
Fairness and Progressive Taxation

Historically, tax avoidance has been a key element in larger debates about tax fairness. Since the founding, the federal government has been funded by a series of fiscal regimes, each defined, in the words of historian W. Elliot Brownlee, by a “system of taxation with its own characteristic tax bases, rate structures, and social intentions.” The arrival of each new regime (and the disappearance of its predecessor) has always been prompted by a crisis of some sort—usually a war, but sometimes an economic collapse. At these inflection points in our fiscal history, policy debates have featured practical questions about revenue adequacy and fiscal infrastructure. But they have often turned on grander issues, including questions of social justice, distributional equity, and civic responsibility.

Our current regime is an old one, dating to the 1940s. World War II forced lawmakers to cast about for new sources of federal revenue, and the solutions they hit upon—a broad-based, progressive tax on individual income, a moderate tax on corporate profits, and a flat-rate levy on wage income—remain central to federal finance even today. This regime also embodied a bargain of sorts—a deal hashed out between politicians and their constituents about who should pay for national priorities. Ultimately, middle-class Americans agreed to shoulder much of the fiscal burden, chiefly through the income and payroll taxes. In return, however, they were promised that rich Americans would pay higher rates on their incomes, as well as special taxes on large estates.

This bargain lies at the heart of progressive taxation in the modern American tradition. It rests on the notion that rich people should contribute not just proportionally to the nation’s treasury, but somewhat more than proportionally. That proposition—that tax rates should climb along with income—has long enjoyed broad (if sometimes only implicit) popularity with voters. Even today, when antitax ideology seems to course through the electorate, it still commands majority support. In 2008, for instance, pollsters found that 63 percent of respondents believed

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3 In surveys, Americans often confess ignorance about fiscal terminology; in 2003, for instance, 56 percent said they weren’t sure what “progressive taxes” actually were. “Americans’ Views on Taxes” survey, February 2003, accessed 25 April 2011 from iPOLL Databank, [http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html](http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html).
making taxes more progressive was a “very good” or “somewhat good” expression of American patriotism.\textsuperscript{4}

Such poll results are consistent with historical attitudes toward progressive taxation. Over the decades, progressive taxes have sometimes been advanced as a means to remake society along more egalitarian lines. On June 19, 1935, for instance, Franklin D. Roosevelt defended to Congress his sweeping plan for tax reform by highlighting the failures of the existing system. “Our revenue laws have operated in many ways to the unfair advantage of the few,” he declared, “and they have done little to prevent an unjust concentration of wealth and economic power.”\textsuperscript{5}

More often, however, progressive taxes have been defended as a means to redistribute not wealth, but the \textit{tax burden}. Rep. Cordell Hull of Tennessee, a leading proponent of the income tax during the early 20th century, repeatedly stressed the need to reallocate fiscal responsibilities, not economic power. “I have no disposition to tax wealth unnecessarily or unjustly,” he said, “but I do believe that the wealth of the country should bear its just share of the burden of taxation and that it should not be permitted to shirk that duty.”\textsuperscript{6}

A “just share,” a “fair share”—such phrases are a rhetorical fixture of American tax politics. But what do they mean? Often almost nothing. The notion of a “fair share” certainly doesn’t require, in any scientific or technical sense, that Americans adopt a graduated tax on personal income. And it certainly doesn’t provide much guidance in determining how much graduation in the rate structure will best serve the cause of fiscal justice. That question—one of the most intractable facing policymakers—is deeply political, its answers inherently arbitrary.

Nonetheless, the notion of a fair share has propelled the drive for tax reform during crucial moments in American history. It has, moreover, given a particular cast and content to the policies emerging from these moments. Politicians have deployed the notion of a fair share to advance progressive taxes, including individual and corporate income taxes, as well as the estate tax. They have also used it to deflect calls for other kinds of taxation, including broad-based taxes on consumption. As a result, the United States stands alone among large industrialized nations in resisting the global popularity of the value-added tax. The absence of such a tax from our fiscal infrastructure is every bit as distinctive as our heavy reliance on more progressive alternatives.\textsuperscript{7}

Perhaps most notably, the notion of a “fair share” has resonated strongly with arguments about tax avoidance. Americans have long demanded a measure of fair dealing in the operation of their tax system. Movements for sweeping tax reform have often been driven by a popular


suspicion that some people—usually, but not always, rich people—are shirking their fiscal responsibilities. In 2003, for instance, only 14 percent of respondents to a national survey said their chief complaint about federal taxation was the large amount they had to pay. By contrast, 51 percent cited a worry that “wealthy people get away not paying their fair share.”

And there’s that phrase again—arguably the most powerful trope in American tax politics. It represents the contested terrain of American tax politics, with champions of disparate policies vying to claim it as their own. But if legislation is a measure of success, then advocates of progressivity—and the income tax in particular—have been the victors in this battle. Fairness-as-progressivity has been the ascendant definition for decades, and it lies at the heart of our current tax system.

8 “Americans’ Views on Taxes.”