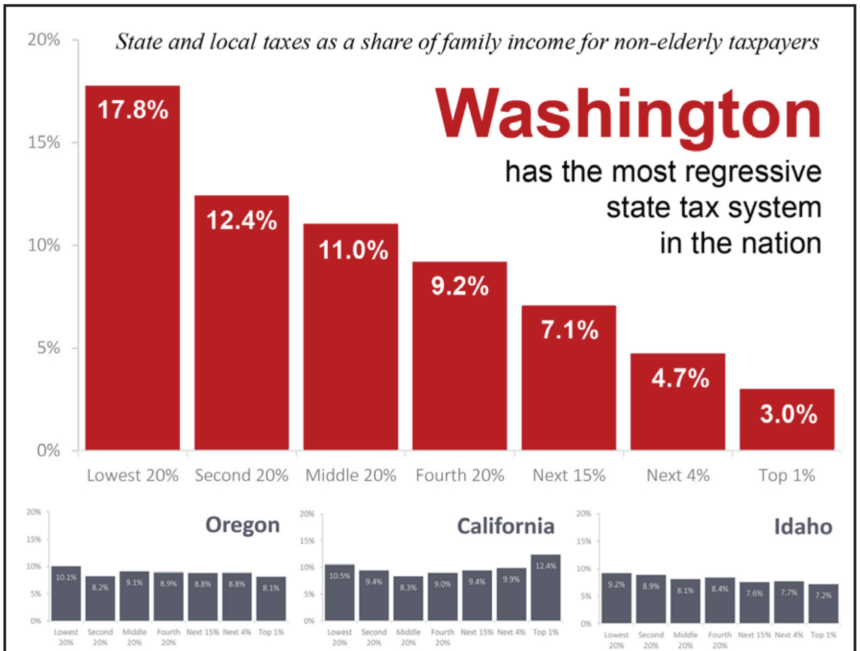
INVEST IN WASHINGTON

Washington State Labor Council, AFL-CIO

Progressive revenue reform will speed Washington's economic recovery.

Washington's tax code is upside-down and backwards. Families that earn the least pay the most, while the wealthiest pay a fraction of their fair share. It doesn't have to be this way.

In 2021, the Legislature can balance our tax code, raise revenue, and invest in job-creating programs that support families in crisis amid the pandemic. Real investments are necessary if we are to grow our way out of this economic crisis.



Source: Institute on Taxation and Economic Policy, 2018 "Who Pays?" report.

Economic recovery and tax equity

The COVID-19 pandemic is not just a health disaster, but an economic one. Thousands of Washington families have experienced job losses and steep declines in income. Small businesses have been shuttered. Meanwhile, state and local governments are struggling to maintain public services at the worst possible time, when Washington's citizens need them most.

We have a choice.

We can maintain the most unfair, inequitable and regressive tax system in the country. In so doing, we would fail to make needed investments during this pandemic in public health, education, child care, mental health, housing, and broadband.

Or we can keep money flowing to help our state's economy recover and grow jobs. We can raise taxes on the very wealthiest individuals and most profitable corporations to create a more balanced tax code. We can tax windfall capital gains and put that money to use creating jobs and investing in the things that make Washington a great place to live: beautiful parks, quality schools and colleges, accessible health care, and a strong social safety net that protects the families that have suffered and continue to suffer the most during the COVID-19 pandemic. And importantly, we can take steps toward tax equity by funding these investments from those who can most afford to pay.

Lessons from the Great Recession

State budget officers and economists generally agree that less state spending during the Great Recession slowed the economic recovery in the years following 2008.[1] Limited public services had ripple effects throughout the economy in states like Washington. School performance and student

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achievement suffered.[2] Long-term damage was done to Washington state's social safety net, particularly the mental health system.[3]

Meanwhile, states like Oregon and California made a different choice during the Great Recession. They chose to raise taxes on high-income households and profitable corporations in order to boost funding for schools, health care, infrastructure, and other pressing needs. By keeping the money flowing, those states experienced significantly higher economic growth than states like Washington.

Public investment has a big economic payoff

Investing in public services and infrastructure puts money directly into people's hands, increases consumption, and grows the economy. At a time when many Washingtonians have lost their jobs or experienced significant drops in income, they spend less and the economic effect is multiplied. Nobel Prize-winning economist Joseph Stiglitz estimates that each dollar that states spend leads to $1.50 to $2.50 more in state income. Meanwhile, raising taxes on high-income individuals tends to reduce their savings (or slow its growth) rather than reducing their consumption. Stiglitz estimates that each new dollar of state revenue will reduce consumer spending by only 35 cents.[4]

In other words, Washington will recover faster from the current recession if we not only maintain, but invest in better public services. By raising taxes on the wealthiest people and most profitable large businesses, we can improve essential services and make Washington's regressive tax system more fair.

The status quo would exacerbate inequality

Washington's current situation is steeped in enormous pre-existing inequality. Black, Indigenous and people of color communities have been infected with COVID-19 at dramatically higher rates and are more likely to have lost their jobs. And among those who have kept their jobs, a recent report found that 70 percent of Washington's essential workers during the pandemic work in low-pay and low-benefit positions, 67 percent of them are women, and disproportionately, they are workers of color.[5]

Investing in a stronger social safety net benefits the BIPOC communities hardest hit by the pandemic while also creating job opportunities in the public sector, which has been a key employer for women and people of color.[6]

1. "Austerity Is Hammering State Economies: States that Cut Spending in Response to the Recession Fare Worse Economically." Center for American Progress. (6-21-12)

2. "School Spending Cuts Triggered by Great Recession Linked to Sizable Learning Losses for Students in Hardest Hit Areas." American Educational Research Assoc. (9-25-19) 3. "Washington reckons with a budget shortfall that evokes painful memories of the Great Recession." The Seattle Times (6-29-20)

4. "Doesn't Feel Like a Recession? You Should Be Paying More in Taxes. It's not only the right thing to do, it's good economics." Kitty Richards & Joseph Stiglitz. NY Times (9-3-20)

5. "Essential, Precarious, and At Risk: Washington Workers in High Hazard/Low-Reward Jobs." Washington State Labor Education and Research Center (8-31-20)

6. "Cuts to the state and local public sector will disproportionately harm women and Black workers." Economic Policy Institute (7-9-20)

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In addition to Investing in Washington, the Washington State Labor Council, AFL-CIO is supporting a range of issues that address economic opportunity and justice. Learn more at **www.wslc.org** or **www.TheStand.org**.

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