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WEALTH TAXATION IN DEFENSE OF EQUAL CITIZENSHIP

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P R O C E E D I N G S

MR. GALE: Good morning, everyone. I'm Bill Gale. I'm the Co-Director of Tax Policy Center. It's my pleasure to welcome you to this morning's event on the wealth tax. There's been an enormous amount of discussion in the wealth tax the last few years spurred at least in part by the work of Emmanuel Saez and Gabriel Zucman at Berkely in their book.

Then the wealth tax was proposed in actual legislation by Senator Warren and Senator Sanders. And then things died down a bit. And then just when you thought you heard everything about the wealth tax, a new fascinating paper comes along by Jeremy Bearer-Friend and Vanessa Williamson that raises a whole bunch of new issues and looks at the wealth tax from a different perspective than had been looked at in the earlier discussion.

So we're here today to talk about that paper with the authors and with two discussants. And talk about the wide-ranging set of political and economic issues that the authors raised in that paper. There's a lot to talk about so I'm going to turn right into introducing our panel and then get us into the discussion as soon as possible.

The first person I will question is Vanessa Williamson, my good and great colleague at the Brookings Institution. She's a Senior Fellow in Governance Studies, and at the Tax Policy Center she studies the politics and redistribution with the focus on attitudes towards taxation. She's the author of *Read My Lips: Why Americans are Proud to Pay Taxes*. And she's the coauthor of a book on *The Tea Party and the Remaking of Republican Conservatism*. She received a Ph.D. in government social policy from Harvard University.

Professor Jeremy Bearer-Friend is currently faculty at GW, George Washington University Law School. Prior to that he was on the faculty of New York University teaching tax law there. Prior to that he was tax counsel to Elizabeth Warren. An associate at Ivans, Phillips & Barker. He's joining us now from Scotland where he's currently a Fulbright scholar. So welcome, Jeremy.

Phyllis Taite is a Professor of Law at Oklahoma City University School and focuses her scholarship on leading issues and tax policy and social justice. She's written very widely in law reviews and tax notes. And prior to teaching, she has the distinction of having served eight years as a commissioned officer and attorney in U.S. Army Judge Advocate General Corps. So welcome, Phyllis.

And Rakeen Mabud is the Chief Economist and Managing Director of policy and research at the Groundwork Collaborative. She works on economic equality in the 21st workplace with a particular focus on how items like racism and sexism perpetuate inequities and interact. Prior to that she worked up at the Times Up Foundation. She was a Fellow and a Director at the Roosevelt Institute. She worked in the Treasury Department in the Obama administration and even before that she got a Ph.D. in government from Harvard.

So we have a great panel today and I'm very excited about talking about these issues. And, Vanessa, let's start with you. I keep coming back to this word fascinating when I think of your paper and the overlooked history of the progressive wealth tax that you looked at. So why don't you get us all in the same page? What you all found and what you think it means?

MS. WILLIAMSON: Well, thank you, Bill. And what a lovely introduction. So yes, a thing that I came across sort of accidentally while looking into some other work was the fascinating wealth tax proposal by Thomas Paine.

And so, you know, you may all remember the name. He's famous for having written *Common Sense*, a pamphlet that came out in 1776 and played a very important role in pushing the United States or what was then the colonies towards independence. And not just independence but also towards a Republican government and not a monarchy.

John Adams who was, by the way, not at all a fan of Thomas Paine. Nonetheless, recognized his role when he said, without the pen of the author, *Common Sense* the sort that Washington would have been raised in vain. So Tom Paine has a very important role in American history, but he is also -- he was a world revolutionary. Only a few years later, he happened to be traveling in Europe at the outset of the French Revolution and wrote a very famous defense actually. A better-known work of his than *Common Sense* in Europe, *The Rights of Man*. And in that is where you find among other welfare proposals that are extremely forward looking, an idea for a progressive wealth tax.

And so, I was thrilled to see it. And it has the tax tables right there in the book. And so, I was just thrilled to see this and wanted to spend some time exploring it. And I realized it actually has quite a lot to say to the contemporary moment.

So first of all, Paine's tax is aimed at the extremely wealthy. Specifically, he talks about taxing luxury because a lot of taxes at the time were designed to tax luxuries. And his point is that the ultimate luxury is the ability to choose which luxuries you buy. So there was this aggregate luxury by which he means wealth beyond any individual person could accrue for their own work and much higher than any household could need to support a family.

So he's thinking about taxes on the very, very high end. And he comes up with a progressive tax system. And in 1792 when this was published that was actually a pretty innovative idea. At the time many taxes do not have a marginal system so they had notches and sudden unexpected consequences and all different levels. But Tom Paine was a friend of the mathematician, Condorcet, who was at the time writing a piece on how progressive taxation should work. And the idea of marginal rate, I think they probably developed this conversation. At least that's my pet theory on this.

So he has marginal rates and they rise from 1.25 percent, so quite a low rate, up to 100 percent, right? The top rate is 20 shillings out of a pound, which for those of us in America and those of us born after about 1975, I would say you wouldn't necessarily know that's 100 percent of a pound.

So what was the base of his wealth tax? This is also interesting and this is something that Jeremy will talk more about how it relates to how we think about these issues today. When he applies the tax to what is the revenue of wealth. But that is actually how wealth was described in his time.

So the example that I think most people might be familiar with is if you've read your Jane Austin, you've read your Pride and Prejudice. You might remember Mr. Darcy, the love interest is incredibly rich. And he is described as having 10,000 a year. And so, that is how his estate is described because, you know, at the time the large estates basically can come on the market. There wasn't really the base wealth wasn't really something that was discussed. It was the idea of how much money accrued to you from that wealth each year.

So that's the base that Paine is talking about. But his top rate is not 10,000 a year. It's 22,000 pounds a year so an extremely, extremely high rate. Something that only a handful of households in Britain at the time would have had.

So under Paine's top -- under his plan, the top bracket means that your wealth no longer accrues at all, right? All of the revenue is taxed. And his goal interestingly is not -- he recognizes this is not a tax that would make a lot money. His point is to encourage people to divide their estates. You know, because at the time it was normal to entail your estate and to have primogeniture. That's to say that your entire estate would go to your first-born son. So it was a way of consolidating wealth. And he imagined that this system of very, very high taxation at the top would encourage the separation of wealth into a larger part of at least that family.

So what's fascinating is that if you look at the distribution of wealth in that era in England, you know, when we're talking about Lord So-and-so and the Duke Whatever, the wealth concentration was actually quite similar to the United States today. And so, one thing we do in the paper is we translate, you know, these rates that are described in shilling and pounds into contemporary dollars.

So 22,000 pounds a year is about $50 million. And what size of an estate would produce that? Well, if you assume a five percent rate of return, which is the sort of average rate of return that the very wealthy received in the last couple of decades that would be, say, about a billion dollars. So what Paine is proposing is in essence -- and a 100 percent marginal tax rate on billionaires. At least that's the sort of wealth that he's attempting to reach.

Now, the interesting thing about the way he's constructed this is that because it's on the revenue of wealth, let's just say, the gross of wealth that you would receive in a year. It actually responds automatically to fluctuations and how much people accrue based on their wealth. So it sort of responds naturally if you suddenly have a very large income in one year.

