

## REFLECTIONS OF THE ASSOCIATION'S PRESIDENT

### THE NATIONAL TAX ASSOCIATION AT 100: WHERE DO WE GO FROM HERE?

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NOTE: THE VIEWS EXPRESSED IN THESE REFLECTIONS ARE SOLELY THOSE OF THE AUTHOR. THEY ARE NOT NECESSARILY THOSE OF THE FEDERAL RESERVE BANK OF BOSTON, THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, OR THE NATIONAL TAX ASSOCIATION.

One hundred years ago, our country was very different than today. The federal government spent only 580 million dollars a year. The mean hourly wage was about 20 cents. The average work week was 59 hours. The dollar purchased goods and services that would be worth about \$21 today. The outboard motor, color photography, the helicopter, the electric washing machine, and synthetic plastic were just being invented. The first movie theater was just opening its doors. And the top college football team in the country was Yale.<sup>1</sup>

In other ways 1907 wasn't so different from 2007. Financial markets were unsettled, to put it mildly. Remember the "Panic of 1907"? (I wasn't suggesting that you lived through it, only that you studied it). *Everybody* was griping about the property tax. And a bunch of tax wonks came from all over North America and beyond to Columbus, Ohio to attend a conference of the National Tax Association.

How did we reach our 100th year in such good shape? What enduring values have sustained us? What lessons can we glean from our past to guide us into the future?

As always, my thoughts are my own. They do not necessarily represent the views of the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System, or the National Tax Association.

Permit me to begin by stating the obvious—NTA members have always believed that taxation is important. At the tenth annual conference, in 1917, the Association's founder, John Ripley Foote, declared,

"... the heart of every government is in its system of taxation. Only through efficient action of this heart can a government draw the money—the lifeblood that is absolutely necessary to support its life and give it power—from the sources of its production."<sup>2</sup>

Fast forward 99 years later, and Joel Slemrod voiced a similar theme, at a more personal level, in his presidential address, entitled "Why I Love My Job, and the NTA." When his daughter asked him, "Daddy, how can you think about tax all the time?" he replied, "Annie...tax is about everything...I can think about tax all the time because nearly everything I might think of has a tax angle."<sup>3</sup>

But, it's not just that taxation matters; *good* taxation *really* matters. Our Web site extols "the enormous public benefit that can come from *sound* tax policy and *wise* administration."<sup>4</sup> And, perhaps the signature belief of our Association, we can improve tax policy most effectively through a multidisciplinary approach. We strive to engage tax experts and practitioners from all fields to study, discuss, and debate the tax issues of the day. Ajay Mehrotra summarizes this point clearly. He asserts "What set the NTA apart from other civic organizations...was its deliberate and sustained attempt to bring together the multiple parties associated with taxation...the NTA sought to develop a professional network of individuals and groups dedicated to developing, as stated in the Association's first constitution, 'the best informed economic thought and ripest administrative experience available for the correct guidance of public opinion, legislative and administrative action on all questions pertaining to taxation.'"<sup>5</sup>

With a few "naysaying" exceptions, our Progressive-minded founders believed that convocations of such diverse experts would produce consensus. Through collaborative effort, the "ripest" tax minds would be able to tell tax policy makers what to do. Our founders believed further that the Association should mobilize tax experts across the country into a broad public educational movement. This propagated wave of expertise, commitment, and persuasion would ultimately convert "tax heathens" and lead to wholesale improvement and uniformity in taxation. We saw ourselves as the high priests and

priestesses of public finance (well, in 1907, mostly priests), confident that we knew good policy, how to explain it, and how to make it happen.

As Ajay and Joe Thorndike note in the excellent history of the Association prepared for this conference, we made a big splash in our early years. Our conferences were significant media events. Governors, premiers of Canadian provinces, and university presidents attended.<sup>6</sup> U.S. presidents sent messages of congratulations. (As far as I can tell, the last U.S. president to send a message to the Association was Herbert Hoover in 1932. He called for a broad-based federal tax cut and--complained about the property tax.<sup>7</sup>)

But, it didn't take long for our "Tax Camelot" to derail. Consensus among our founders proved elusive, as Ajay, Joe, Andy Schoettle,<sup>8</sup> and others have noted in their research. We professed the highest standards of open-mindedness. But we systematically excluded consideration of certain radical ideas, like Henry George's land tax, whose adoption might undermine the power and authority of certain of our most prominent members. By World War II, our prominence began to fade. The tax field became much more complex and specialized. Other organizations addressing particular pieces of the tax puzzle arose and/or strengthened. Academically oriented economists grew sharply as a share of our membership. Our publications showcased more sophisticated scholarship and less analysis accessible to broader audiences. And today it seems as if the media are only dimly aware of our existence.

