Progressive Taxes – Good

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TABLE OF CONTENTS

STRATEGY AND RHETORIC NOTES

> ***THESIS**: "Progressive taxation" is the concept of taxing the rich more than the poor (since they have more to pay.) Many proposed tax reforms (flat tax, VAT, sales tax, etc.) tax everyone the same; you can use this brief as a powerful disadvantage, arguing that they would unjustly burden the poor.*

In libertarian/anti-welfare circles, there tends to be a lot of bias against progressive taxation. Rhetoric and logic is your most effective weapon here. Some tips on combating common objections:

Incentives - "if we tax the rich more, there's less incentive to work hard"
This isn't actually true (see evidence on page 130-C), but let's assume it is. Lay out the dichotomy very clearly: "If you vote Affirmative, you are deciding to value vague economic incentives over *people actually suffering*." It's great to have incentives, but if people don't have running water because the government is taking all their money, that's a lot more important. (Buzzphrase: "Poverty should be unpleasant but not fatal.")

Side note: You'll occasionally run into the attitude that the poor 'deserve it' for not working hard enough or something. Just ask the judge: What if you lost your job tomorrow? Plenty of people aren't poor because they aren't motivated - they're poor because of factors out of their control, like the economy or bad past decisions.

Remember, you aren't arguing for a massive welfare state - you're just arguing that we shouldn't tax the poor as heavily as the rich.

Property rights - "people should be allowed to keep what they earn"
Probably the most effective response is simply to point out that *any* taxation violates property rights. The problem isn't property rights, it's *unequal* property rights - which is much easier to swallow. And what does "unequal property rights" mean, anyway? Why should equality be based on a percentage instead of ability to pay?

Purpose of government - "helping the poor is the church's role, not the government's"
Ideally, yes, but in the real world that won't ever happen. Some people will always slip through the cracks. Another way of putting this: "The purpose of government is to protect the innocent and punish the guilty; when poor people are starving because their taxes are too high, it's not protecting the innocent." Again, point out the dichotomy very clearly: "If you vote Affirmative, you're saying that idealism about the purpose of the government is more important than people actually suffering."

Vague feelings of socialism
Quickest response: "Socialism isn't bad just because it's socialism; it's bad because it hurts society and the economy. In contrast, progressive taxes actually *help* society and the economy. You can't just say 'it's bad because it's socialism.'" (Also, progressive taxes aren't really socialist. Socialism is common ownership of property; progressiveness is just the rich paying more taxes.)

INHERENCY: SQ IS PROGRESSIVE

Taxes rise steeply with income (including corporate taxes)
Prof. N. Gregory Mankiw (PhD, professor of economics at Harvard, former chairman of the President's Council of Economic Advisers), 2010, Eastern Economic Journal, "Spreading the Wealth Around: Reflections Inspired by Joe the Plumber", accessed July 28, 2011, http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.168.774&rep=rep1&type=pdf (page 36)

For the richest 1 percent of the population, 10.4 percentage points of their 31.2 percent tax rate comes from the taxes that corporations have paid on their behalf. The corporate tax would undoubtedly loom large if the C.B.O. were to calculate Mr. Buffett's effective tax rate. So it is simply wrong to say we don't have a progressive tax system. The best analysis shows that average federal tax rates rise steeply with income.

Rich rate = over 30%; poor rate = under 10%
Congressional Budget Office, 2004, "Effective Federal Tax Rates Under Current Law, 2001 to 2014", accessed July 7, 2011, http://www.cbo.gov/ftpdocs/57xx/doc5746/08-13-EffectiveFedTaxRates.pdf

All quintiles experience a jump in their overall effective tax rate in 2011 following the expiration of EGTRRA *[Economic Growth and Tax Relief Reconciliation Act]*. They also all have a higher effective rate in 2014 than in 2001. For example, the effective rate for the lowest quintile *[income bracket]* increases from 5.4 percent in 2001 to 8.3 percent in 2014; in contrast, the rate for the top quintile climbs from 26.8 percent to 28.8 percent and that for the top 1 percent of taxpayers rises from 33.0 percent to 33.6 percent over the same period.

