I don't think the lesson from these two states is that raising taxes causes the economy to grow more. I think the lesson is that the impact on taxes on the economy is not as big as people sometimes say it is and that many other things affect the economic vitality of the economy.

PITA: Vanessa did you have anything you wanted to add to that?

WILLIAMSON: Yeah I mean I think that you know Bill and I are mostly on the same page with this that one of the things that happens when you cut taxes really dramatically is you find out what taxes used to pay for. Right? And sometimes we

imagine that the economy doesn't include the public sector. Well it certainly does. You know schools and education and health care are major parts of the economy. And so if you suddenly you know find there's nowhere left to cut, you're going to start having real problems right. I think you're exactly right that what we're seeing here is you know an interesting opportunity for people to recognize what government is for and recognize that it does play a pretty important role in the economy.

PITA: That gets a little bit into some of the research that you've done Vanessa in your work. You both ran some of your own surveys as well as looking back at several decades of previous surveys examining what the public thinks about paying taxes. And contrary to what people tend to think or what I think most people perceive as the standard wisdom is that the American people look on paying their taxes as this civic duty that they are proud to partake in it. Can you talk a little bit about why do we think that people don't like to pay taxes when if you ask them they do.

WILLIAMSON: You know it's a great question. It's actually an example from California that I think has really shaped Americans understanding about taxes which the tax revolt back in the late 70s and early 80s various states and famously California put in place very strong limits on property tax increases and is seen as a harbinger of the Reagan revolution at the time. And there's this moment where there's an idea that oh you know Americans just hate taxes and they're not willing to pay and they're the sort of voter revolt if you try and raise taxes. And I think that image of the early 1980s has really stuck in people's minds. But of course when you see things, California has really changed its tune, first of all right. And you see that actually across the board that voters are increasingly voting for tax increases. And now if you put a tax increase on the ballot

you have about a 50/50 shot of success which is a very good success rate for a ballot measure. So I think that there's been a real shift. And you know it doesn't mean that Americans like everything their taxes pay for they certainly don't. Right. And it doesn't mean that they're confident their government is working on their behalf. In fact, people are very suspicious that the government very untrusting in recent years of the government. But the idea of tax paying is a civic responsibility something that has almost consensus level of support in the United States. That is to say that people see being a tax payer as evidence that you're a contributing person an upstanding citizen. It's part of being an American.

PITA: Did you have any thoughts in your surveys, were there any differences about people's opinion about paying their local taxes. You know maybe they have a really great understanding of how their property taxes fund their kids school but maybe they don't see that connection as well with federal taxes, are there is there anything there?

WILLIAMSON: Absolutely, so as a general rule people like local things more than other things. So if you ask people about the schools they think their kids school is pretty great, but schools in general are just failing. They like their own congressman but they think Congress is terrible, as a rule, right. So taxes sort of fall into that same rubric where people like local taxes more than they like national taxes because they feel more confident that the money is being spent locally. And this is I think to some extent evidence of the confidence people have in their money being used wisely. They feel they have more control over local spending but that's not to say that local taxes are

always popular that national taxes are unpopular. Right. Because on the one hand the property tax is often extremely unpopular and the federal income tax people are really split on for many people. In fact it is most commonly picked as the best tax. Right. So about the same number of people pick it as the best tax and the worst tax so I think opinions are in some sense really divided on that. But when people are talking about taxes they are thinking about whether they can trust their government to work for them and people do have more faith in local institutions.

GALE: I think this is a major framing issue I just want to follow up and expand on what Vanessa just said. Even at the federal level the national level if you ask people what kind of a broad question about is government spending wasteful. You'll get people saying 40-45 percent of spending is wasteful. But if you go through specific items in the budget everything from Social Security to Medicare to Medicaid to unemployment insurance education to defense and so on. If you ask people should we cut this. A majority say no. And so when you can make it specific about what people are getting from government people seem to be willing to pay for it and often want more of it. Which implies more taxes. But when you have this general kind of stepping back is government spending wasteful you'll find people saying that a lot of it is at the federal level but I guess the point is that certainly people can see the concrete impact of local spending more than national spending but even national spending. When you ask him about specific items it commands a majority who say either keep it the way it is or raise it rather than reduce it.

WILLIAMSON: That's exactly right. There's a saying in political science that Americans are philosophical conservatives but operational liberals are right. So they

commit to a philosophical principle of a small government but they like all the things that make up big government.