So we calculate in the paper how the tax would have affected the top billionaires who saw such enormous wealth increase in the first year of the pandemic. So Jeff Bezos' fortune, for example, rose from $121 billion to $177 billion in 2020. So under Paine's plan, you know, the maximum amount you could garner would be $50 million. And so, the rest of that $56 billion would have been taxed away.

So it's a pretty remarkable piece of tax legislation and I think the sort of details that are actually quite fascinating. But more generally, I think the thing that Paine teaches us -- and many ways, this is the thing that Paine is always teaching us if you read any of his work -- is his primary concern is the security of Republican government, right? He is opposing aristocracy. He is opposing the consolidation of power. And part of that consolidation of power, his consolidation of wealth, but he's more generally concerned in defending the power of regular people to participate in their government, right?

And so, his wealth tax is explained. I mean it's quite a detailed plan. And he talks about the economics of it, but his rationale for it is political. His rationale is about protecting the capacity of people to participate in their government. He talks about the consolidation of wealth as a danger because it corrupted elections, right?

And so, replacing the wealth tax to me in this broader context of thinking about eliminating systems of domination and oppression that undermine our Republican government, right, that Paine was so central in the very founding of. Understanding wealth taxation in that broader context of redistributing power in a more equal manner, more in line with what we expect of a republic. To me that is the most fundamental contribution that Paine makes.

MR. GALE: Great. Thank you. Jeremy, I'm sure you want to follow up and add a lot of stuff to that. One question specifically is Paine's proposal how does it compare or contrast with the main features of the proposals that Warren or Sanders or even Ron Wyden have put out?

MR. BEARER-FRIEND: Great question. Thank you, Bill. And I have a little kitchen timer too so I don't let myself go on for too long when I get talking about contemporary tax policy. Of course, I'm sure we all have this problem.

So one thing, Vanessa and I wanted to do in the paper was to contrast this late 17th century or sorry, 18th century proposal to 21st century proposals. And one of the blockbuster findings was this incredible parallel. And we found it in a few different places.

So traditionally, when you're comparing tax policies, you'd probably look at brackets, right? How are the tax brackets similar? When you would compare tax policies, you'd look to the rates. Do the rates look similar? You'd also want to look at what proportion of the population is being, you know, effected by the tax? And also, the taxable base itself. You know, are we seeing a similar taxable base in the proposed wealth tax from Thomas Paine versus what we're hearing in the 21st century?

And remarkably, many of those features repeat and they repeat in a way that I wouldn't say is deliberate. It's not like everyone was talking about these rights of man proposal that Vanessa had, you know, rediscovered for us. And yet, the intuition that concentrated wealth undermines democracy and that in order to protect democracy we need to address concentrations of wealth and ends up recreating the same proposals.

So we looked at tax proposals that applied to three different bases. One would be more traditional property tax based. This is the one proposal wealth. We also looked at the Wyden proposal on income so he has a billionaire's income tax. And then we looked at a transfer tax base under Batchelder proposal prior to her service as an Assistant Secretary in Treasury. She had published a paper, a few papers, on an inheritance tax that would tax billionaires when they transfer their money at death.

And what we found was that the proportion of the population that would be subject to the top marginal rate under the Warren tax proposal and under the Wyden tax proposal are almost identical to what a Thomas Paine proposal would be. It is sort of one-thousandth of a percent of the population. Wyden estimated 700 households would be hit.

And so, we see again that this challenge of taxing wealth is also about designing tax policy that would focus on very specific set of taxpayers. It's sort of a distinct way of thinking about tax policy rather than across a much larger population.

We also saw that there ended up being some flexibility even in the definition of the tax base, which I think has been somewhat overblown in the debate about wealth taxes. Was it a property tax? Is it an income tax? And what we see from Paine is and from these contemporary proposals, it's pretty easy to get the same result just by moving between them.

So Paine is looking at the yearly value, which means the sort of return on investment or the return to wealth and that could also be understood as income. And 100 percent rate on that is the equivalent if you're assuming a five percent rate of return as a five percent wealth tax just on the total property value, right? You can get to the same tax liability.

So enthusiastic about talking about more of those details, but those are some of the highlights.

MR. GALE: Since you were so good about time management, I'm going to follow up with another question for you before I turn to Phyllis, which is, is there a particular proposal that the Paine proposal is most like currently?

MR. BEARER-FRIEND: You know, that is an interesting question and I think I'll dodge it a bit by giving more than one answer because there are certain features that align both with the wealth tax proposal from Warren and with the billionaire's income tax proposal from Wyden.

And when we wrote this paper, it was prior to the proposal from President Biden, which also was seeking to do a minimum tax on incomes of billionaires. So I think all three have similarities principally in the priority to tax wealth and tax accessions to new wealth. On the accessions to new wealth front I would say it is more comparable to either the Wyden or the Biden plan than the Warren plan. And partially it's in the windfall context that Vanessa raised previously as well.

So in years where you have enormous gains year over year, the Warren rate is still just five percent. Whereas the Paine rate would be 100 percent of that whole amount. But none of the proposals hit the 100 percent rate. That's something that we didn't find in our contemporary comparisons. We don't see a willingness to go to 100 percent that our member of the founding generation, Thomas Paine, was willing to do.

MR. GALE: Interesting. Okay. Phyllis, we're already talking about wealth taxes and politics which are complicated enough. Let's layer race on top of that. Talk about how a wealth tax would impact the racial wealth gap and the broader implications of, you know, for citizenship or democracy. How does a wealth tax relate to the basic racial issues that we're facing in this country right now?

MS. TAITE: Well, I think it's important to put some historical context for the racial wealth gap and then that helps with defining sort of potential effects of a wealth tax because the racial wealth gap has been facilitated, nothing even contributed to by tax policy.

And I've introduced that through tax code bias because both for the purpose of what I'm going to explain right now, tax code bias. I'm referring to the extent to which tax benefits are going to be demonstrated and distributed based on race. So our race is not explicitly mentioned in the tax code and we don't collect that information on tax forms. We do know that tax code bias is real. Now, how do we know that? Through years of research and if you've seen any of my articles, you know that I address these very specifically and very explicitly.

So while we're certainly not close to any kind of racial equality in the country in particular, we do see some national attention placed on social justice issues. And dealing with that we have to deal with the economic justice because that ties all areas of social justice because your level of wealth impacts your ability to impact elections, your access to healthcare, your access to education and controls tax policy.

And so, while we are -- we have actually looked at some disparage based on class, which they just talked about, it's actually even more pronounced by race. And the research shows that black households have significantly less wealth than white households. And the racial wealth divide is serious and it's vast and if we're going to have any kind of impact on it, we've got to look at serious radical policy changes because from a tax perspective, the federal government has facilitated this racial wealth divide. And so, they should have some responsibility in help breaking it down. And the wealth tax can be very instrumental in doing that.

So how do we demonstrate that? If you look at some of the articles. I'm going to talk about just a few aspects of some of the articles. I can't address all of them otherwise I'm going to be well over the time that we have allocated here. So I'll try to do a quick highlight. All right.

And so, if you look back at the pillars for creating wealth. You've got education, homeownership, wealth transfers and preferences for unearned income. And one of my first articles, I think it was actually the first article, dealt with how tax policy impacts access to education. And how white households have predominantly benefited from these policies.