U.S. most progressive
Organisation for Economic Cooperation and Development, 2008, "Growing unequal?: income distribution and poverty in OECD countries", accessed July 29, 2011, http://books.google.com/books?id=3WvmeZ2BbRsC&pg (page 104)

Taxation is most progressively distributed in the United States, probably reflecting the greater role played there by refundable tax credits, such as the Earned Income Tax Credit and the Child Tax Credit. Overall, there is less variation in the progressivity of taxes across countries than in the case of transfers. After the United States, the distribution of taxation tends to be most progressive in the English speaking countries.

Attitudinal Inherency: Rich and poor want more equality (survey)
Prof. Michael I. Norton (PhD in psychology from Princeton, associate professor of business administration at Harvard) and Prof. Dan Ariely (PhDs in psychology and business, professor of psychology and behavioral economics at Duke University), November 2010, Los Angeles Times, "Spreading the wealth", accessed July 19, 2011, http://articles.latimes.com/2010/nov/08/opinion/la-oe-norton-wealth-inequality-20101108

We recently asked a representative sample of more than 5,000 Americans (young and old, men and women, rich and poor, liberal and conservative) to answer two questions. They first were asked to estimate the current level of wealth inequality in the United States, and then they were asked about what they saw as an ideal level of wealth inequality. *[later, in the same context:]* But was there consensus among Americans about their ideal country? Importantly, the answer was an unequivocal "yes." While liberals and the poor favored slightly more equal distributions than conservatives and the wealthy, a large majority of every group we surveyed - from the poorest to the richest, from the most conservative to the most liberal - agreed that the current level of wealth inequality was too high and wanted a more equitable distribution of wealth.

HARMS RESPONSES

Counterstandard: True equality is equality of sacrifice - rich people can sacrifice more
Prof. H. Peyton Young (PhD, professor of public policy at the University of Maryland), March 1990, The American Economic Review, "Progressive Taxation and Equal Sacrifice", Vol. 80, No. 1, accessed July 28, 2011, http://www.jstor.org/stable/2006747 (page 253)

Equal sacrifice is an elaboration of the notion that a rich person should pay more in taxes than a poor person because the former feels a given monetary loss to a lesser degree. The case for it was put most succinctly by John Stuart Mill: "As a government ought to make no distinction of persons or classes in the strength of their claims on it, whatever sacrifices it requires from them should be made to bear as nearly as possible with the same pressure upon all ... Equality of taxation, therefore, as a maxim of politics, means equality of sacrifice. [1848, p. 804]"

A/T "reduced incentive to work": Small effect
Robert J. Shapiro (PhD from Harvard, former U.S. Under Secretary of Commerce, fellow at Brookings and the Progressive Policy Institute), March 24, 1996, Washington Post, "Flat Wrong: New Tax Schemes Can't Top Old Progressive Truths", accessed July 28, 2011, http://www.washingtonpost.com/wp-srv/politics/special/tax/stories/top032496.htm

Economic theory cannot settle the issue; but the evidence provides a bit more support for progressivity. As near as we can tell, tax rates do affect people's work efforts and saving, but only when the rate is very high and then only to a modest degree. In short, high income people don't work or save less when progressivity increases their tax rate; they find ways to avoid it or live with it.

Progressive Taxes – Good

A/T "unfair": Adam Smith: Progressivity reasonable

Adam Smith (renowned classical economist and professor of moral philosophy at Glasgow, considered the father of modern economics and capitalism), 1827, "An inquiry into the nature and causes of the wealth of nations", accessed July 6, 2011, http://books.google.com/books?id=rpMuAAAAYAAJ&dq (page 355)

The necessaries of life occasion the great expense of the poor. They find it difficult to get food, and the greater part of their little revenue is spent in getting it. The luxuries and vanities of life occasion the principle expense of the rich; and a magnificent house embellishes and sets off to the best advantage all the other luxuries and vanities which they possess. A tax upon house rents, therefore, would in general fall heaviest upon the rich; and in this sort of inequality there would not, perhaps, be any thing very unreasonable. It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion.