To Ajay and Joe, this transition has been regrettable. They lament that "the NTA has fallen prey to the inexorable dynamics of specialization and professionalization, that its work has become more complex and less accessible over time...capitulation to the forces of specialization has come with a cost...we can still appreciate the importance of using knowledge to inform public policy. But knowledge can only play a role if it makes its way from the halls of academia to the corridors of power."<sup>9</sup>

While I see where Ajay and Joe are coming from, I have a somewhat different take. While the Association has changed dramatically since its birth, it has almost always been true to its core values: open, honest investigation of tax policy issues; a thorough vetting of the values that underlie fiscal policy positions; tough yet sympathetic debate, in which members with widely differing

views seek common ground; identification and clarification of key differences; state-of-the-art scholarship to measure, among other things, the terms of the tradeoffs among competing objectives; uncompromised evaluation of policy positions in light of evidence; and, ultimately, respect for our differences, especially when the evidence proves inconclusive. On the whole, the NTA has upheld these standards throughout its lifetime.

While the clout of the Association has waned, that of its members has not. Our membership has always included some of the most highly respected fiscal policy experts in North America. Many have testified before legislative hearings scores if not hundreds of times; advised numerous high-ranking officials of governments on almost every continent; served on innumerable high-level federal, state and local tax and expenditure commissions; and served as influential tax administrators, policy advisors, and policy makers. Those of us who are teachers instruct our students to distinguish between glib "tax speak" and critical tax thought. The scholarship of our members garners admiration and respect worldwide.

It is no accident that Jane Gravelle entitled her 2005 Presidential Address "The Intersection Between Academic Research and Economic Policy Making."<sup>10</sup> Several of our members are squarely in the middle of this intersection, sometimes dodging traffic, sometimes directing it; her speech provides us with an insightful roadmap of the pitfalls of possibilities inherent in bridging these two worlds.

In retrospect, our founders were naïve to think that consensus on a tax agenda could be achieved. Our early period of public prominence could be thought of as one of growing pains, of maturation. We started with a bang. But, as we grew older, we grew up. We became less certain of "the" truth, and more willing to accept the inevitable role of conflicting values in guiding tax policy.

I agree with Joe and Ajay that specialization of knowledge has significantly altered the Association. We are no longer the only place where tax folk can go to talk and compare notes, like we were 80 or 90 years ago. Yet, ironically, the very specialization that has clipped our wings has opened up new avenues through which we can contribute. For, while taxation has become ever more complex and complicated, ultimately tax policy is about values and the terms of the tradeoffs among them. Tax policy makers and their advisors, reporters and commentators, advocates, and the public at large

are overwhelmed by the range and complexity of tax issues. They yearn more than ever for people who can cut through the fog and distill the fundamental issues. The NTA has a high concentration of people who can do just that.

The ability to “tell it simple and straight” has become especially valuable in a tax policy world dominated by powerful well-heeled lobbyists, who sometimes find obfuscation more effective than clarification in achieving their goals.

I am especially concerned about a particular genre of tax advocate: the group who vigorously pursues a policy agenda, sometimes with misleading analysis, but portrays itself, in part, as a bastion of expertise, objectivity, and scholarly detachment. It is one thing to further the interests of a particular class of taxpayer, a particular industry, or a particular ideology, and be forthright about what you are up to; it is another thing to do so under a guise of unbiasedness and scientificity.

Some of the tax analysis performed by these groups is first rate. I even agree with some of their policy recommendations. Some espouse ideals that eerily echo the loftiest sentiments of the Association’s founders. Their Web sites extol the virtues of educating taxpayers and lawmakers about normative tax principles; they tout their organization’s alleged reputation for independence, objectivity, and unbiasedness. At the same time, they vigorously campaign for or against particular tax policies, constructing statistical indices containing assumptions that support their agenda. Our early leaders went down a similar road and turned back. They thought that an “objective, unbiased, fact-driven” investigation would identify a widely recognized superior tax system. When they discovered that they were wrong, they admitted it and modified the Association’s mission accordingly.