Now, education, specifically higher education, is perceived as a gateway for opportunity for income and wealth mobility. And it has been for white Americans, not so much for black Americans. Since the 19th century, we've seen free public education at the elementary and secondary level that has been available to white households. While black households were actively denied access to education. Even after education was free for black households, they were subjected to segregated schools with inferior resources. So access to education has, you know, been litigated all the way to the Supreme Court just to establish good educational opportunities for black households, a right that was inherently available to white households.

Now, when you go to tax policy. One of the most impactful tax policies that implicate education-based credits and deductions came in the Taxpayer Relief Act of 1997. Now, they were purportedly implemented to help make college more affordable and available to low- and middle-income households, which of course would capture black households because they are predominantly in the lower income spectrum.

The primary beneficiaries of those education benefits were the wealthier taxpayers. And the recent data supports it. This is still true. The education credits have benefited the upper middle- and high-income households because they're the people who have the ability to pay the expenses upfront and receive a tax benefit in the next taxable year.

Even with the 529 plans where you don't pay a benefit upfront and get a tax benefit later, you need disposable income to fund years in advance a tax that is very difficult for people who have burdens, extra burdens, placed on earned income. So in the end, you see that the education even though it’s purportedly available and these tax benefits are supposedly available has been essentially unavailable for low-income households and that compels them to actually go to other ways to try to finance their education. That’s like through student loans. We’ve seen the impact of student loans.

While it seems like a good investment in your education for your future for low-income families, it can be disastrous if, one, you don't complete the program because maybe you ran out of money or maybe you don't have enough to cover all your expenses. Or two, even if you complete the education, you're underemployed. We know that traditionally even with education black Americans are underemployed.

And even if you actually achieve the college degree, income disparities even within the same jobs creates another barrier for wealth mobility for black households. So when you're looking at wealth disparities and income disparities, there’s just not one thing. It’s a lot of things.

We've got data that supports that even a person, a black person, with a post-doctorate degree has the wealth equivalent of a white high school graduate. So you know that this is a real, real problem. So it's not just about getting a degree or getting access to higher education. When you're saddled with significant debt and underemployment that severely impairs wealth mobility. And tax policy has facilitated that.

Another pillar is the homeownership. We've got homeownership base preferences and you can look at a few of my articles that gives you the details of this so I won't do that today. But we know that white families have -- I think I saw 41 times more wealth than the black family. Or 10 times more wealth when you're looking at the mean versus the median. And we're looking at property ownership as an essential building block for building wealth.

And homeownership has been subsidized for white families in a way that it hasn't been for black families. In fact, we have, you know, a long history of redlining, segregation. These are government sanctioned actions that substantially impact today's homeownership rates as well as homeownership values. And so, we see that white homeowners have benefited from these policies in a way that black homeowners have not even if they become homeowners. And these disparities have persisted over time.

So how does tax policy fit into that? We see the mortgage interest deduction. We see the present residence exclusion. We see the property tax deductions. All of these things impact the ability to build wealth in a way that is subsidized by the government for white households that is not for black households. But we don't stop there.

When we talk about wealth transfers. If you look at how wealth transfers are treated in tax, we know that wealth transfers are a significant factor in creating and reinforcing wealth and the racial wealth gap. And from a tax policy perspective, we know that the government subsidized that. We look at how the exemption rates have increased over the years for transfer taxes. And if I had more time, I'd talk about how we got to this whole 12 million per person exemption, but I don't.

But we know that based on income and wealth disparities, we know that white households are the ones that primarily benefit from those exemptions. And 1014, that's another whole discussion. If I had time today based on another question, I would get into the 1014 and how that has, of course, exacerbated wealth disparities.

But amongst the preferences, we've got the unearned income that subsidizes white wealth. We talked about ways in which we can tax capital. But we see that at least with capital gains, you have a way in which taxpayers have the power to decide when or if they are even taxed. People who earn their income don't have these kinds of benefits when it comes to tax policy.

And so, I mentioned just those four just to show. Data demonstrates that tax code bias is real. And just these few that I've shown you and talked about demonstrate that we have a way of looking at tax benefits when it benefits predominantly wealthy white households. And we don't see that as a problem even though their tax expenditures in the code. So if you're looking at tax expenditures and how we subsidize white households just on homeownership alone, if I had the time I could demonstrate how just over a five-year period trillions of dollars are used to subsidize white homeownership.

So again, from a tax perspective if we break it down, we can -- if we're able to get a wealth tax, we can help breakdown some of those barriers. And not only tax the wealthy, but I think the next step we have to do is help build up those foundations that have been broken over the years for black households and the lower wealth households.

So we need to be able to not only just tax the wealth, but use that revenue to help reinforce education, reinforce homeownership. Take some of the burden off of earned income so that you have the opportunity for wealth mobility in black households.

MR. GALE: Thank you very much. Let's turn a little bit to the politics of this. Rakeen, Paine defends his wealth tax by arguing that extreme wealth threatens Republican government and corrupts elections. And if that's not a direct quote, it's pretty close to a direct quote.

When you look at the current world, we've got billionaires that own the Washington Post and the Wall Street Journal. We've got billionaires that own Twitter and Facebook. How serious should we take Paine's concern about what (phonetic) Sayas and Zuckman calls the oligarchic drift in society? And the notion that we need to tax the wealthy not for efficiency or fairness purposes per se, but to retain democracy and limit their political power?

MS. MABUD: Yeah, such an important and big question. But I wanted to start by just thanking you for inviting me to have this conversation today. I feel like I've already learned so much just by listening to my fellow co-panelists and the paper is truly fantastic. I mean just the connection between this historical proposal and the contemporary moment I think is really remarkable and I encourage everyone to check out the paper if you haven't already.

And what struck me as I read the paper is really how prescient Paine was about the implications for extreme wealth in our economy and our democracy because at its core, Paine's proposal recognizes that tax policy is important precisely because it structures the power dynamics in our society.

Taxing wealth is one way for us to tackle those power imbalances and start to reign in the outside economic and therefore political power of the ultrawealthy of mega corporations that we have today. And, you know, I think a number of people have said this already in different ways, but fundamentally economic power is political power and agency. Agency in our economy as Phyllis referred to earlier. And when those power dynamics are skewed, we fundamentally weaken the ideas that underpin democracy, right?

The idea that we should all have an equitable say. We should all have an equitable agency in the way that our society should look and who our economy should work for. And I was reflecting on this as I was reading another excellent Brookings' paper. So a shoutout to Brookings for turning out excellent papers all the time.

That was, you know, really found that they looked at 22 major corporations. And found out that those corporations collective generated an additional 1.5 trillion dollars in wealth between January 2020 and October 2021. And when you look at workers who generated that wealth, that was 57 times more than the additional wages that those workers earned, right? That is not a healthy society. That does not set us up for a healthy and equitable economy.

So, you know, at Groundwork, we often use the phrase we are the economy. And that's the idea that a healthy economy is a people sector economy. That when all of us do well that's when the economy does well. And extreme concentrations of wealth fundamentally get in the way of that vision, which is why this conversation happening today is so important.

MR. GALE: Okay. Let me -- the two questions that come first to mind. First, thank you to all the panelists for the great responses to opening questions.

The two questions -- let me ask you one at a time. One, is this something that people like? Is this a popular idea? Vanessa, I know you've looked at attitudes towards taxation a lot. How does the wealth tax stack up against other taxes? Unmute yourself, yes. Good.