A/T "unfair": Taxing the rich is justifiable - three reasons

Prof. Reuven Avi-Yonah (PhD in history, professor of law at the University of Michigan), February 2002, The Yale Law Journal, "Why Tax the Rich? Efficiency, Equity, and Progressive Taxation: Does Atlas Shrug? The Economic Consequences of Taxing the Rich", accessed July 8, 2011, http://www.yalelawjournal.org/images/pdfs/249.pdf (page 1403)

In general, one can advance three broad reasons for taxing the rich: that they control a disproportionately large share of the country's wealth, that their wealth is not just the result of their own choices but also stems from a combination of benefits conferred by society and brute luck, and that their wealth gives the rich a social, economic, and political power base that is inimical to the proper functioning of a democratic polity.

A/T "unfair": Rich people make more use of public services - should pay more

Bruce Budner (JD, lawyer and lecturer at Berkeley, executive director of the Rockridge Institute) and Prof. George Lakoff (PhD, distinguished professor of cognitive science and linguistics at Berkeley and political science researcher, founder of the Rockridge Institute), April 16, 2007, TomPaine.com, "Hidden Truths Of Progressive Taxes", accessed July 28, 2011, http://www.tompaine.com/articles/2007/04/16/hidden_truths_of_progressive_taxes.php

Ordinary people just drive on the highways; corporations send fleets of trucks. Ordinary people may get a bank loan for their mortgage; corporations borrow money to buy whole companies. Ordinary people rarely use the courts; most of the courts are used for corporate law and contract disputes. Corporations and their investors - those who have accumulated enough money beyond basic needs so they can invest - make much more use, compound use, of the empowering infrastructure provided by everybody's tax money. The wealthy have made greater use of the common good-they have been empowered by it in creating their wealth-and thus they have a greater moral obligation to sustain it. They are merely paying their debt to society in arrears and investing in future empowerment. This is the fundamental truth that motivates progressive taxation.

Progressive Taxes – Good

A/T "unfair": The rich have the money

Prof. G. William Domhoff (PhD in psychology, professor of psychology and sociology at the University of California), September 2005 (updated January 2011), "Wealth, Income, and Power", accessed July 27, 2011, http://sociology.ucsc.edu/whorulesamerica/power/wealth.html

In the United States, wealth is highly concentrated in a relatively few hands. As of 2007, the top 1% of households (the upper class) owned 34.6% of all privately held wealth, and the next 19% (the managerial, professional, and small business stratum) had 50.5%, which means that just 20% of the people owned a remarkable 85%, leaving only 15% of the wealth for the bottom 80% (wage and salary workers).

A/T "they earned it": Wealth often comes from many factors outside their control

Robert J. Shapiro (PhD from Harvard, former U.S. Under Secretary of Commerce, fellow at Brookings and the Progressive Policy Institute), March 24, 1996, Washington Post, "Flat Wrong: New Tax Schemes Can't Top Old Progressive Truths", accessed July 28, 2011, http://www.washingtonpost.com/wp-srv/politics/special/tax/stories/top032496.htm

The positive case for progressivity as the better measure of tax fairness emerges more clearly from the underlying issue of income differences. In theory, flat-taxers are right to criticize a tax system that would penalize people for differences in income that reflect only how hard they choose to work. In real life, income differences reflect much more than effort, if only because people don't start in the same place. At the least, people are born with different talents and grow up in families, neighborhoods and cultures with different resources to prepare them for market competition. Luck usually plays a part too.

A/T "unconstitutional": Early government imposed a progressive tax (original intent)

U.S. Supreme Court, Brushaber v. Union Pacific R. Co., 240 U.S. 1 (1916), http://supreme.justia.com/us/240/1/case.html (accessed March 25, 2011)

It is true that it is elaborately insisted that, although there be no express constitutional provision prohibiting it, the progressive feature of the tax causes it to transcend the conception of all taxation and to be a mere arbitrary abuse of power which must be treated as wanting in due process. But the proposition disregards the fact that, in the very early history of the government, a progressive tax was imposed by Congress, and that such authority was exerted in some, if not all, of the various income taxes enacted prior to 1894 to which we have previously adverted.

