

GOVERNMENT

In praise of taxes

At this time of year it's risky to say a kind word about taxes. Who really loves to pay them? Who doesn't think about legal ways to keep them low? But in the face of anti-tax hysteria, let's muster two modest cheers for taxes as an imperfect indicator of how civilized we are.

Politicians' fear of the T-word is endangering our social stability and economic future.

There's nothing virtuous in taxes themselves, of course. They are simply the price of government. Opposition to what government does—from militarism to coddling welfare cheats—generates tax protests from the left and the right. Taxes inevitably become symbolic targets for inchoate anger about a complex of frustrations with both government and society.

By David Moberg

Yet much contemporary anti-tax mentality extends to a distrust of government itself. It assumes that government inevitably interferes with the rational

workings of the market and that taxes deprive people of liberty and happiness by taking money they could otherwise spend as they pleased.

For all their grumbling, most people are not so ideologically anti-tax. One 1991 survey indicated that 60 percent of Americans were satisfied with the federal taxes they paid. But some taxes are better liked than others. A long-running poll commissioned by the federal Advisory Commission on Intergovernmental Relations indicated that for most of the past 15 years people have considered the federal income tax the least fair tax. The poll also showed that Americans think state and local governments are more likely to use their money wisely than the federal government. Yet this was not always the case. During the '70s, local property taxes were the most unpopular kind, and the federal government was seen as giving taxpayers most value for their money.

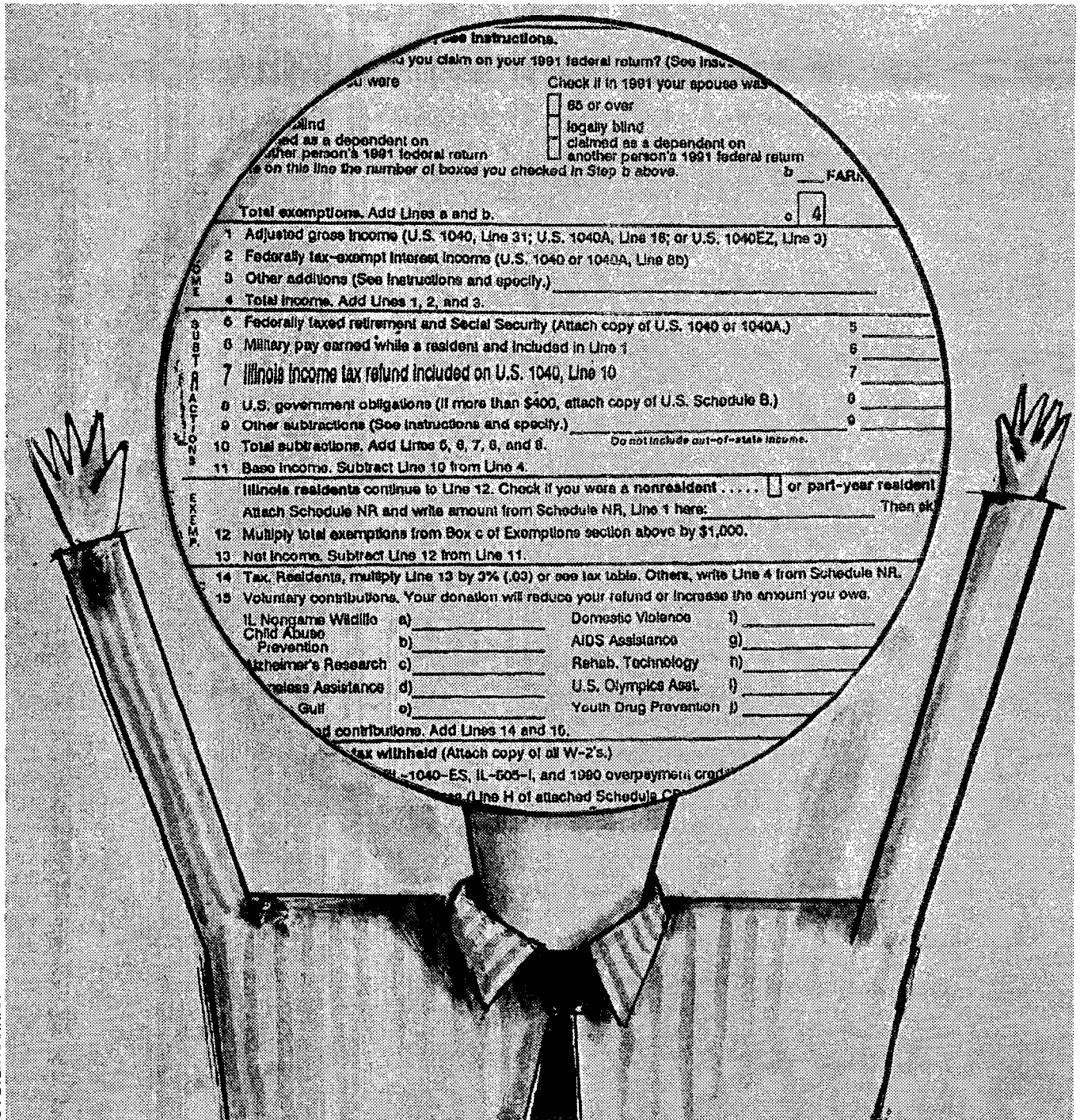
This survey indicates that upper-middle-class people like local taxes and government best, possibly because they are more likely to