PITA: Are there any other states that have been running any whether they're similar experiments or any other sort of tax policies that we can look at and draw some lessons from either in significantly higher or lower. I think Colorado is sort of an interesting example. They're the only state that has a taxpayer bill of rights that limits state revenues. Can you talk a little about Colorado or any other state.

GALE: There's a big literature on state taxes and there are growth effects and I did a paper with a couple of other people a few years ago we went back through this literature and it's remarkable how un-robust any of the results are, there's just not a clear relationship between tax cuts and a stronger economy. And so that means that the claims that the tax cuts that these across the board tax cuts will generate a lot of prosperity are just not founded in evidence.

PITA: You did an interview with NPR on that paper I think where you said you can draw an economic model that comes to these conclusions but the models never match up to the empirical evidence.

GALE: Yeah there was an interesting study done where a guy took five studies that purported to show that tax cuts did increase the size of the economy. And he just redid the studies in the exact parallel format 20 years later with data from 20 years later and all of the results either went away or turned the opposite side. It's not a well-established result that's not even really a partially established result in the literature.

PITA: Then why is it trickle down supply side economics why is that still is a lasting effect.

GALE: I think there are two reasons and I'd be interested to hear what Vanessa said. And as I said I think one is ideology if you want to cut the size of government you want to make the argument that there should be lower taxes you don't want to make the direct argument that we should cut Medicare Medicaid and Social Security because people will recoil at that. But if you say cut taxes people might say oh yeah I don't like paying my taxes or I don't like paying this tax or whatever so it's just an easier argument to make then to identify the specific benefit they're getting and saying we're going to take that benefit away. So one is ideology in the political maneuvering around it. The other is wishful thinking. I mean if you're a political leader and you, you're told by one person you have to make tough choices you have to make somebody worse off than someone else waltzes in and says Oh no no you can you can cut everyone's taxes and make everyone and make the government budget better off at the same time. That's a much easier pull. So I think there's a little wishful thinking going on as well.

WILLIAMSON: Yeah I mean I think there's a real disconnect between sort of elite attitudes politicians attitudes elected officials attitudes when I think fall into exactly what you describe and what you know normal people imagine which is if you explain to them where the money is going to go they'll make an assessment about whether it's worthwhile to see you know a 25 cent increase in the sales tax if it means that you know there nurses and schoolteachers they're going to get paid right. So I think there's a real disconnect there between the sort of wishful thinking and ideological thinking about how we would like to imagine the economy works when it doesn't work that way. Or

alternatively you know how we can arrange benefits for a very small number of people who make a great deal of money. I think that those that maybe the motivations at the core of some elite thinking about this and you know rank and file people who are I think a little bit more willing to consider costs and benefits in a bit less of an ideological way.

GALE: This is why the Kansas experiment is so important. It wasn't that liberals who got elected and then overturned the Republican policies. A Republican controlled legislature in a red state, once they saw the effect of the tax cuts and the spending cuts that the tax cuts forced, once they saw that they changed their mind. So reality got in the way of wishful thinking or ideological thinking. And that's why the Kansas experiment so noticeable it was Republicans that undid a Republican policy not Democrats.

PITA: Colorado Springs is sort of another similar example of that red town Republican voters sort of went back on some previous spending cuts. Do you want to talk a little bit about that?

WILLIAMSON: They sort of famously they had turned off one in three streetlights and start picking up trash in the parks and various things that are very noticeable very local effect and that's you know something I saw in my research that things that you see every day on the street you know roads and schools and hospitals and parks are almost universally popular. You know I asked people what are they glad their taxes pay for and what are they upset their taxes pay for. And if people mentioned parks and roads and schools they overwhelmingly mentioned them in a positive light and often said they'd like to pay more for those services to make them better. And the other example that I think is similar and is still sort of unfolding in Illinois just in the last few days and weeks

we've seen Illinois basing it kind of similar concerns to Kansas and then in their case I think it was you know serious concerns about their credit rating being changed because they had such unstable sort of debts and were so unable to pay their state bills and the Republican governor again Democrats and Republicans got together to overturn some tax cuts that had really caused you know just blown a huge hole in the state budget. But I think the really important question looking forward is you know states have limits on the way that they raise money and spend money that the federal government does not because states don't make their own currency among many other things. And so one thing that I'm curious about is how or if this stuff plays out at a federal level right. Because I don't think I've seen much evidence that there is a flank of genuinely moderate Republicans willing to break with their party on really any of a number of issues that are pretty central to what we're all talking about these days. You know I just I'm not sure that the politics are going to play out the same way and I'd actually love to know what Bill you think about that.