ADVANTAGE: REDUCED INEQUALITY (HELP THE POOR)

Read the link and whatever impacts you like (the General Impact is a good one to start with.)

Link: Progressive taxes reduce income inequality (study)
Prof. Klara Sabirianova Peter (PhD in economics, assistant professor of economics at the University of North Carolina) and Prof. Denvil Duncan (PhD, assistant professor of public and environmental affairs at Indiana University), 2009, "Tax Progressivity And Income Inequality", accessed July 28, 2011, http://aysps.gsu.edu/frc/files/FRC_Peter_103009.pdf (page 28)

These results indicate that for a typical country in the sample, while progressivity reduces inequality in both observed income and consumption, it appears to have much greater influence on net income-based Ginis. In section 2.2, we argued that tax evasion can explain the difference between the effect of progressivity on observed net income and its effect on true income approximated by consumption.

General Impact: Hundreds of studies confirm - inequality hurts society
Prof. Richard G. Wilkinson (professor of social epidemiology at the University of Nottingham), November 2008, "What Difference Does Inequality Make?", accessed July 6, 2011, http://mrzine.monthlyreview.org/2009/wilkinson160309.html

In both cases, places with smaller income differences do better and the relationships cannot be dismissed as chance findings. Some of them have already been shown in large numbers of studies -- there are over 170 looking at the tendency for health to be better in more equal societies and something like 40 looking at the relation between violence and inequality.

Impact: Economy hurt
Prof. Reuven Avi-Yonah (PhD in history, professor of law at the University of Michigan), February 2002, The Yale Law Journal, "Why Tax the Rich? Efficiency, Equity, and Progressive Taxation: Does Atlas Shrug? The Economic Consequences of Taxing the Rich", accessed July 8, 2011, http://www.yalelawjournal.org/images/pdfs/249.pdf (page 1411)

But why should Americans care if their society is becoming more unequal? From a consequentialist perspective, the answer is that across countries, increased inequality is usually associated with lower growth rates. There are several explanations for this phenomenon, all of which receive some empirical support. Inequality may engender political instability, which reduces investment and growth. Inequality may also reduce investment in human capital among those with little wealth, which may reduce growth.

Progressive Taxes – Good

Impact: Homicide - income inequality strongly connected with homicide rates
Dr. Shawn Vasdev (PhD, department of psychology, State University of New York), Dr. Margo Wilson and Dr. Martin Daly (PhDs, researchers in psychology at McMaster University), April 2001, Canadian Journal of Criminology, "Income inequality and homicide rates in Canada and the United States", accessed July 28, 2011, http://psych.mcmaster.ca/dalywilson/iiahr2001.pdf (page 220-221)

One might therefore expect that income inequality will account for a significant fraction of the variability in homicide rates, and indeed it does. Crossnational analyses have consistently pointed to the Gini index of income inequality (Sen 1973), which equals 0.0 when all units (e.g., households or individuals) have identical incomes and approaches 1.0 when all income accrues to the single wealthiest unit, as a strong predictor of homicide rates. In fact, Gini (usually computed at the household level) consistently outperforms almost all other predictors, including various presumed indices of the average level of material welfare, suggesting that it is relative rather than absolute deprivation that has the greater effect on local levels of violent competition.

Impact: Violence and teen pregnancy
Prof. Kate E. Pickett (PhD, professor of epidemiology at York University, member of the Health Inequalities Research Group), Jessica Mookherjee (Department of Anthropology at the University College London), and Prof. Richard G. Wilkinson (professor of social epidemiology at the University of Nottingham), July 2005, American Journal of Public Health, "Adolescent Birth Rates, Total Homicides, and Income Inequality In Rich Countries", accessed July 6, 2011, http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1449337/

Our findings suggested that the links between deprivation and both violence and adolescent births reflect the destructive psychosocial and behavioral effects of inequality. As Luker put it, it is "the discouraged among the disadvantaged" who become adolescent mothers.