MS. WILLIAMSON: Yeah, the wealth taxes are a very popular proposal. And in fact, taxing the rich in general is an exceptionally popular proposal and consistently over literally decades now.

So if you ask Americans what bothers them the most about the tax code, three-fifths of people will say the wealthy don't pay their share or the corporations don't pay their share. Less than a third say the amount they personally pay is what bothers them the most.

And when you put particular both tax proposals in front of them. You know, when Warren put forth her plan. When Sanders put forth his plan. When I think Alexandria Ocasio Cortez proposed -- reminded people on air at one point in the top marginal rates of the income tax had been 70 percent.

All of those were then polled in the immediately following weeks and they always are extremely popular. You know, strong majorities supporting them because Americans really do think that, you know, in doing a fair amount of accuracy that the very wealthy people have a lot of ways to avoid their taxes and that that's unfair.

Can I add one other thing that needs slight -- I can connect it but I just have a thought with what Phyllis was saying that I just -- it's actually like a new thought and I want to discuss it with these awesome panelists.

So America is pretty good at recognizing that wealthy people aren't paying their share, right? That this is a serious concern for them. But a thing that I think is often missing this idea that Phyllis raises about the ways that the political system has directed wealth to certain people, right? White people. But this is something that Paine recognized.

In fact, many more -- it was a popularly understood fact in Paine's era. Because when you were talking about literal aristocracy, the fact that it was government action that was taking taxes, you know, often very regressive taxes and using that to literally fund an aristocracy, right? To direct payments to the family of the king.

It was much more obvious that political power results in changes to get to economic distribution. And so, that was a very well interest. It was actually how most people thought inequality occurred was as it was a political problem more than a problem now that we would talk about, you know, the structure of the economy in a lot of other ways. But I think what Phyllis is talking about is very much like uncovering again for another generation this reality that political power redirects wealth often through the tax credit, right?

And so, recognizing that the economy we live with today is a political product, right? And, you know, contains in the contemporary American case, racial bias. It's very much something that Paine's generation would have thought as easily comprehensible in a way that it's a little bit lost today. So the wealth tax remains like enormously popular idea.

People really like it because they think wealthy should pay more in taxes. But I think this more general concept that we're talking about today is really underappreciated ironically given that it has this very long history in our politics.

MR. GALE: Vanessa, are you saying that in the old days, people paid taxes to the king? Or they were worked off the land of some aristocrat and they paid taxes or crop share directly to the aristocrat? And so, it was obvious that the economic power was generating this political power?

But now, we have this intermediary which is the government which collects money and then sends it back out in some way. And that the presence of the intermediary has created a veil through which means that people have a hard time seeing through?

MS. WILLIAMSON: Well, so taxes were always paid to parliament. It's one of parliament's powers that it fought very hard to acquire in the magna carta since. But I think the point you're making is basically exactly right, which is that when you have a literal civil list that receives payments from the government and they are all awarded to so-and-so then the role of the structure of your government in producing your economic hierarchy is very clear.

But now, you know, as Phyllis so rightly pointed out. A lot of our redistribution occurs through the tax code. It's submerged. As Susan Mettler famously puts it, right? And so, I think we over naturalize the outcomes of our economy because we miss these incredibly important dynamics that Phyllis is pointing out. Oh, Phyllis, jump in. I see you. You raised your hand.

MR. GALE: Yes.

MS. TAITE: I did because one of the things that you just talked about is the popularity of a wealth tax. And I will tell you that a lot of that has to do with how we educate Americans about tax policy because the first time you started talking about tax policy, they start thinking income tax. I don't want my income tax raised. Not realizing they're already paying disproportionate portion of the tax revenue and tax burden already.

And so, I poll my classes every semester at the beginning of the semester. And I ask them about, you know, income tax, capital gains tax, estate tax. And I even now introduce a wealth tax. And I will tell you that at the beginning of the semester even amongst, I think, the most educated folks in America, they start out thinking, no, don't want to make any kind of changes with that. Because of course one day, I'm going to be wealthy and I want to have these benefits when I get wealthy.

And as we go over the semester and they become more educated about how we're already stacking the deck so that you don't get there then they become a little bit more outraged. And by the end of the semester, they're completely outraged. It's like how can we not know this? And I think that one of the things that Vanessa just pointed out is that with the government intermediary, we make the government the enemy not the tax policy.

And so, if we start thinking about, you know, here the government is trying to take your money and they market it in a way that people believe it's inclusive of them, even in an estate tax. I start out with some message. They think they're going to be taxed because it was sold as a death tax. And so, people still think they're going to be subject to it even though the information is widely available.

And in Paine’s day, we didn’t have Google. We have Google now. And so, even with that I think the way in which we're educating and the way in which we're talking about tax policy now is making the big difference in how people perceive what tax policy does and what it doesn’t do now. And that’s going to go a long way in getting things changed.

MR. GALE: Right. I want to come back to the politics of this in just a second. But I have to ask the other question. I’m delighted to be able to ask it to a lawyer instead of an economist. And that is, is a wealth tax constitutional? And, Jeremy, let me put you on the spot here.

MR. BEARER-FRIEND: So the one-word answer is yes. But I will elaborate. I think the research that Vanessa and I did also sort of again made clear how many options are available for achieving the ambitions of a wealth tax but in many different designs.

And so, surely many of those options also fit into the constitution and I mean that quite literally by sharing with you all the 16th Amendment. It’s only a sentence. It won’t take that long, but the 16th Amendment reads that Congress shall have power to lay and collect taxes on incomes from whatever source derived without apportionment among the several states and without regard to any consensus or enumeration.

There are scholars who have developed proposals. I believe David Gamage is one of them who have developed proposals on how we could have a wealth tax even if it were subject to enumeration and what kind of design would make that possible. But what we see under the 16th Amendment is there’s no ambiguity about Congress’ power for an income tax. And under Paine’s proposal, we also see an income tax.

We see that 100 percent of the revenue from an estate above a certain size that annual exceptions will do well. Would be what is subject to tax. So I think Paine clearly fits within the 16th Amendment and that is also part of the strategy behind both the Wyden proposal and the Biden proposal is they were more cautious about the constitutional ambitions as well. But we've got many different options for it and in the end the constitution is really not the limiting factor. It's more of a talking point.

MR. GALE: Interesting. Okay. Good. Economists spend too much time answering that question and I don't hear answers from lawyers enough so that's very helpful.

Let's go back to the politics of this. My impression of the politics is that it's extraordinarily hard to impose taxes on high income, high wealth, affluent people. And just to give you three examples. The efforts to close capital gains loopholes have been stymied, right? And left the pass-through provisions that were passed in 2017. Every Democrat in Congress voted against that in 2017. Yet, when the Democrats took control, they didn't undo it. The estate tax exemption was vastly increased in 2017 and the same story. Every Democrat voted against it, but now that they're in power, they haven't had the unity to undo it.

So does the wealth tax fair in this type of political environment? How does one generate political support for a wealth tax? Rakeen, I'm going to put you on the spot here and ask you. And then ask everyone else to jump in after that.

MS. MABUD: Sure. And just one sort of side note. One thing that struck me as I was reading this paper is the world has not changed since Paine's time. Like we still have a bunch of lord so-and-so's who are all like wealthy white cis men. So I just wanted to point out the gender dimension there too. It's not on accident, right? Folks have built a system that works for them.