live in suburbs, where they see taxes as a direct payment for services that they use, such as schools or parks. But they're less happy with federal taxes, which they see as redistributing their income to poor people.

To the extent that people think they're buying a service they can use, they're more willing to pay taxes. Thus even when taxes in general are unpopular, voters often approve highway construction taxes. Around the world, it's government's job to provide basic economic infrastructure—from education to telecommunications, from transportation to water and sewers. But compared to other industrialized nations, the United States has lagged behind on physical and social infrastructure spending in recent decades. This inadequacy has weakened the U.S. economy.

Oftentimes government is more efficient than private enterprise in providing infrastructure; it is almost always more inclusive. The same holds true for social services, from pensions to medical care. It is clear, for example, that the United States could more easily, fairly and efficiently provide universal health care if it simply adopted a government insurance program funded by some relatively progressive taxes. Americans support taxes for Social Security and Medicare—and citizens of other countries, like Canada, embrace higher taxes for health care, because these programs deliver the goods relatively fairly to everyone. Yet anti-tax hysteria—and the Clinton administration's fear of confronting it rationally—may doom our best chance in many decades for a universal health care system.

Clinton's tax phobia also hinders his ability to deliver on his politically popular pledge of "ending welfare as we know it." Effective welfare reform on the scale Clinton envi-



sions would require large federal expenditures for job training, child care and new employment programs. If Clinton were honest, he would tell the American people: "Look, we can greatly scale back welfare payments, reduce crime and social problems, and make the country more productive, but there's a cost. It's worth paying." Instead, the administration is considering cutting benefits to poor people—especially those who are not citizens—and tinkering with marginal, if justifiable, taxes on gambling proceeds.

Likewise, state and local governments have increasingly

resorted to regressive subterfuges, like lotteries and taxes on casino gambling, as alternatives to straightforward taxation. Battered by interstate competition for jobs, often burdened with costs that the federal government has shifted down the governmental hierarchy, state and local officials have cut necessary spending and erected inequitable tax systems that have engendered revolt.

But there are some signs that voters are ready for honesty. In the March Illinois Democratic primary, for example, the underdog gubernatorial candidate, State Comptroller

Dawn Clark Netsch, won the nomination after pledging support for higher, more progressive state income taxes to fund education—both to fund education and to reduce much-hated property taxes. She has a fair chance of defeating the incumbent Republican, Gov. Jim Edgar, by campaigning as a “straight shooter” who advocates tax fairness and adequate funding for a service—education—that voters support.

But taxes are more than—and different from—purchases of services. First, unlike individual shopping decisions, they’re universal and compulsory, although the government relies on the voluntary compliance of taxpayers. Although democratic government in theory gives voters a voice in how their money is spent, citizens rightly doubt how clearly their voices are heard. In any case, taxes grate on an American temperament that sanctifies individual freedom. Taxes also run counter to the consumer mentality in which self-fulfillment is achieved through one’s choice of things to buy. Since government can be tyrannical as well as ennobling, skepticism about the power of the state is reasonable: utopians of the left and libertarian right have dreamt of the withering of the state and the emergence of self-governing societies.