Impact: Violence, homicide, poorer health
Prof. Richard G. Wilkinson (professor of social epidemiology at the University of Nottingham), November 2008, "What Difference Does Inequality Make?", accessed July 6, 2011, http://mrzine.monthlyreview.org/2009/wilkinson160309.html

In societies where income differences between rich and poor are smaller, the statistics show that community life is stronger and more people feel they can trust others. There is also less violence -- including lower homicide rates; health tends to be better and life expectancy is higher.

Impact: Hurts the middle class - health, society
Prof. Richard G. Wilkinson (professor of social epidemiology at the University of Nottingham), November 2008, "What Difference Does Inequality Make?", accessed July 6, 2011, http://mrzine.monthlyreview.org/2009/wilkinson160309.html

In a more unequal society, even middle class people on good incomes are likely to be less healthy, less likely to be involved in community life, more likely to be obese, and more likely to be victims of violence. Similarly, their children are likely to do less well at school, are more likely to use drugs and more likely to become teenage parents.

Progressive Taxes – Good

Impact: Democracy hurt - power in the hands of the few

Prof. Reuven Avi-Yonah (PhD in history, professor of law at the University of Michigan), February 2002, The Yale Law Journal, "Why Tax the Rich? Efficiency, Equity, and Progressive Taxation: Does Atlas Shrug? The Economic Consequences of Taxing the Rich", accessed July 8, 2011, http://www.yalelawjournal.org/images/pdfs/249.pdf (page 1412-1413)

The belief in progressive income taxation (as well as estate and corporate taxation) must ultimately rest on the same conviction that animated the reformers of the 1890s: that extreme concentrations of power resulting from extreme concentrations of wealth in the hands of private individuals who are unaccountable to the majority is an unhealthy phenomenon in a democracy. Such private individuals exercise degrees of power and influence that run counter to the ability of the government of the people to govern the country in accordance with the people's wishes, as expressed in democratic elections.

Impact: Democracy hurt - power in the hands of the few

Prof. G. William Domhoff (PhD in psychology, professor of psychology and sociology at the University of California), September 2005 (updated January 2011), "Wealth, Income, and Power", accessed July 27, 2011, http://sociology.ucsc.edu/whorulesamerica/power/wealth.html

First, wealth can be seen as a "resource" that is very useful in exercising power. That's obvious when we think of donations to political parties, payments to lobbyists, and grants to experts who are employed to think up new policies beneficial to the wealthy. Wealth also can be useful in shaping the general social environment to the benefit of the wealthy, whether through hiring public relations firms or donating money for universities, museums, music halls, and art galleries.

Impact: Democracy hurt - power in the hands of the few

Prof. Reuven Avi-Yonah (PhD in history, professor of law at the University of Michigan), February 2002, The Yale Law Journal, "Why Tax the Rich? Efficiency, Equity, and Progressive Taxation: Does Atlas Shrug? The Economic Consequences of Taxing the Rich", accessed July 8, 2011, http://www.yalelawjournal.org/images/pdfs/249.pdf (page 1412)

There are three arguments why extreme concentrations of wealth are undemocratic. The first two are obvious: In the American system of government, great wealth can buy political favors (often at minuscule expenditures) and finance runs for office (at somewhat greater but still quite limited costs).

Poverty Impact: Moral obligation to fight poverty (United Nations General Assembly)

Sheikha Haya Rashed Al Khalifa (Bahrain, president of the United Nations General Assembly), December 8, 2006, United Nations General Assembly, "World Has Moral Obligation To Fight Poverty, Protect Human Rights Of Most Vulnerable, Says General Assembly President In Human Rights Day Message", accessed April 12, 2011, http://www.un.org/News/Press/docs/2006/gasm380.doc.htm

When poverty is so immediate and the suffering so intense, the world has a moral and strategic obligation to fight poverty and to address the human rights concerns of the most vulnerable. The poorest are more likely to experience human rights violations, discrimination or other forms of persecution. Being poor makes it harder to find a job and get access to basic services, such as health care, education and housing. Poverty is above all about having no power and no voice.

