

## **A conversation with David Kamin on August 1, 2014**

### **Participants**

- David Kamin — Assistant Professor of Law, New York University
- Ruth Levine — Research Analyst, GiveWell

**Note:** These notes were compiled by GiveWell and give an overview of the major points made by Professor David Kamin.

### **Summary**

GiveWell spoke with Professor David Kamin of New York University as part of its investigation into reforming U.S. tax policy. Conversation topics included the main obstacles to tax reform, possible gaps in tax reform work, and narratives around taxation.

Professor Kamin stated that the main obstacle to enacting tax reform is politics, rather than lack of proposals. If tax reform were a priority in politics, one would see governmental and non-governmental institutions working to make the proposed plans more concrete.

### **Writing legislative drafts of tax proposals**

Most abstract tax reform proposals do not get fully translated into draft legislation. This is because there are many proposals, and translating them requires resolving many details, so it is probably not a good use of time until it is clear that a proposal is viable. The lack of legislative drafts is not a major obstacle to tax reform. If there were sufficient political will for tax reform, the relevant parties would have the time to go through the drafting process.

There have been some attempts to bridge the gap between abstract proposals and legislative drafts. For example, the Dave Camp (R-MI, House Ways and Means Committee Chairman) plan of 2014 was drafted in legislative language. This plan proposed significant changes, but not a fundamental switching of the tax base; that kind of reform would likely be even more difficult to write.

The Department of the Treasury could kick start a tax reform process by releasing discussion drafts, as it did for the Tax Reform Act of 1986. Committee staffs in Congress would also need to engage in order to implement tax reform, but aside from the Committee on Ways and Means, they have not recently been engaged.

There are times when making a proposal more concrete can help stakeholders identify and address substantive issues with the proposal. For example, the Competitive Tax Plan—written by Michael J. Graetz—proposed that everyone with an income of \$100,000 or lower be exempt from the income tax. The Center on

Budget and Policy Priorities and others raised the question of how this plan would replace subsidies to low-income families, and demanded to see the plan drafted as concrete legislative proposals. This revealed fundamental and administrative issues with the plan that could then be discussed.

## **Potential gaps in the tax space**

There used to be a lack of non-governmental institutions in this space, but the Tax Policy Center has filled that gap. Currently, there is a significant amount of engagement from academics and think tanks on tax policy.

Think tanks in Washington D.C. tend to focus on plausible changes to the tax system, while academics and some other think tanks tend to focus on fundamental reforms. Professor Kamin said that there are benefits to having groups that focus on ideas both within and without current governmental constraints. However, Professor Kamin noted that the discussion of fundamental reforms (i.e. changing the tax base) might distract from proposals of plausible changes, despite the fact that fundamental reforms are unlikely to be implemented. Professor Kamin said that more plausible changes probably warrant more attention.

Some areas where engagement on tax issues could be more constructive include:

- Business tax reform
- International tax reform
- How the tax system affects poverty

With respect to the charitable deduction, the philanthropic community generally reacts negatively to any suggestion to reform the charitable deduction, even though some reforms would not decrease donations. There is an opportunity for foundations to organize to discuss this topic and change what philanthropy lobbyists advocate for in D.C.

## **Tax reform narratives**

Progressives have been less successful than conservatives in communicating their ideas on taxes to the public. Currently, there is a powerful, coherent conservative narrative about poverty. This narrative separates low-income people into two groups—“the deserving poor” and “the undeserving poor”—and promotes a “theory of dependency.” Paul Ryan’s anti-poverty plan, *Expanding Opportunity in America*, is an example of this conservative narrative. (For example, part of Ryan’s plan would require benefits recipients to develop individualized plans to escape poverty, and would penalize them for deviating from such a plan.)

Professor Kamin said that the rhetoric of dependency is misguided, and that it does not reflect how most Americans interact with government services. However, progressive think tanks have not effectively promoted competing theories about

why people are in poverty and what can help them. One theory would be that there are structural issues that cause people to be in poverty and giving people money will help them get out of poverty (this is the idea behind the Earned Income Tax Credit). A coherent progressive narrative could help drive policy, but it is currently lacking.

## **Fundamental tax reform**

Professor Kamin said that targeting fundamental tax reform (e.g., replacing the income tax with a value-added tax) is unlikely to be the best strategy for progressive tax reform proponents. For one, switching the tax base does not provide the largest efficiency gains. The greatest efficiency gains would come from the transition to the new tax base, but those gains would likely be cancelled out by payoffs necessary to pass the reform. Furthermore, it is possible to raise additional revenue under some version of the current tax system; it is not necessary to switch to a different system for this purpose.

In terms of political economy, a value-added tax is much less politically feasible than implementing more minor changes to the existing system.

## **Other macroeconomic issues**

Professor Kamin believes it is important to think about how the U.S. ought to structure its countercyclical policies. Lately, researchers have been very focused on the health of the current economic cycle. However, as we come out of the Great Recession, there are questions around what lessons we can take away from how our countercyclical programs performed. It is important to improve these programs in the future, especially our automatic fiscal stabilizers and discretionary stimulus programs. We should work to expand the ways that we trigger various programs to counter a recession, and if Congress does engage in discretionary stimulus, how we can build it to be more robust, so that it will respond to changes in economic conditions without active management by Congress.

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