GALE: So I think you hit a really important point the state examples are interesting in and of themselves but they're important to those of us that don't live in Kansas or Illinois or Colorado or California precisely because the federal government will be facing an eventual either implicit or explicit showdown between taxes and spending over the course of the next couple of decades. All of the big changes in the budget whether it's more retirees or increases in health care. They're all going to play at the federal level over the next two decades basically. So it's going to be an issue of whether this can be framed as horrible taxes that people have to pay or whether it can be framed as Social Security is the most popular program out there. People don't want

Medicare Medicaid cuts. Something's got to give at the federal level. And Vanessa is right the federal government can postpone dealing with this because it can run deficits and it has the power of the Fed. But I don't think we can ultimately avoid a day of reckoning.

PITA: I did want to ask you a little bit about the politics of it. Michael Tomasky was writing for The New York Times about the Kansas experiment and when he was then extrapolating from Kansas national level he wrote that ever since the 1990 that last bipartisan tax increase that happened with only a few scattered exceptions he says no Republican member of the House or Senate has voted for a tax increase for 27 years. And he sort of pins that at the heart of a lot of the dysfunction in Congress the whole oh we can't get anything done. The polarization that it basically comes down to the no tax pledge that Grover Norquist among others went around getting a lot of Republican lawmakers to sign onto. I wanted to ask whether you sort of your opinion about that that is a thesis for the dysfunction of Congress and is that the main bloc that's keeping anything from whether it's tax reform or anything else getting done.

WILLIAMSON: I think it is absolutely central to the contemporary Republican Party to be uniformly and absolutely opposed to tax increases. And that is an ideological commitment that people sometimes associate with Reagan but does not actually fit the history of the Reagan administration particularly closely. It's just something that like many other aspects of the Republican Party have gotten more extreme. And so yeah I think it's absolutely central because it's very hard to talk about anything government does if you can't talk about how to pay for it. Right. I mean that's just step one of any reasonable process of governance is to be honest about cost and to talk about where

the money's coming from. And I think it's you know it's in some sense deeply condescending to the American people that politicians act like that conversation cannot be held honestly.

GALE: I think you both hit on the central issue here. Let me take a step back and just say in order to resolve these fiscal issues the most important aspect of any agreement is that it be regarded as equitable that involves high income households paying some significant share of the fiscal gap. The only way to burden high income households is to raise their taxes. You can't cut spending on high income households because we we just don't spend very much on high income households. So if you rule out tax increases you've made it impossible for high income households to share in the burden which in turn makes it impossible to reach an agreement that's seen as equitable. So it's got that concern. Our second concern is in the early 2000s the people that signed the no new taxes pledge, the Republicans that signed it, voted overwhelmingly to expand Medicare in the Bush administration. So they created enormous new liability while at the same time explicitly saying they were not going to fund it and some, we're talking about 80 85 percent of Republicans who signed the pledge back then, voted for the Medicare expansion about 15 years ago. So I think the idea again is ideological that if we don't raise taxes we can't raise spending. But as Vanessa pointed out the federal government can't raise spending without raising taxes in it run deficits and print money instead. Both of which have deleterious long term consequences. So there are no new taxes pledge was meant to be a counter to tax and spend policies but it turns out what it's introduced is no tax and spend. And so that seems like the worst of all worlds.

PITA: When we talk about sort of policies that we should see in any sort of major tax reform bill you and some other colleagues had written last year you had a paper that was part of the Brookings big ideas for America series. You highlighted five major areas that you would like to see in any sort of tax reform raising long term revenue increasing environmental taxes reforming corporate taxes treating low and middle income earners more equitably under the tax code and ensuring appropriate taxation of high income households to these things that you've just mentioned. Do all of these things need to be dealt with in a package. Are certain elements more capable of being achieved than others or any of these more important than the others. Can you talk a little about the priorities for reform?