Poverty Impact: Deprive people of healthy food
Prof. Eva Roos (PhD in Nutrition, Masters of science in public health and nutrition, adjunct professor, senior researcher Department of Public Health, University of Helsinki) and others, 2008, European Journal of Clinical Nutrition, "Trends of socioeconomic differences in daily vegetable consumption", 62.7, accessed June 20, 2011

Those with less available money may have limited resources and possibilities to buy healthy food (Davey Smith and Brunner, 1997; Kirkpatrick and Tarasuk, 2003). Consumers with low income may select fats and sweets because they provide dietary energy at the lowest possible cost.

Poverty Impact: Less money available for health care
Julia R. Kemp (PhD, Masters degree of development, Research Fellow, Health Sector Reform Work Programme. Liverpool School of Tropical Medicine) and others, 2007, Bulletin of the World Health Organization, "Can Malawi's poor afford free tuberculosis services? Patient and household costs associated with a tuberculosis diagnosis in Lilongwe", 85.8, accessed June 20, 2011

How the poor finance the cost of diagnosis is important. The poor have less income yet the same basic food needs as the non-poor, so a higher proportion of their expenditures must go towards food, leaving less money available for health care. When calculating the relative costs of health care it is important to allow for food expenditure to ensure that households are not diverting basic resources to pay for the treatment of one person, and so potentially causing nutritional problems among the others.

ADVANTAGE: REDUCED EVASION

Link 1: Perception of "fairness" creates trust and compliance
Prof. Erich Kirchler (professor of economic psychology at Vienna University), Prof. Erik Hoelz (PhD, professor of economic and social psychology the University of Cologne), and Dr. Ingrid Wahl (Department of Economic Psychology, Educational Psychology and Evaluation at the University of Vienna), May 2007, Journal of Economic Psychology, "Enforced versus voluntary tax compliance: The “slippery slope” framework", accessed July 27, 2011 (page 9)

Several authors suggest that trust in political leadership and administration will lead to voluntary tax compliance when favorable national norms are established (e.g., Fjeldstad, 2004; Frey, 1992; Pommerehne & Frey, 1992; Torgler, 2005; Tyler, 2001a, 2001b). In general, if the norms held by taxpayers favor tax compliance, voluntary tax compliance will result. In the current framework, norms encompass both power and trust. First, national norms find their expression in tax laws and the role given to tax authorities, having a direct influence on their power. Second, social norms such as the belief that tax evasion is a petty crime and widespread hinder the work of tax authorities, in particular when there is no countervailing norm of community. A norm where all citizens are perceived as contributing their fair share would certainly help to increase trust in the authorities.

Link 2: Current inequality viewed as "unfair" - even by the rich! (survey)
Prof. Michael I. Norton (PhD in psychology from Princeton, associate professor of business administration at Harvard) and Prof. Dan Ariely (PhDs in psychology and business, professor of psychology and behavioral economics at Duke University), November 2010, Los Angeles Times, "Spreading the wealth", accessed July 19, 2011, http://articles.latimes.com/2010/nov/08/opinion/la-oe-norton-wealth-inequality-20101108

When we asked respondents to tell us what their ideal distribution of wealth was, things got even more interesting: Americans wanted the top 20% to own just over 30% of the wealth, and the bottom 40% to own about 25%. They still wanted the rich to be richer than the poor, but they wanted the disparity to be much less extreme. But was there consensus among Americans about their ideal country? Importantly, the answer was an unequivocal "yes." While liberals and the poor favored slightly more equal distributions than conservatives and the wealthy, a large majority of every group we surveyed - from the poorest to the richest, from the most conservative to the most liberal - agreed that the current level of wealth inequality was too high and wanted a more equitable distribution of wealth.

Impact: Budgets - higher taxes, fewer government benefits, financial instability
Prof. David Ulph (professor of economics and finance at Oxford) and Dr. Tatiana Damjanovic (PhD in economics), September 15, 2009, Oxford University Centre For Business Taxation, "Tax Progressivity, Income Distribution and Tax Non-Compliance", accessed July 27, 2011, http://www.sbs.ox.ac.uk/centres/tax/Documents/working_papers/WP0928.pdf (page 2)

Tax non-compliance does not only reduce tax revenue (ceteris paribus) but has a number of other welfare-reducing consequences. The loss of tax revenue means that governments either have to spend less on desirable publicly provided goods and services or else are forced to increase the tax burdens on compliant tax payers, thus amplifying the deadweight loss. The government's inability to collect sufficient tax revenue may result in a higher deficit and a deterioration of the financial environment. In extreme cases, it may cause financial crises, as in Russia in 1998 and Argentina in 2002.

