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Flat, Fair And Progressive Taxes?

As we revisit great tax bills of the past, we should remember that simplicity itself can be a laudable goal. Simple and fair may sometimes even be synonyms. And there is nothing more simple and fair than a flat tax with no exemptions or deductions. See [Flat Is the New Fair](#). [Herman Cain](#) has his [9-9-9 tax](#), and Rick Perry now is poised to follow in [Steve Forbes](#) flat-tax-footed footsteps. See [Perry Takes Up Flat-Tax Banner](#).



In 1953, two University of Chicago law professors, Walter J. Blum and Harry Kalven Jr. published [The Uneasy Case for Progressive Taxation](#), a short but influential work addressing a vigorous debate about our tax system. At a time when Republicans were urging a constitutional 25% cap on income tax rates, there was a broad competing notion that progressivity—having those with more income pay higher rates—was good.

Blum and Kalven acknowledged in 1953 that, “Progressive taxation is now regarded as one of the central ideas of modern democratic capitalism and is widely accepted as a secure policy commitment which does not require serious examination.” They attributed this security to the idea’s intrinsic—albeit nebulous—appeal: “Like most people today,”

they confessed, “we found the notion of progression immediately congenial.”

Yet Blum and Kalven’s rigorous examination revealed the theoretical and practical weaknesses of progressive tax rates. They reviewed “special arguments, however intricate their formulations, constructed on notions of benefit, sacrifice, ability to pay, or economic stability.” They ultimately concluded that the “stubborn but uneasy” case for progressivity hinged on notions of equality and distributive justice.

Axiomatically, with a flat tax everyone pays the same percentage rate, although those with higher incomes obviously pay larger amounts.

Progressive rates tax larger amounts at higher rates, so each additional dollar could be subjected to higher marginal rates even though the first dollars qualify for the lower ones. This march of progressivity has resulted in some bizarre history. Historically, U.S. taxpayers once paid 70% on some income.

But that was nothing. In Britain, a surtax or “super tax” causing rock stars to expatriate (and inspiring the George Harrison Beatle’s song “[Taxman](#)”) was repealed in 1973. But Britons face progressivity that remains far worse (or better, depending on your view) than Americans. Amazingly, [twice in post-war years](#), U.K. income tax rates in certain circumstances were above 100%.

- For 1947-48 a special contribution was payable when a person’s total income exceeded £2,000. For investment income over £5,000 it was 50%. So with income tax at 45% and surtax at 52.5%, the effective rate was 147.5%.
- In 1967-68, the special charge was imposed. For investment income over £8,000, the rate was 45% which—with income tax at 41.25% and surtax at 50%—meant a total rate of 136.25%.

Today, we once again find ourselves, just as our forefathers and mothers did in 1953, asking what is fair. See [Times Have Changed Since Reagan’s 1986 Tax Reform](#). And that may not be something economists can answer.

For more, see:

[What's So Bad About a Flat Tax?](#)

[The Plan Needs to Be Recalibrated](#)

[A Serious Proposal, Worth Studying](#)

[Perry Says He Backs Flat Tax, Drawing a Contrast With Romney](#)

[Distrust And Disenchantment With IRS Make Reform Inevitable](#)

['9-9-9' Isn't a Flat Tax](#)

[Flat Tax Vs. Fair Tax Vs. Herman Cain's 9-9-9 Plan](#)

[Under fire, Herman Cain modifies '9-9-9' plan](#)

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