GALE: A couple of years ago there was talk about a grand bargain that would fix Social Security reform Medicare Medicaid reform the tax system etc.. And I didn't think it could happen then. It's conceptually very nice. It's in one fell swoop you come in and you just fix everything. And politically you can understand the attractiveness of it in the sense that there are enough moving parts that everyone can point to something that they get and maybe they don't notice as much. The thing is that they lose. But I just don't think that having seen Congress operate the last decade, I don't think they have the bandwidth to do that. If you think about the 1980s we had Social Security reform in '83 We had tax reform in '86. We tried one budget reform Gramm-Rudman around then that didn't work. We tried a different budget reform in 1990 that did begin to work, but that took a decade to do all those things and it doesn't include Medicare and Medicaid. So the idea that we could collapse all that into one package just seems impossible to me one grand bargain is not the only way to do this. We can do this in steps and we will

eventually, Medicare trust funds are going to run out of money in the next 15 years. I forget the exact date. Social Security in the early 20s 30s that will force changes in those programs. But the general fiscal picture there's no deadline there's no you know the government can always borrow a little more. And that is going to hinder reform it's going to take something like higher interest rates which jack up their interest payments or or some external situation. You know for some reason say I don't think this is likely but for some reason the world doesn't want to hold our debt anymore. Something like that is going to be needed to jumpstart the situation. They just don't make these decisions if they don't have to.

PITA: Vanessa, in any of your research are certain elements very popular is the public we're going to hold Congress to account and say yeah we're really in favor of making this or that change. Obviously middle class is always in favor of middle class tax cut in you know equitable burden there. But are there any opinions on any of these other aspects?

WILLIAMSON: Well a real challenge I think is that people are in general better at understanding tax policies that they experienced personally on a regular basis which means people are pretty good at things like the sales tax and are not as good at taxes that do not affect them personally which is one of the reasons you see such high levels of misinformation on say the state tax which almost no one pays right. So to the extent the people have direct personal information of tax paying it can help counter inaccurate information that they receive through the media and through sort of partisan political sources. But unfortunately when it comes to things like federal tax reform you know the details of those policies have to be explained. And as our current media environment

works there are a relatively limited number of voices that offer you know fact based neutral news to a broad partisan spectrum. Right. Certainly those sources exist but I think that increasingly people are sort of opting into news that fits with their political priors in particular on tax issues those feelings are very strongly held. So I think it's quite easy to mislead people about the effectiveness of federal tax policy changes simply because you know there's really hard stuff there's a reason Bill Gale is you know such an important person in terms of explaining these things. This is hard as reasonable people don't understand it. But you know not everyone is listening to neutral sources and there is a lot of very very motivated explanation when it comes to tax reform. So I think that's one of the real challenges. But people do have relatively stable overall opinions. People think that the tax system should be progressive. That is to say that wealthy people should pay a larger percent and less wealthy people. And you can ask that question any of a number of ways and you'll get that same result strong majority of Americans believe in progressive taxation even stronger majorities think that the rich need to pay more than they're paying now. And you can ask that in very extreme ways and still get a yes. So yeah I mean people do have basic principles that they believe in in terms of how taxes should be allocated but it's often very difficult for people to connect those principles to particular policies that are put in front of them.

PITA: When we're looking at what might be on the table can either of you talk a little bit about what we know about what President Trump's tax proposals might be how that compares to what the Republican Party has been proposing and what the likelihood of anything happening with that is.

GALE: What Trump is proposing is basically a frontal assault on all of the progressive aspects of the tax system. He wants to lower the top rate. He wants to lower the business rate and business income accrues way disproportionately to top income households. He wants to eliminate the alternative minimum tax which affects high income households. He wants to eliminate the estate tax which as Vanessa mentioned only taxes a fraction of one percent of households. He wants to cut the corporate tax rate by more than half. I'm sure I'm leaving some stuff out. But his proposals would be a massive regressive shift in tax burdens. This unfortunately is actually fairly consistent with a lot of recent Republican proposals. The one exception was Dave Camp in 2014 spearheaded a very big effort to propose a revenue neutral distributional and neutral tax reform plan. Hundreds of pages simplified in many ways very kind of hewed to the principles of revenue gelati distributional neutrality. And you know it was dead before the press conference was even done. John Boehner the speaker the time to write it the next day. And you know no Republican stepped up to support it. And it's one of those things where when they actually saw what a revenue neutral distributional and neutral plan would do they ran away from it. So the prospects for tax reform I think are very low the prospects that they will find a way to cut taxes I think are much higher.

PITA: Do you think that any of those can be achieved in sort of standalone tax cut bills we think are to be a lot like the Senate's health care repealing bill that also cut high level taxes like what they try and put it in with other aspects or.

GALE: Let me give you a very short answer to a very complicated question that you just ask. If they want permanent tax cuts they need to do it through the regular process which means they need 60 votes in the Senate which means they need some Democrats to sign up for the reform. I think that's very unlikely. So if they go through what's called reconciliation which is a special fast track procedure they don't need the Democrats to sign on but they do need 51 votes and they have to agree to a budget before they can fast track tax reform. And so agreeing to a budget might be difficult because it will pit those who want to cut massive amounts from those who don't. So that's not a walk in the park either. And even if they do that they can't lose revenue after 10 years. So it's a highly constrained process. And I think they will likely somehow work their way through it. But it's not obvious how.