Impact: Small Business - the rich evade, and the poor pay more instead
Prof. David Ulph (professor of economics and finance at Oxford) and Dr. Tatiana Damjanovic (PhD in economics), September 15, 2009, Oxford University Centre For Business Taxation, "Tax Progressivity, Income Distribution and Tax Non-Compliance", accessed July 27, 2011, http://www.sbs.ox.ac.uk/centres/tax/Documents/working_papers/WP0928.pdf (page 2, 3)

Tax non-compliance does not only reduce tax revenue (ceteris paribus) but has a number of other welfare-reducing consequences. *[later, in the same context:]* Since rich individuals are probably more likely to employ avoidance practices, the government levies heavier taxes on those who are less well-off, which will not only increase vertical inequality but may slow down the development of small businesses and economic growth.

Impact: Economy - 17% increase in absenteeism (study)
Tobias Koenig, Dr. Oliver Himmler (PhD, Max Planck Institute for Research on Collective Goods), and Dr. Thomas Cornelissen (PhD in economics, postdoc and teaching fellow in economics at University College London), October 2010, CESifo Working Paper No. 3217, "Fairness Spillovers – The Case of Taxation", accessed July 28, 2011, http://www.ifo.de/portal/pls/portal/docs/1/1185190.PDF (page 19)

Building on the argument that opportunities for evading taxes are rather slim for most individuals, we go one step further and ask whether people may then try and find alternative ways of adjustment specially, we analyze whether people start to cheat at work when they feel that there is injustice in taxation. Using a large-scale German dataset, we find that this link between tax fairness beliefs and work morale is surprisingly strong. The belief that the top income earners don't pay their fair share in taxes is associated with at least a 17 percent increase in absenteeism.

Impact: Resources - resources are wasted trying to stop evasion
Prof. David Ulph (professor of economics and finance at Oxford) and Dr. Tatiana Damjanovic (PhD in economics), September 15, 2009, Oxford University Centre For Business Taxation, "Tax Progressivity, Income Distribution and Tax Non-Compliance", accessed July 27, 2011, http://www.sbs.ox.ac.uk/centres/tax/Documents/working_papers/WP0928.pdf (page 2)

Tax non-compliance does not only reduce tax revenue (ceteris paribus) but has a number of other welfare-reducing consequences. *[later in the same context]:* Significant amounts of real resources are devoted to both devising tax reducing schemes and to the monitoring and enforcement of tax compliance.

Impact Multiplier: Evasion spreads
Prof. David Ulph (professor of economics and finance at Oxford) and Dr. Tatiana Damjanovic (PhD in economics), September 15, 2009, Oxford University Centre For Business Taxation, "Tax Progressivity, Income Distribution and Tax Non-Compliance", accessed July 27, 2011, http://www.sbs.ox.ac.uk/centres/tax/Documents/working_papers/WP0928.pdf (page 3)

It is also important to recognise that non-compliance can have a multiplier effect to the extent that non-compliance by a small group of individuals diminishes the social norm of tax compliance in the wider population of otherwise compliant taxpayers. The importance of such norms has been emphasised in a number of behavioural and experimental studies (Gordon, 1989; Cowell, 1992; Myles and Naylor, 1996; Kim, 2003).

Backup: Evasion very possible
Prof. Reuven Avi-Yonah (PhD in history, professor of law at the University of Michigan), February 2002, The Yale Law Journal, "Why Tax the Rich? Efficiency, Equity, and Progressive Taxation: Does Atlas Shrug? The Economic Consequences of Taxing the Rich", accessed July 8, 2011, http://www.yalelawjournal.org/images/pdfs/249.pdf

But there is one avenue of evading taxes that is particularly open to the rich-shifting the income to tax havens overseas and not reporting it to the IRS. This form of tax evasion is more available to the rich because income from capital is easier to shift than labor income, and the rich earn more income from capital. There are no solid recent estimates of how much tax evasion of this sort is engaged in by U.S. residents. But in other developed countries, such as Germany, tax evasion by capital owners is estimated to be rampant (about fifty percent of interest income by German residents is estimated not to be reported).