But on the politics. You know, in some ways I am -- it's really heartening to see so many proposals on the table that do start to get at the way we should and can be tax involved. I think Vanessa's point that, you know, this is not an unpopular idea. It's also really important, right? Like legislative barriers should and can be separated from the political will of the broader population. I think that's important to remember that this is an extremely popular intervention.

But there are real barriers, right? And first among them is the fact that the very existence of extremely concentrated wealth means that there is a very powerful force pushing back against those interventions. They have a lot at stake. They have a lot of resources. And they're using them, right? But I want to focus on a barrier that is sometimes, you know, we don't talk about as much. And I think in some ways easier for us to address head on.

Which is that past policy conversations often get stuck in a paid for frame. Like if we tax this, we could pay for that, right? And it's a fundamentally sort of redistributive way of thinking that, you know, we can reallocate wealth and power embedded in our current institutions or currently embedded in our institutions.

But I think we need to push past that because, you know, ultimately the secret power of tax policy is that it can structure a system that doesn't result in such unequal outcomes in the first place. That's the secret power of tax policy and it can make the reallocation on the backend of wealth and power less necessary, right?

And so, talking about tax policy in the language of Paine for us I think really gets in the way of us explaining the structural and someone called pre-distributive power of tax policies is kind of a technical term, I try not to use it. But it also -- you know, that pay form mentality, I think presupposes this zero-sum mentality, right? That we can't make the pie bigger and more equitable at the same time. That's just not true. So I think there is some very real barriers, but I think there are also some sort of rhetorical ways of talking about and thinking about these policies that we can, you know, start to address.

And I will tee up Vanessa if you want to take a -- I mean, Vanessa has a great quote on this, which is the first step to recognize what opponents of democratic governments understood hundreds of years ago that democratic taxation has limited the power emancipation. I think that's fundamentally true. And why it is so important to think about, you know, the structural power of tax policy beyond just what we can pay for.

MS. WILLIAMSON: Yeah. Just on that particular quote. It's important I think to remember when we're discussing questions of the constitutionality and things like that to remember that the barriers, we're facing in the constitution to the power of the federal government to tax were put in place by slaveholders to protect slavery.

And those barriers are actually not absolute. We have the 16th Amendment in place and we can, in fact, tax income and high income wealth certainly. But, you know, I think it is important to recognize that the constitution is a document from a particular point in time that protected particular interests that we would not see as acceptable today. And so, while constitutionality is, of course, an important legal consideration. It is not the arbitrator of what is morally correct. Phyllis, is your hand raised because you want to jump in?

MS. TAITE: I just forgot to lower it, but I do have a point to make on that. I'll make sure that I lower it now. Okay. But I do think that the politic will is something that we haven't seen. So like you said, Bill. The Democrats all voted against these things, but when they have the power, you don't see any movement towards making it happen.

So I think all of this is really kind of a political game because the people who are in power, the power who are making these decisions whether they are on Congress or behind the scenes pushing their congressmen, they have the power and they have a vested interest in keeping things exactly the way they are.

And so, the political will is not just based on the popular vote. It is the other silent support that we don't get to see. The conversations behind closed doors that we don't get to hear that's driving the train. And so, it's easy I think for the Democrats to say, it's the Republicans. They're doing this when they were in power and they were the ones voting against it because now you've got a face of the enemy that we can put that's not us.

But then now, if the Democrats are in power and have the political position to get some of this moved forward, you hear silence. And it's deafening. And so, that tells me there's some other things that are happening that we don't get to see. So it's not just the politicizing of it by the Republicans. I think that the Democrats don't have the political will either because they're part of that same power structure even though they're not necessarily the face of that power structure.

MR. GALE: That's really interesting. How much of, you know, Paine could propose a wealth tax which of course didn't get enacted, but it doesn't strike me that it was an extreme proposal in that day and era. But that day and era was a time when only white people voted. And so, it meant distribution from one group of white people to another group of white people.

Now, of course, people of all races are entitled to vote. How much do you think the fact that the redistribution would occur largely from white people to nonwhite people is a factor in limiting the public's ability to support -- the political systems ability to support these kind of redistributions?

MS. TAITE: I was going to say is that directed towards anybody? Like you're saying on that?

MR. GALE: Anybody, yes.

MS. TAITE: I think that is a multifaceted answer to that very complex question because I think even though everybody has the legal right to vote, it is dramatically harder for people of color to vote. So even though you have the legality behind you, there's still barriers in place that are keeping people of color from the ballots. Part of that is the news media. Part of that is you have local governments that are putting specific barriers in place.

So I think even though the outcome will probably be the majority of white people voting for something that could benefit black folks. I think a big part of that is because there are barriers put in place to prevent black folks from voting.

Because I think we saw with the Obama election where there's a big change in the political will of the black community. And other minority communities, not just the black community where they came out in ways that we had not seen before because there was a belief and hope that there was change that was going to come. And I think part of the, I guess, the sadness I feel in things not happening, at least not enough during that administration is that that kind of kills some of the will.

And so, with that --

MR. GALE: You're --

MS. TAITE: -- the barriers that are put in place. And we're seeing local governments put specific barriers in place to make it harder by removing polling places from black communities to make it, you know, that they have to go to place further away to vote. They have to wait longer in line to vote is not by accident.

MR. GALE: I actually asked -- I misworded my question. I don't disagree with anything you said. What I was trying to say was redistribution then was from white people to white people if there was any redistribution.

Redistribution now if you oppose a wealth tax would be from white people who dominate the very top of the wealth distribution to a mix of people, many of whom are not white. And how much is that is the -- I'm asking about the interaction between willingness to redistribute and the racial composition of the people who receive the benefits versus the people who pay the benefits?

MS. TAITE: That's what I'm leading to.

MR. GALE: Okay. Good.

MS. TAITE: And so, when you get to that. When I get to the willingness, I think that the thing that people miss is we have a disproportionate number of black folks in the lower income spectrum, but we're not the majority. And so, white people benefit from that too. Unless you make it race specific, they benefit from that too.

And so, I think when we put the face of here's low income, here's who is going to benefit from this. I do think it makes people a little less willing to be behind some of that. But I think in large part, America has -- their eyes have been opened. And we're seeing political savviness in a way that we haven't seen before so that this redistribution while it will benefit black folks because we're targeting low income, it's not only black folks. And that maybe the majority of the people who benefit from it even though the majority of the percentage of black folks will benefit from that.

MR. GALE: Great. Thank you. Rakeen, you wanted to follow up on this?

MS. MABUD: Yeah, I think one thing that, you know, came to mind is it's really hard to have this conversation, I think divorced from deeper underlining narratives that we have around individuals, around work, around deservingness, right? And these are narratives that are incredibly racialized, incredibly gendered.

Our society is fundamentally grounded in the myth and it is a myth. But if you work hard, you will earn your wealth and then you'll deserve all the benefits that accrue to you, right? On the more pernicious side, there are very specific stories of demonized black women such as that sort of trope around the welfare queen that, you know, says like look at these people who don't work and are just relying on social programs and leeching resources from society. Horrible, horrible racists and sexist tropes, right?