PITA: I do want to recommend to our listeners. Vanessa you and Molly Reynolds had a really nice conversation that covered some of these procedural elements and I recommend our readers look at that up on the Brookings.edu site. I did want to ask one other thing about something you just mentioned about the simplification that was part of Dave Kamps proposal and that's another idea you hear a lot about people saying Well the main problem with our tax code is not necessarily the rates or it's not sort of the big picture thing that is just so complicated that you think that our corporate tax rate is 35 percent but there's all these loopholes and exceptions and rebates. And so this is what makes it so out of control and to some people it's you simplify it and that'll fix everything. Can you talk a little bit about that idea.

WILLIAMSON: So it's absolutely the case that people like the idea of simpler taxes right. I mean we have a very odd tax paying tax filing procedure that asks a lot of

individuals it asks a lot of individuals that's basically unnecessary, you know. So if you have a salary and it's no particularly complicated tax situation the government already knows all the information you're sending before you even send in your forms and you have to do it of course it's very stressful. And we also do a lot of social policy to the tax code which makes things more complicated. And some of those policies are really quite regressive. So they're both complicated and if people understood them more fully they'd be quite unpopular. So we have a very odd way of handling our income tax compared to other countries. And that process of tax filing makes people want a simpler tax code right. Not only because it's a burden every year to go through the process but also because it conveys it you know to some extent accurately conveys you know if you're sitting there in front of a form that asks you about your farm income and your S-Corp all this it's not that surprising that an average person who has very simple tax situation looks at that and thinks the tax code is written for someone else probably someone with more money. All right. So I think that what you end up with is a desire for simplification not only for its own sake but also because people believe that a simpler tax code would end up being fairer because there would be fewer loopholes and people really do see loopholes as undermining of the graduated income tax. The reality is that though our tax system has gotten less progressive in recent years it remains progressive. Right. The graduated income tax does cost more to wealthy people and lower income people but it's more widely believed than you might think that loopholes completely undermined the income tax. So some support for a flat tax actually comes from people who think it would raise taxes on the rich and not because they're bad at math but because they think the rates don't matter. They think it's all about the loopholes and if you close the

loopholes maybe a flat tax would finally get the money we're supposed to be getting from those at the top.

GALE: I was just to add on simplification. I agree with everything Vanessa just said I just want to add. It's a really interesting issue politically because everybody is in favor of a simpler tax system. But every year the tax system gets more complicated it never gets simpler. And the reason why I think is that simplification is always everyone's second goal. Everyone would prefer the tax cut that complicates their taxes a little bit more but gives them more money. And so the result is the system that we have. I think the only way we're ever going to really simplify the income tax is to you know raise the exemptions so high that most people don't even have to deal with income tax and make up the money through a value added tax for example which is imposed on businesses but I do a lot of work on simplification about 15 20 years ago. I think there's lots of good ideas out there but it's just it's gone nowhere over the last 20 years and even before that and I don't see that it's going to go anywhere now.

WILLIAMSON: Now if I can just jump in on that I think that you it actually gets back to what you were saying earlier about the no tax increase pledge. Right. So if Republicans are completely unwilling to raise taxes sort of a procedure that was being used for a while to get social policy done was to do it through the tax code. Right. And I sort of alluded to this earlier but what you end up with is more complicated tax code. If the only way you can deliver benefits to your constituents because you can't raise any actual money or do any actual programs is to do some complicated thing that you can point to both as a tax cut nominally but actually sort of a loophole here or there. And also you know deliver some kind of benefit. I think that that has really upped the ante on

you know making politicians consider simplification you risk right because then all those little benefits that you manage to accrue over the last few years are going to disappear.

GALE: There's another interesting point there just to build on that, what we really want to simplify is people's interactions with the government. And so there's an argument to be made that if you've already got the income tax in place and you want to have subsidies for child care or education or solar panels or mortgage interest or charitable contributions there's an argument to be made that it's more efficient to run those through the income tax form that people are already filling out then it would be to have people have to file a separate form for a childcare subsidy in a separate form for a mortgage subsidy and a separate form for for whatever. So because of the trends that Vanessa was mentioning there was running social policy for the tax code. It's arguable that people's interactions with government are simpler even though the income tax is more complicated than it would be if we did all these things as outright spending programs.