Backup: Evasion very possible - 17% currently
Prof. David Ulph (professor of economics and finance at Oxford) and Dr. Tatiana Damjanovic (PhD in economics), September 15, 2009, Oxford University Centre For Business Taxation, "Tax Progressivity, Income Distribution and Tax Non-Compliance", accessed July 27, 2011, http://www.sbs.ox.ac.uk/centres/tax/Documents/working_papers/WP0928.pdf

Tax non-compliance - avoidance and evasion - is a problem of great importance for many countries. For example, the US Internal Revenue Service estimated that about 17% of due income taxes are not paid (IRS, 2007), while according to the HM-Treasury report (HMRC, 2007), the VAT gap is about 14.2% in the UK.

ADVANTAGE: ECONOMY

Link: Progressivity increases stability
Manita Rao (PhD candidate in Public Policy and Public Affairs, University of Massachusetts) and Prof. Christian Weller (PhD in economics, associate professor of public policy at the University of Massachusetts), July 2008, Political Economy Research Institute, "Can Progressive Taxation Contribute to Economic Development?", accessed July 27, 2011, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1298636

Based on data from 1981 to 2002, we find that progressive taxation provides policymakers with the ability to conduct countercyclical fiscal policies, which in turn contributes significantly to economic stability. In turn, we find no evidence that progressive taxation adversely affects economic stability by reducing growth.

Progressive Taxes – Good

Impact: Less volatility = more growth

Manita Rao (PhD candidate in Public Policy and Public Affairs, University of Massachusetts) and Prof. Christian Weller (PhD in economics, associate professor of public policy at the University of Massachusetts), July 2008, Political Economy Research Institute, "Can Progressive Taxation Contribute to Economic Development?", accessed July 27, 2011, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1298636

Furthermore, progressive taxation can improve the prospects for growth if it reduces economic volatility. For instance, Ramey and Ramey (1995) find a strong negative link between volatility and growth, such that countries with higher volatility experience slower growth.

Backup: Can increase productivity - encourages human capital building

Prof. Iourii Manovskii (PhD in economics, currently assistant professor at the University of Pennsylvania), November 8, 2002, "Productivity Gains from Progressive Taxation of Labor Income", accessed July 28, 2011, http://www.econ.upenn.edu/~manovski/papers/prod_gains_from_prog_tax.pdf (page 20)

I have shown that, in the absence of complete insurance markets, progressive taxation of labor income may provide productivity and welfare gains as compared to a revenue-equivalent flat tax. In order to increase income in the future, individuals have to forgo income today by accepting lower wages while accumulating human capital or when destroying specific human capital in order to build it elsewhere. A progressive tax system encourages people to make these temporary sacrifices because progressive taxes decrease the consumption benefit of the sacrifice but they also decrease its cost since individuals are not taxed as much when their income is low.

Backup: Economy can flourish - historical precedent

Prof. Reuven Avi-Yonah (PhD in history, professor of law at the University of Michigan), February 2002, The Yale Law Journal, "Why Tax the Rich? Efficiency, Equity, and Progressive Taxation: Does Atlas Shrug? The Economic Consequences of Taxing the Rich", accessed July 8, 2011, http://www.yalelawjournal.org/images/pdfs/249.pdf (page 1392)

The reduction of marginal tax rates in the Reagan years was driven by a new policy consensus that still persists today. That consensus is that high marginal tax rates on the rich come with an unaffordably high price for the U.S. economy in the form of reduced incentives for the rich to work and to save, and increased incentives to engage in socially wasteful tax planning. And yet 1957, when Rand wrote *Atlas Shrugged* and the top income tax rate was 91%, falls in the middle of the period from 1951 through 1963. Those were the golden years of the U.S. economy, in which the average annual rate of productivity growth was 3.1% (compared with about 1.5% after 1981).