And ultimately, a wealth tax and other forms of progressive taxation really challenge those ideas about our society, right? It challenges the idea that people have, quote, unquote, earned their wealth and therefore, quote, unquote, deserve the benefits that they get from that. And I think it's interesting to see that even in a very different context Paine saw that too, right?

He saw this as a way of pushing back on what seemed to be just like, you know, money that they got from just being rich or their family being rich. And so, I think it's helpful. We often don't talk about these narratives in the context of tax policy, but I think it's an important thing to remember that all of this is sitting on an infrastructure that we are all sort of swimming in all the time.

And while tax and other forms of progressive taxation really help us push towards a different idea about our society, right? One that is structured such that people of all races and all genders of all geographies have the freedom to engage in our economy and our society in a way that they have agency. And the one that diminishes that myth of work and deserving this. Like you only deserve something if you work hard enough.

So I just wanted to throw that up there because I think we often don't talk about these social narratives and the context of tax policy but it's important I think to appreciate how embedded these stories are and how they get in the way of us, you know, really putting in place and enacting better policies or what's even feasible in terms of enactment.

MR. GALE: Thank you. I appreciate that. Let me just -- we're focusing -- we're not focusing on the broad array of what you might call economic issues with respect to wealth tax. Whether the administrative issues, the European experience, the impact on entrepreneurship or stock market. Those are all interesting issues. They've all been focused in other sessions and papers.

We're focusing here on the politics, the political angle of all this not just can you acquire the vote, but what's the state of the -- how does this effect the state of democracy? So let me just ask outright. Suppose we enacted the Warren wealth tax, right? What would happen to political power in the U.S.? And how could you tell? Anyone?

MS. WILLIAMSON: Well, I know I want to hear what Jeremy has to say, but I'll take it for a second. I mean I think that one thing that is, you know, pretty significant about the (inaudible) and I think you opened by talking about this is the extent to which not only are elections so very expensive. And you know, campaigns can be run with a single billionaire's worth of support.

You know, for the President of the United States. So it's an extraordinary level of power that we see just on the -- you know, the straightforward sort of campaign finance side, but also in terms of our media, right? And I think that when you have a highly consolidated media that is owned by a handful of people, you can't have the kind of democratic discussions that would actually make a -- and actually this is a discussion that need to happen in democracy, right?

So, you know, like I think much of last week was consumed at least on Twitter by the discussion of Elon Musk's purchase of Twitter and what it would mean for the platform? And the problem, of course, is it should not be the personal eccentricities of an individual human being. The problem is that the personal eccentricities of an individual human being can shape a major form of interpersonal, you know, of media, right? And can, you know, fundamentally change what access Americans have as citizens to talk to one another.

So I think that one of the striking things about wealth taxes is that over time they have quite large effects. And I know, Jeremy, I'm going to ask you because you probably remember this better than I do. But what would happen if you had put in place a wealth tax decades ago in terms of what it would mean for our wealth distribution today?

But I think that, you know, when we think about these questions. Like why is it that something that is popular like the wealth tax or any other number of issues, why is something popular like gun control which is -- you know, more popular than the wealth tax, right? Why are popular things not happening? Why isn't our political challenges not the same as the popularity of the program? Those are the indications of democratic dysfunction that we're facing. And I think that none of those issues can be meaningfully separated from the extraordinary consolidation of wealth we've seen.

MR. BEARER-FRIEND: I'll just add onto that and, Vanessa, thank you for taking out such a tough question right off the bat.

You know, the title of today's session is wealth taxation in defense of equal citizenship. And I see the Warren tax proposal as such a clear example of what moving towards equal citizenship actually looks like. And it does go beyond simply the nominal right to vote that Phyllis raised. You know, just because you have the right on paper doesn't mean you have it in practice.

But even beyond the right to vote, we see in the Warren wealth tax proposal also investments in historically black colleges and universities. It was directly connected to that bill because full, equal citizenship also meant access to quality education. We also saw in the Warren wealth tax proposal a commitment to childcare, available childcare so that caregivers often women would have full access to society and to the workplace and to also, you know, voting access is one piece of that.

But it was a much sort of broader concept of equal citizenship. And so, through a willingness to tax billionaires we also saw a more inclusive society, participation in public life. So it was inspiring to see it proposed. Of course, it would be more inspiring to see it enacted and we’ll have to move forward.

And I would also agree that the failure to tax one thousandth of one percent of our population when it is so enormously popular says a lot about the power of money. I mean itself is an illustration of the justification of a wealth tax that money equals power and we're seeing that in what is preventing our Congress from taxing them.

MS. MABUD: Can I just double click on something that Jeremy has said? Which is the ultrawealthy in our society has systemic supports. They're fundamentally opposite from most people’s lives, right?

I mean just to think about how many people are constrained by impossible choices every day. How they're struggling to pay for childcare while also holding a job with unpredictable hours. You know, one that gives them low pay, gives them no benefits. You know, it’s constant unpredictability of folks’ lives. It’s really -- that is agency sapping, right? That keeps you from participating in public life in a full way.

On the other hand, the ultrawealthy just continue to see tax breaks and windfalls at every turn with frankly no overseeing how they spend their money in the way that we definitely police the way poor spend their money, right?

So I think that’s just such an important point that our economy is structurally set up to benefit the rich at the expense of everyone else. And while taxation is not a panacea in fixing all of that, it is certainly a really, really important place to start to rebalance some of those power balances.

MR. GALE: Let me follow up on that and ask Phyllis to comment on this. There’s a framing issue here about whether the wealth tax is meant to be punitive punishment for people who have acquired too much wealth where too much is in quotes. Or whether it’s designed to be kind of an equalizing force that is not only consistent with, but implied by democracy? Or other narratives about the wealth tax?

So you've got these various narratives about the wealth tax. Is there a way to design spending out of the wealth tax revenues that would help emphasize one narrative over another? And would that be a useful way to kind of move forward in the political space?

MS. TAITE: All right. So I think that what Rakeen said a little bit earlier was when we try to tie one to the other that's a good way to demonize something and try to get it seen as a punishment of the wealth white people who work their way up to where they are to paying for a subsidizing the low wealth people who are lazy, uneducated, not moving forward in their lives based through their own choices. But all of this ignores structural things that are in the code and in our government policies that subsidize one group and oppresses the other.

Even though you don't do it overtly. Covertly it's happening and we see the effects of it. We see the disparities and we're still not changing it. So I think that if we tie it to you have I think a majority of Americans who would probably think that that's a good idea. Who will agree with that, but the politics of it won't let the government officials do that because they take the -- they don't take the optics of the popular. They take the optics of people who are putting them in office. And they're going to disagree with that.

So I think that we can do the same thing without necessarily tying it together. So we can have one thing. We can have two things at the same time because we don't have to have a funding source to subsidize housing. We don't have a funding source to subsidize capital gains and the transfer taxes. We don't tie specific things to that. I think it's just the government responsibility to just do this.

And so, whether we tie it to the wealth tax or not and I don't think we necessarily need to. It still needs to happen. We still need to build up those families that have been oppressed by tax code bias and change the subsidy narrative because right now we are subsidizing the wealth whether we acknowledge it or not. Whether we see it or not. We're doing it.

And so, the fact that we're saying we're going to subsidize the other group, I think is a thing that puts the bad taste in people's mouth and think that, oh, somehow these people are less deserving. On the wealthy side, we call it incentives. We call it housing incentives. But all of these things, the earned income tax credit, the mortgage interest reduction. All these things show up on the tax expenditure list.

