

Messaging Memo: “How Are You Going to Pay For That?”

BY AMY TRAUB

No matter where we come from or what our color, most Americans want similar things in our lives: safe and stable homes and communities, medical care to keep us well, good jobs that pay enough to provide for our families, a chance to spend time with and care for the people who matter most to us, and access to schools and colleges that will enable us and our children to thrive in the world.¹ Demos’ briefing books [Everyone’s Economy](#) (federal policy) and [Everyone’s America](#) (state policy) bring together policy solutions that put these basics within reach, addressing the economic challenges faced by working people and the families they support, as well as strengthening our democratic institutions to create meaningful participation and representation for all of us. Many of these policies require substantial public investment to improve people’s lives and our nation’s long-term prosperity. Accordingly, advocates and policymakers are frequently asked how they plan to pay for these investments. This memo provides guidance on how to respond.

The Big Picture

America has abundant resources, yet for decades conservatives have deployed the rhetoric of scarcity to attack policies they oppose for ideological reasons. Their professed concerns about deficits melt away in the face of a \$717 billion annual military appropriations bill or a \$1.5 trillion tax law that delivers a windfall to wealthy corporations and the richest 1 percent of households.³ Meanwhile, our communities

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I reject the pay-for game. After the \$1.5 trillion in unpaid-for tax cuts... I just reject the idea that only progressive ideas have to be paid for.”

SENATOR BRIAN SCHATZ²

bear the tremendous costs of their selective austerity: young people who never receive the education they need to succeed, working people who lose time due to failing infrastructure, neighbors who lose their lives because they are denied access to medical care. If the Trump administration can fund a \$12 billion bailout for agribusinesses harmed by the president's trade policies⁴ and a new \$100 billion tax giveaway to wealthy shareholders,⁵ the nation can certainly provide affordable child care to working families and retirement security to our seniors.

Public Investments Pay Off

We all share the benefits of well-planned investments in schools, high-quality health care, clean air and water, and safe and well-maintained streets and other public goods that form the foundation of thriving communities.⁶ For example, researchers find:

- \$1 invested by government in public transportation produces \$3.70 in returns to the public as a result of job creation, reductions in congestion, and increased productivity—without even accounting for the substantial environmental and health benefits of reduced auto emissions.⁷
- \$1 invested by government in high-quality early childhood education produces roughly \$8.60 worth of public benefits through reductions in crime and poverty, and educational savings.⁸
- Guaranteeing health coverage to all Americans would cut \$2 trillion from the nation's overall health costs over 10 years and enable 30 million more people to access health care.⁹
- Some investments, like funding public election campaigns, generate less tangible, but no less important, returns by helping to bring our democracy into balance.

Federal Policy: Aligning Investments with Our Values

In some cases, our common resources are catastrophically misdirected. For example:

- The 2017 tax law doled out \$1.9 trillion over 10 years to corporations and wealthy households, yet has failed to produce wage growth for working Americans.¹⁰ Instead, corporations are spending a record-breaking \$807 billion to buy back shares of their own stock, a financial maneuver that increases the wealth of CEOs and others who hold large amounts of corporate stock.¹¹
- Congress spends an estimated \$26 billion annually¹² to subsidize the corporate extraction and sale of fossil fuels that poison our air and water, damage our health, and destroy the climate.

- The 2003 Iraq war and continuing operations in Iraq cost the United States an estimated \$820 billion—not including the cost of care for veterans or spending on the nation’s additional conflicts in Afghanistan, Pakistan, and Syria.¹³
- Instead of investing adequately in proven solutions to decrease criminal activity and recidivism (for example, jobs and services for at-risk youth and people re-entering communities after leaving prison),¹⁴ our nation spends more than \$270 billion a year—including more than \$80 billion annually to lock up our fellow Americans—to fund policing, courts, and corrections.¹⁵
- Our nation’s housing investments should ensure stability to families struggling to hold onto their homes, low-income renters, and homeless people. Instead, the bulk of the nearly \$200 billion the federal government spends to support housing subsidizes the nation’s wealthiest households.¹⁶

On housing policy, criminal justice, climate equity, and a broad range of other policies, Demos’ briefing books provide guidelines for reinvesting in systems that genuinely serve people’s needs.¹⁷

State Policy: Raising Revenue Progressively

With a mandate to balance their budgets, many states face significant constraints, yet state tax codes are riddled with giveaways to large corporations and the wealthiest households. Common-sense reforms will enable states to ensure the wealthiest residents contribute to building thriving communities:

- **Make personal income taxes more progressive.** Nine states levy no broad-based personal income tax at all, instead drawing the bulk of their revenue from sales and excise taxes that fall more heavily on low- and moderate-income families.¹⁸ States with a personal income tax can improve the tax structure by making it more graduated, so that effective tax rates increase with income and loopholes that aid the wealthiest taxpayers are eliminated. States can also consider a millionaire’s tax, raising revenue from those with the greatest ability to pay.
- **Reform corporate taxes.** Corporations sometimes evade state taxes by reporting the profit of each subsidiary separately. Twenty-five states and the District of Columbia require combined reporting of corporate income, mandating that corporations report all subsidiary and corporate profits together in order to prevent corporate tax avoidance.¹⁹ States that do not currently call for combined

reporting should enact that requirement. All states could add offshore subsidiaries in the combined reporting requirement, as a handful of states currently do.²⁰

- **Raise estate taxes.** Estate taxes ensure that those fortunate enough to inherit millions of dollars don't dodge paying their fair share for the schools, roads, health care and other investments that help our communities thrive. The 32 states that do not already collect estate and inheritance taxes should enact such levies.²¹ States could also consider a wealth tax, an annual levy of 0.5 percentage on households with net worth \$10 million or more.

The Bottom Line

Most Americans, whether black, white, or brown, share similar hopes for our families. But today, certain politicians and their greedy backers hurt everyone by avoiding contributing to our country and instead handing even more kickbacks to corporations and the rich. After giving Wall Street executives billions in extra cash, they claim we're broke and demand we defund our schools and cut Medicare and Social Security for seniors. Then they turn around and point the finger for our hard times at poor families, black people and new immigrants. We need to join together with people from all walks of life to fight for our future, just like we won better wages, safer workplaces, and civil rights in our past. By joining together across racial differences, we can ensure America stands up for the things so many of us want in our lives: quality health care, good schools and colleges for ourselves and our children, and safe communities to live in.²²

ENDNOTES

1. This sentence draws on messaging research from ASO Communications: Anat Shenker-Osorio, *Messaging This Moment*, Center for Community Change, 2017. <https://communitychange.org/wp-content/uploads/2017/08/C3-Messaging-This-Moment-Handbook-1.pdf>; Demos, Ian Haney Lopez, and ASO Communications, *Race-Class: Our Progressive Narrative*, Demos, 2018. <https://www.demos.org/publication/race-class-our-progressive-narrative>.
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