

Sauces for both Geese and Ganders

If the rich pay more, should they also get more?

“**T**he rich aren’t paying their fair share” was a familiar refrain in the 2016 presidential campaign and 2018 Illinois political circles as well. At the federal level, proponents of this position advocate higher marginal income tax rates; the counterpart in Springfield would include the adoption of a graduated income tax.

(For 2018, households in the top 20% income bracket will pay about 87% of federal personal income taxes, with the Top 1% contributing 43%. The lowest 60% will pay zero.)

Part of the “fairness” debate turns on whether taxes are to be based on ability to pay or the benefits principle of taxation. Yes, the rich have more ability to pay, but even with a proportional tax they would still pay more in actual dollars; with a progressive tax they would also pay a higher rate.

When a well-heeled driver and the average Joe use the Skyway or other Chicago-area toll roads, both are assessed the same fee because presumably they get the same benefit—a quicker trip. Paying the same price seems equitable in this case, but also the sheer impracticality of doing otherwise prevents those fees from being scaled to income.

BY ALLEN R. SANDERSON

Jewel, BP stations, and Macy’s don’t charge the rich more for groceries, to fill up, or clothing, mostly because there is no feasible way to extract income information; and if they could, the rich would simply send their maids to buy the groceries, gas, and socks.

Private universities charge rich students more—the “sticker price” for tuition is the same for all, but low-income students get more financial aid so their net tuition is lower—because they are permitted to harvest family financial data. (Public flagship campuses, by keeping tuition far below the cost of attendance, benefit rich families disproportionately and substantially.)

The rich pay more to fly first class, stay at the Four Seasons, have box seats, and drive their new Lexus to Nordstrom. But those goods are of perceived higher quality than in the economy (or self-boarding freight) section of the plane, bedding down at a Best Western, or coaxing your jalopy to Walmart.

The rich do better in life’s lottery: they live longer, so they collect more in Social Security, Medicare and other benefits. If perceived as a problem, we could make these transfers income based. (The Social Security tax ceiling on earnings is currently \$127,200, so a person making that amount and someone making \$1,127,200 pay the same in taxes; one could uncup it as some politicians occasionally propose. But there is also a ceiling for benefits, so upon retirement these two people would receive the same monthly amount.)

Restaurants charge the rich and poor identical prices for the same meal. A few have experimented with pay-what-you-



want-based-on-your-income schemes. They are usually known as “former restaurants.” Maybe the rich should leave larger tips—a gratuity of 15% for “normal people” but 50% for fat cats?

We could move to the model of some European countries and assess penalties for speeding or running red lights by income level; in the U.S. fines are generally a fixed dollar amount, thus highly regressive in taxation terms. Should the fine for drunken driving be the same for a corporate CEO as it is for her secretary?

Are there cases in which the rich actually pay more than their fair share? If their time is more valuable, serving jail time is more costly to them. So is spending a week on a jury as opposed to a retired teacher. And should a rich person be able to buy his way out of prison? For a non-violent crime, how about offering the option of being locked up for a year or paying \$200,000? (Fines are better than imprisonment because incarceration costs are lower and the state gains revenue.) Or maybe permit them to buy an “upgraded” jail cell?

What if we set a price—\$100,000—to immigrate to the United States?

Kenneth Feinberg, the administrator charged with determining compensation for the families of those killed in the 9/11 terrorist attacks, faced a similar quandary: Should payouts be an equal dollar amount for everyone, or should they reflect factors such as the victim’s age, professional position, and lost future income? He chose the latter option. Either way, people will certainly disagree about what constituted fairness in this case, or other tragedies such as the Boston Marathon bombings or periodic nightclub and school shootings.

In all of these examples, what is equitable or socially desirable is far more complicated than the usual protest poster fodder or campaign rhetoric—and knowing in establishing tax policies the point at which we cross the line between being fair and simply being vindictive toward people we happen not to like. □