So from a financial standpoint, they're all the same. It's how we create the narrative. And so, I think that it is -- I think it's necessarily a mistake even though it would be popular to tie one thing to other. I think we just need to just do it from a government standpoint because the government was complicit in creating this problem with the racial wealth gap. And I think they ought to be specifically intentional about negating it. And those two things can happen without us necessarily having to tie them together.

MR. GALE: That is fascinating because my intuition -- and I'm not saying my intuition was right. I'm saying I learned something. My intuition was if you could tie a wealth tax to popular spending that that would raise support for the wealth tax because then if you oppose the wealth tax you would be opposing the popular spending.

I hear you as saying, look, we don't finance defense with a specific tax. We just do it. And so, why do we need to have a specific tax to finance these other programs. I had not had that perspective in the past, and I think it's very interesting.

MS. TAITE: The only thing is, I think the difference is the face that you put on it. If it was a white child who was living poverty, if you put that face on it. I think you wouldn't have an issue. I think it is when you start putting the face of here are these black folks who haven't done anything. Because people don't acknowledge. Our government hasn't even acknowledged the structural racism in our government policies and tax policies.

So all people will see is you're taking from the people who worked for it to give it to the people who don't. And I think that part is the mistake. Is who the face of it will be? And I think if you could just make it, you know, subsidizing the low income and put somebody else's face on it, I do think that, you know, they will think we're doing something good. Let's do something good. We can tie those things together and it wouldn't be problematic. And I think that's where my disagreement with that comes in.

MR. GALE: All right. Let me go --

MS. MABUD: Can I add something to that?

MR. GALE: Go ahead.

MS. MABUD: I've been living and breathing and swimming in inflation conversations. And I think it really relates, right? Because that resistance to actually make critical long overdue investments, it's not always explicitly stated as racial or gender. It's covered in something by inflation.

God forbid, we give people $1,200 checks because that's going to trigger inflation. Much less like we don't ever look at defense spending and say, oh, my gosh. Look at how much inflation is costing, right? That's just not a conversation we have. And something that we've been saying at Groundwork over and over and over again is that the cost of doing too little far outweigh the cost of doing too much, right?

There are plenty of good policies to spend our tax dollars on. Direct cash transfers through the ARP or the CTC, you know, long overdue investments in childcare, climate, housing or physical infrastructure. I mean you could go on and on and on. But progressive taxation is valuable in and of itself. And these investments are valuable in and of themselves, right? They pay dividends in onto the future.

And I just -- we cannot constrain our tax policy decisions based on what we think we can buy with it. And we shouldn't constrain our investments based on some sort of false ceiling of what we're able to afford. And, you know, again, I don't think it's an accident that -- this is usually a conversation that happens in the realm of social policy but not often in the realm of other types of policies that are deemed, you know, fundamentally important in some way that, you know, these policies are not for some reason.

MR. GALE: That's really interesting. The image -- the model I had in my head as I was thinking about this and explaining my intuition earlier was more like social security where the taxes are earmarked or the benefits and people feel like they have earned those benefits. And when you talk about cutting social security, people immediately make the connection between being willing to pay their taxes because they get the benefits. But this is very different, I acknowledge. And it's very interesting. I think I would say there's good arguments on both sides on this.

Let me go back to the paper authors for a second and say, Jeremy and Vanessa, let's say you could not get a wealth tax. But you had a menu that was like ending capital gains loopholes. You know, tax and capital gains at death, say. Taxing inheritances. Other things. Which of those, quote, unquote, lesser policies, if you will, would be most consistent with what you're trying to achieve by talking about wealth taxation?

MR. BEARER-FRIEND: Well, I'm glad you rate this inheritance tax or state tax question because it gets directly at this underlying issue of where does wealth come from? Which has been a prior discussion and I'll connect it to this question as well.

But much of the scholarship describing the value and importance of inheritance taxes or state taxes hinges on this moral conclusion that someone who inherits money doesn't have any actual greater entitlement to that money from a moral standpoint. And so, we're comfortable saying that, well, we should tax that because there's not really an entitlement there.

But as we've opened up in this conversation, we've started thinking more about, well, where does wealth come from in the first place even if you didn't inherit it? Are you entitled to that wealth? And in the early campaigns of Senator Warren, I believe before her wealth tax proposal. But one of her most common stump speeches was about someone who starts a business and that business is successful and recognizing that success.

But then also recognizing the public system that educated the workers in that factory. The public system that built the road to take those goods to market. The public system that means you have an enforceable contract once you've sold it. The public system that gives you the currency of exchange that's reliable to use. So all of those other public features then start raising questions about where did that wealth come from?

And then as we've also clarified the historical lens about the ongoing legacies of slavery in the United States and the ways that our government directly enabled slavery and protected it. There we then also ask more questions about, well, where did this fault come from? How long have these companies been around? Where do they benefit?

So with that awareness that then pivots me to what, you know, what tax policy would be consistent with a Paine proposal. And I think Paine also noted earlier understood that wealth is not just coming from work. Wealth is coming from all of these other imperative political benefits. And so, in choosing a tax policy, I would want one that acknowledges that.

And so, I would say it would need to be broader than just add inheritance just at a state. I also think from a design standpoint those are always going to be a weaker tax because they're only taxing once. And so, that means you're giving someone an entire lifetime to do planning around it. And they are going to be the person who is best equipped to plan because they're the ones who have the most money to plan.

So another feature of the Paine proposal was annual taxation. It was an annual tax on the return to wealth and I think that gets at a lot of the potential evasion risks that you also see with in a state or inheritance tax. That was a long-winded answer but I think I landed the plane.

MR. GALE: Long wind is fine. You actually answered the question which is good. Vanessa, did you want to add anything there?

MS. WILLIAMSON: I'll just add a little historical note. So Paine proposed -- made other tax proposals later in his life. He put it in a pamphlet called *Agrarian Justice*. And in it he said that, you know, all wells beyond what a man can produce with his own hands owes a debt to society, right? And this is language that Warren knowingly or unknowingly clearly adopted.

And, you know, at the time that Paine lived, the idea of what a man could produce with his hands was much more familiar to many, many more people, right? Many more people were living much closer to subsistence. And, you know, so the idea that everything -- you know, what that meant and everything that came beyond it in terms of wealth was I think a lot clearer to people.

But I think, you know, it is another idea that would be worth sort of reinjecting into our rhetoric. You know, to think about the fact that all -- in a contemporary economy all of the work that we do relies so much on so many others. You know, we are not on a tiny farm barely scraping by most people. And, you know, so there's -- it is worth remembering not just and importantly the political ways in which wealth has been redirected almost invisibly to some people and not others. But also, that the endeavor of wealth creation is a shared endeavor now more than it used to be.

And so, that what we owe to society is equally important to recall when we're thinking about this.

MR. GALE: That's very interesting. And I remember reading in your paper that Paine, while he objected to extreme wealth, he very much supported commerce as a democratizing factor. Because I think you said it. Because it made people useful to each other, which was an interesting way of thinking about it.

We got some great audience questions on this both before and during the event. And I want to ask -- I have been asking them and paraphrasing them in consolidated forms throughout the last hour. But I want to ask specifically about one that came in just recently which is like is this just all about campaign contributions? Is it hopeless to worry about this until we change our system of campaign financing?