However, that inescapable universality is also one of the greatest virtues of taxes. It reinforces the message that, like it or not, we are part of a community from which we cannot escape. In a society that clearly is far from utopian, we need a mechanism to enforce some, however imperfect, notion of a common good. Taxes thus clash directly with the kind of privatized sentiments epitomized in California suburban real estate developments with their walls, locked gates and private security forces. Sadly, universal taxes don’t in themselves create community consciousness.

Attempts to forge a sense of common social purpose—or simply a sense that we’re all in the same boat—have been a losing proposition in recent decades. White resentment over measures to redress racism and to make blacks part of the American community has made it harder to use government and taxes to create and enforce a feeling that we all share a common fate, as political journalists E.J. Dionne and Thomas B. Edsall have argued.

The working of the market as a fragmenting force, dissolving old social bonds, has played an important role in this breakdown. The relatively less restrained free market forces of the ’80s, reinforced by changes in the tax code, contributed to growing income inequality. As Secretary of Labor Robert Reich argued in *The Work of Nations*, busi-

ness executives and professionals increasingly see themselves as part of an international elite, not tied to any country. In addition, corporations and capital can increasingly escape the enforced community of any nation.

These developments have reinforced a resistance to redistribution that is at the heart of the current resistance to taxation. Taxes should redistribute income, and in a very imperfect, limited way they do—even in the United States, though much more so in other industrial societies.

Many of the social problems that most deeply trouble Americans would be greatly reduced with a more explicit, more effective redistribution of income through taxes. Such redistribution is needed to create not only more equality of opportunity but also greater social equality, a prerequisite for a stable, civil, democratic nation.

Our failure to do achieve substantial redistribution through a well-developed welfare state, however, feeds what political philosopher Albert O. Hirschman calls “the rhetoric of reaction,” the sense that anything that government does is futile, or jeopardizes liberty and the free market, or perversely creates even worse conditions. This rhetoric of reaction justifies the tax revolt, which in turn undermines the ability to redistribute wealth effectively. That makes government look ineffective, fulfilling the reactionary prophecy.

Federal tax burdens are at least mildly progressive (the top 1 percent of families paid 28.8 percent of family income in 1992, the middle 20 percent paid 19.6 percent) and became a bit more so with Clinton’s 1993 reforms. But federal taxes are still much less progressive than they were in 1977 and are still riddled with loopholes mainly available to the rich. As journalists Donald Bartlett and James Steele, authors of *America: Who Really Pays the Taxes?*, have observed, any increase in taxes on the rich is denounced as class warfare, but any cut in their taxes is labelled “reform.”

Contrary to conservative broadsides, higher taxes do not necessarily cause economic slowdown (or growth, for that matter), according to the 1994 “Economic Report of the President,” an annual study written by the Council of Economic Advisors. But higher tax rates on the rich do increase revenue, even if the rich scramble for ways to avoid taxes.

The statistics belie conservative claims about higher taxes eating away at the fabric of American life. The United States’ total tax share of the gross domestic product (GDP)—30.1 percent—is the lowest of the major industrial countries, many of whom allot more than 40 percent of the GDP to taxes. Instead of rising, federal taxes have consistently claimed about 18 to 20 percent of the GDP for the last 40 years. For the past two decades, state and local government have also consumed a fairly constant share.

Taxes—and “big government”—contribute to a sense of community not only by redistribution to increase equality but also by creating stability. Federal taxes and spending—including the much-maligned deficit—help to counter the destabilizing effects of business cycles. Yet it’s the make-up

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of government spending, not just its magnitude, that determines the most important economic effects of government. On that count, the United States has done poorly, most notably by overspending on the military and underinvesting in the civilian economy.

Clinton promised to reverse those priorities. But between spending caps Congress approved last year and the administration's decision to shrink military outlays by less than \$14 billion in the 1995 budget, Clinton's budget provides no increase in spending for physical capital, education and training or civilian research, according to the Economic Policy Institute (EPI), a liberal think tank. Compared to most of the '70s, the federal government is now spending one-third less on such projects, calculated as a percentage of the gross domestic product.

Simply to prevent further deterioration of the nation's infrastructure, the EPI estimates, the federal government needs to spend \$40 billion more each year than current levels of roughly \$105 billion. To match the levels of public investment in countries like Germany or Japan, the United States would have to triple or quadruple its current outlays. The EPI proposes a small tax on financial transactions to finance a special Capital Investment Fund. These expenditures would make people feel, rightly, that they were getting something for their taxes. Indeed, a Harris poll last November found only 9 percent of voters were "not at all willing" to be taxed to create jobs.