WILLIAMSON: Yeah I think that challenge. I think you're exactly right that that was a really interesting way of looking at it. I think the challenge is that you know we want people to do things in an economically efficient way. But we also want them to be able to recognize policies that benefit them because they're supposed to be citizens too. Right. So you have this problem if you do things the tax when people don't really notice their benefits much and there's pretty good research to suggest that benefits delivered through the tax code are less obvious to people you know. So people can't evaluate those policies and you know this is what we started the conversation talking about we said that people have a hard time understanding where their tax money is going and what

the government's doing. Well if you put things in the tax when it may make it harder for citizens to do their job of holding their elected officials accountable.

PITA: I want to ask you a little bit about the earned income tax credit just because that's one of the tax code exceptions that's fulfilling a societal need that tends to have very strong economic effects. So it's shown have great benefit. It is done through the tax code. Does that hit that gap that you were just talking about?

WILLIAMSON: It's actually that's one of the very few that people are relatively cognizant of and one of the reasons for that is because it's refundable that is to say that you can get more money back than you paid in. And so for low income households it is a lifeline. I have done a fair amount of survey work on this question. No not only do people know about it they can't always remember earned income tax credit the phrase but they know there's this work credit and they know that it means that they get quite a lot of money back at tax time and people plan for it over the year right. So I think that that's one of the very few, if you want to say loophole, that you want a very few sort of credits or deductions that beneficiaries tend to be aware of. And traditionally it's had quite strong bipartisan support although I think that that's beginning to fade a little bit too. And you know one thing I've noticed in surveys recently is that Republicans are beginning to talk about the EITC more like they talked about welfare. So I think maybe even you know this level of bipartisan agreement has really decayed meaningfully in recent years.

PITA: I guess that sort of brings us to what I had for my last question which is a slightly depressing one and it sort of gets at what we were talking about earlier about the strength of the ideology of the way that people think about tax cuts about taxes in

general taxes and spending which is to ask do you think that people will learn from what happened in Kansas? Do you think that that's going to carry over in any meaningful way or in you know 10 years from now or are we going to be having these same arguments still?

GALE: 10 years from now we will definitely be having the same arguments. What's interesting to me is I have not seen a principle defense of what happened in Kansas. Lots of times there are two sides to a story. You don't hear the Arthur Laffer or Steve Moore's of the world out there saying oh no, Kansas was actually really a great success, we just don't understand we being the nonbelievers don't understand. So maybe we can put that one in the books as a clear lesson. Whether anyone will adhere to that lesson or pay attention to that lesson is an open question. I think the political issues may well get worse before it gets better. But these problems are not going the way at the federal level if anything they're getting worse and the dates that the trust funds are going to run out of money are getting sooner and the debt is rising and it's rising in a full employment economy now not in an economy racked by the biggest recession in eight years. And so this stuff has to come to a head at some point.

WILLIAMSON: I think I would maybe make a distinction between sort of the lesson for policy makers and whether policymakers will learn a lesson and I think that you know really runs into the buzz saw of you know ideological commitments particularly on the right to being anti-tax at odds with what the evidence would suggest is good for the economy. And so that's one set of questions. On the other side we don't want to sort of you know people who are not involved in the policy making process how do they think about these things. I think probably you know Kansas I think the lesson is

clear to the citizens of Kansas. And I think that that's been made clear just in the voting decisions that have been made in that state recently. There may be some sort of spill over into neighboring states know places like Oklahoma where a fair number of counties have 4 day school weeks. Yeah. These are costs and people can see them but you know one of the things that's true about public opinion about taxes is that you know as Bill said people want to spend money on the major things government does and they've wanted that for a long time. So I think the really important question is why there is such a substantial disconnect between the relatively stable attitudes of the American people on what they think government should and shouldn't do and the sort of pretty extreme swing we've seen at a federal level and in quite a lot of the states in terms of what policymakers think government should do.

PITA: All right well Bill Vanessa thank you both very much for being here today.

GALE: Thank you.

WILLIAMSON: Thank you.

PITA: I want to let our listeners know that if they listen to intersections as well as any of the other bookings podcasts that's the cafeteria or five on forty five. I'm going to recommend that you go into the show notes for today's episode and any upcoming episodes to be running a short survey to find out what our listeners think of our shows. So go to Britain's dot edu slash intersections and find the show notes for today and you can click on the survey to let us know you're opinion on the Brookings Podcast Network. Thanks very much everyone.

(music)