MS. WILLIAMSON: So I can say a little bit about that. Obviously, with any policy that challenges the status quo, the primary problem is the status quo exists. And necessarily, I think the people who are powerful and successful would not like change, right?

So there's a chicken and egg issue that we're facing that we want policies put in place because the political system that we exist under doesn't value people fairly. And, you know, but we can't put the policy in place because the system isn't structured appropriately to pass them, right? And so, that is a very fundamental problem across every aspect of American policy.

And it's worth mentioning of course that the United States particularly suffers with the problem of status quo inertia because we have government systems that were designed to have many veto points that were designed to move slowly. That were designed by people who were afraid of democracy. And that were designed specifically to protect wealth.

So there are enormous challenges here. I think one of those challenges is campaign finance certainly. But I think it is worthwhile to remember that wealth is not power only because it can be contributed to a particular candidate, right? Wealth is power in every arena in life. It effects what news we receive. What kind of journalist is funded. Whether local newspapers exist.

You know, there are a very array of ways in which wealth influences our political processes. So while campaign finance I think is a piece of it. There are, you know, a million other aspects to it. So a couple of pieces of political science on this topic, right? So it has been demonstrated experimentally that elected officials are more likely to respond to someone who describes themselves as a donor rather than a constituent even if they are, in fact, both a donor and a constituent.

So, yeah. So donors get extra attention, right? But there are issues beyond that and I think Phyllis pointed some of this out earlier. There's a tendency among elected officials to imagine that their constituents are more conservative than they are, right? Republican elected officials are more biased on this subject. They see their constituents as extremely more conservative, but Democrats see it that way too.

And I think some of that comes from what Phyllis was pointing out about who you hear from, right? So whose views are reflected back to you as an elected official? So even if you are trying to do what you believe the people who elected you want. People have very serious misperceptions that have to do with who has enough power to communicate to their elected officials, right? So yes. So I think campaign finance reform is good, but I think that it is far from sufficient.

MR. GALE: Other takers on campaign contributions? I feel that --

MR. BEARER-FRIEND: I'll just add a possibly optimistic angle on it as well which is in new research from Abhay Aneja at Berkley Law who was looking at the economic effects of the Voting Rights Act before it got gutted by the Supreme Court in showing that as government actually became more responsive to low-income voters of color that then the economic opportunities for those groups also improved.

And you see better economic growth in communities that have a government that is responsive to their needs. That eroded over time, but it was sort of encouraging about what the expansion of the franchise can mean for our communities as well. And I think likely also what I would hope of wealth tax can do.

MR. GALE: Right. Great. Phyllis, you laid out a very lengthy agenda of things that needed to change to make the tax code more racially equitable. Can you highlight the like maybe what you think are the one or two highest priorities? Let's say, we can't do all of them. Is there an entry point? Is there a you've got to do this first type of policy or set of policies?

MS. TAITE: Oh, boy. You're forcing me to choose.

MR. GALE: Yeah, right. Just to prioritize. Let's accept that they're all important. What's the most urgent or most important thing to move on first?

MS. TAITE: Okay. So if I have to choose, I think the one that has the biggest impact is the capital gains. The way in which we subsidize capital gains. I think there are ways that we can tax capital gains at the ordinary rate and put some of the burden on unearned income and take some of the relief off of earned income.

I think that with the capital gains, they give you the 1014 provisions at death. When I'm saying capital gains, I mean all of these things that are impacted by capital gains. If we can take some of the preferences off of that and relieve some of the burden on earned income, I think that can have -- we can get the biggest bang for our buck if we do it that way because if we can lift some of the restrictions and not just tax capital gain.

I know this is going to sound pretty radical but if we're taxing capital gains at ordinary rates and we're treating it like earned income then we can put some of the burden of the payroll taxes on those capital gains and then relieve some of the burden of the earned income.

I think if we can do that in that way people have more disposable income and they at least have the opportunity to save and invest and do things that could give some wealth mobility particularly since we already know that with respect to earned income, it's not just the taxation of it. It is the fact that we have inequities based on gender and race in the workplace, but people have the same jobs. So if we can take some of the burden off that I think that will give us the biggest impact for what we can do to make a difference in people's lives if I had to pick one.

MR. GALE: Okay. No, thank you. That was very helpful. Vanessa, I want to ask you one more question. You said at one point, and I've heard you say this before that the arguments used against wealth taxation originated in the South's argument against antislavery. That is in support of slavery.

I wonder if you could just -- I found that surprising when I first read it. I would love to know more about it.

MS. WILLIAMSON: Yeah. This is built on the work of a historian called Robin Einhorn who I think did really groundbreaking work looking at this question.

But the limits that were put in the federal constitution about taxation, right? The limits on federal powers were put in place to assuage the fears of Southern representatives who were slave holders and who wanted to protect the slave holder economy that they represented.

And that meant that they were afraid of taxation and that they were afraid of democracy, even a democracy as limited as one that included only property to white men because property to white men in the North, many were not slaveholders. And many were if certainly not antislavery, were not in support of the institution. And particularly became less in support of the institution over time when they realized how it affected their own economic opportunities.

So slaveholders in the South were afraid of democracy and were afraid of taxation because they recognized that the economy that was producing a great deal of wealth for a small number of people was not an economy that was helping most people, not even most white men. And so, they built into the federal constitution strong limits on the federal government's tax powers, right?

The reason we have a 16th Amendment is because the Supreme Court overturned an earlier judgment that income taxation was just fine. And decided that it violated one of the rules that was put in place to prevent robust taxation, right?

And this rule is the integration that Jeremy was referring to that is to say, if there is going to be what is called direct taxation and that meant the taxes on people, taxes on property that it needed to be divided among the states according to those states' population and the three fifth clause. And this was intended basically to make it hard to tax.

And there are several other lines in the constitution that are specifically about not allowing the federal government to tax people. And there was a specific set of people that they didn't want to tax. The people that were being held as property. So when we confront the challenges of our tax code today, I think it is important to remember the history not only because the history of wealth consolidation in this country is a racialized history. Is a racist history, but because the institutions through which we get to try and change it are also biased by that very history.

So I think that one of the things that I like about talking about wealth taxes is it opens up these cans of worms because I think we have to. So it's not just that I think it is good policy and it is interesting and that it is, you know, fundamentally enjoyable to think about a founder who came up with a policy more radical than any that was on the table today.

But it is worthwhile to ask ourselves a thing that was much clearer 200 years ago about the role that our politics play in our economy. And what kind of economy suits a republic? And this was something people thought about when the idea of having a republic was new. And it's something I think we need to think about today.

MR. GALE: That's great. If I had timed this two minutes later that would have been a perfect closing statement, but we have two minutes left. I just talked to Phyllis and Vanessa so let me ask Rakeen and then Jeremy if you have any final comments that you would like to leave us? Any ideas you would like to leave us with at the end of all this?

MS. MABUD: I feel like Vanessa closed it out so beautifully. I don't even want to cover over that.

MR. GALE: All right. Well, this has been a fascinating discussion for me. I've learned an enormous amount. I thank all four of you for really interesting and constructive perspectives. And I wanted a special shoutout to people watching and submitting questions. The questions that came on this event were really, really good. So thank you everyone again. And I hope everyone has a great day.

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