Conservatives argue that the market is a perfectly self-

regulating system that government and taxes only muck up. But as Joseph Stiglitz, a member of the president's Council of Economic Advisors, has argued, all markets are incomplete and lack perfect information. Since they never meet the textbook model, there's always a case for government intervention (which does not mean that all interventions make sense or can be done effectively).

For example, it's possible to tax (as well as to regulate) economic "bads," like environmentally harmful activities. It's also possible to use taxes to make investments in research or publicly beneficial technologies that private investors are reluctant to undertake. And government could use its vast purchasing power to help create markets for good new technologies, such as solar cells and electric cars.

While it makes sense to keep the tax system itself as simple and free of subsidies, loopholes and deductions as possible, redistributing those taxes to socially desirable economic ends can strengthen the private market as well as help ensure that it serves the common good.

Ultimately, taxes are not just payments for public goods. They are the dues of citizenship. In the long list of identities people have of themselves, the once almost heroic term, "citizen," probably ranks pretty low these days, far beneath "consumer" or "employee." If citizen could mean something again, with a stronger democracy that both made government more accountable and gave people more opportunities to participate, maybe more people could manage a cheer or two for taxes. ▲

MEXICO UNDER SALINAS

By Philip Russell

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B L A C K A M E R I C A

Nationalist movements

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*The NAACP's
Benjamin
Chavis has
plunged into
a longstanding
debate over
black
nationalism.*

By Salim Muwakkil

When the Rev. Benjamin Chavis last year assumed leadership of the National Association for the Advancement of Colored People (NAACP), there was little doubt that he had change on his mind. There was, though, considerable doubt that the group's 64-member board of directors would tolerate significant reform. But during his first year in office Chavis has shaken the country's oldest civil rights organization to its very foundations.

In this process he has also shaken off some supporters. Individuals and groups long sympathetic to the NAACP's civil rights goals are perplexed by some of Chavis' more controversial moves. Since assuming leadership in April 1993, Chavis has coordinated street gang summits in several cities; he's offered support for ending the ban on gays in the military and been an advocate of

expanded gay rights in general; he's negotiated a pact with Denny's restaurants that purportedly offers increased African-American involvement and employment. He's also entered into a relationship with Louis Farrakhan's Nation of Islam (NOI), addressing a crowd from a Black Muslim podium.

And this is just a partial list of Chavis' innovative tactics. Traditionalists understandably are distressed by this break from orthodoxy. And so a group of conservative blacks have created an organization dedicated primarily to attacking and undermining the NAACP. Called "Project 21," the group is funded by the National Center for Public Policy Research, a Washington-based right-wing foundation, and is manned by an articulate bunch of black conservatives who have a special animus for the aggressive new policies of Chavis' NAACP.

"The objective of the 'Take on the NAACP' project is to demonstrate that a large segment of the black community is opposed to the action taken by the leadership," Project 21 Director Ron Nehring told *Emergence* magazine. Nehring, who is white, said the group of black conservatives he has organized is determined to reveal the growing schism between leaders of the NAACP and the people they claim to represent. "If the NAACP leadership was so representative of the black community, why would they take a position on gay rights that flies in the face of the backbone of the community—the church?" Nehring asked.

Project 21 is troubled by Chavis' gestures to the left: his support of gay rights and his liberal politics. Other critics are more concerned about Chavis' overtures to the right. Although support for Farrakhan is construed as radical by the media mainstream, the NOI's actual program has more similarities to that of the Christian Coalition than to the Black Liberation Army. Chavis' attraction to the goals and rhetoric of black nationalism is troubling to many of the die-hard integrationists who comprise the NAACP's core support. Of current concern is the NAACP's upcoming black leadership summit and its insistence on inviting Farrakhan.

Michael Meyers, executive director of the New York Civil Rights Coalition and a former NAACP assistant director, is more than troubled. "By failing to shun Louis Farrakhan and his ilk," Meyers wrote in a letter to the *New York Times*, "the NAACP has ceded the moral ground and damaged its credibility as a civil rights organization."

Meyers invoked the integrationist traditions of the group's history and chided its current leadership for acquiescing to the whims of "black militant" Chavis. "The former NAACP would have rallied men and women of good