How, if at all, should the National Tax Association respond? Answering in kind is out of the question. We don’t have a tax policy agenda. Our membership encompasses a broad swath of the political public finance spectrum, from Citizens for Tax Justice to the Heritage Foundation. If you get three NTA members talking in the same room, you’ll get at least five opinions. Even if we did unite behind a set of tax policies, we lack the resources to engage in the kind of lobbying and media campaigning that is a prerequisite to playing in the big leagues of tax policy advocacy.

While collectively the Association should not react, it could do more to help its members join the

fray. In the past, I have recommended that we create a service for members interested in interacting more extensively with politicians, their advisors, and the media. Several years ago the Association asked members to list their key specialties and areas of interest. Suppose we again created such a directory and, with the consent of those listed in it, shared it with newspapers, television stations, elected officials and their advisors, and others with an inherent interest in high quality, objective, clearly communicated, and timely communicated fiscal policy analysis. We might be surprised by the results. This is what we strive to provide at the New England Public Policy Center at the Federal Reserve Bank of Boston for a wide variety of public policy issues, not just taxation and public spending. The response to our efforts has been overwhelming. There is a strong unfilled demand for this very kind of analysis. The value of membership would be enhanced, especially for younger tax experts seeking to make contacts and find avenues to contribute to public debate. Some members might even get a little new data out of it. When I run into New Hampshire’s Commissioner of Revenue, Phil Blatsos, he often asks me when I’m going to send him some economists to analyze the tax data he’s sitting on and is not sure what to do with.

With a better idea of who among our membership wants to get involved in what issues, the Association would be in a much better position to publicize its work among policy makers, their advisors, and the media. At the beginning of every legislative session, the formation of every tax commission, the beginning of the first term of every new governor, we could send materials promoting the valuable services that our interested members have to offer.

Of course, all this would take time and resources, which, given the Association’s limits, translates into volunteers. However, on that score I am not worried. For anyone perusing the *Proceedings* of the past 100 annual meetings can see the work of hundreds, nay thousands, of dedicated men and women who have devoted their time, attention, and imagination to the Association. We are a very special institution, a vibrant, warm community of tax experts who care about each other; who, each in his or her own way, tries to make the world of tax and expenditure policy a little saner, a little more understandable, a little better at meeting human needs and wants.

How will we know that there will be a 200th celebration, or even a 150th? If a “Quixotic” Edwin Seligman can still joust with a “Panzian” Charles

Bullock, and both can then go out and have a drink together. If a Stanley S. Surrey, with his characteristic prickly brilliance, can eloquently defend the superiority of the income tax, and a George van Furstenberg can stand up immediately afterward to explain why consumption taxation is better. If members who are tax economists, tax lawyers, and tax accountants can continue to tell jokes about each other and laugh at them together. If we can grieve over lost members and those who lose loved ones in senseless tragedies like Nine-Eleven and Virginia Tech. If a future C. Lowell Harris can still write letters to members with funny cartoons enclosed—at the age of 96! Then I know we will continue to thrive.

I have no doubt that we will. For this reason, and many more, I am proud to be a member of the National Tax Association—“the leading association of tax professionals dedicated to advancing the understanding and the theory and practice of public finance.” For the same reasons, I am honored to have served as your president this year.

## Notes

- <sup>1</sup> Information Please [for 1907].
- <sup>2</sup> Foote (1917, p. 23).
- <sup>3</sup> Joel Slemrod, “NTA Presidential Address: Why I Love My Job, and the NTA”, National Tax Association, *Proceedings of the Ninety-Ninth Annual Conference* (2006), p. 3.
- <sup>4</sup> National Tax Association.
- <sup>5</sup> Mehrotra (2003, p. 354).
- <sup>6</sup> Mehrotra and Thorndike (2008).
- <sup>7</sup> Woolley and Peters, *The American Presidency Project*.
- <sup>8</sup> Schoettle (1979).
- <sup>9</sup> Mehrotra and Thorndike (2008).
- <sup>10</sup> Gravelle (2006).

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