Article 4.6

APP WORKERS IN THE COVID-19 ECONOMY

BY NICOLE ASCHOFF

May/June 2020

Smartphones have become ubiquitous over the past decade, offering users unprecedented access to each other, to information and entertainment, and to services, especially for well-off professionals. With a tap or a swipe people can restock milk and bread from Instacart; avoid the lunch-time rush with a tasty bite delivered through Seamless; or hail a Lyft when afterwork cocktails turn tipsy. Whatever you need—"there's an app for that!"

It's not entirely clear how many people are working in these app jobs—piecework gigs mediated through a smartphone app. In the United States, estimates of "on-demand" app workers who earn money via online intermediaries such as Instacart and Uber vary widely. The Federal Reserve estimated that 16% of adults earned money from app jobs in 2017 while the Bureau of Labor Statistics estimates the number of contingent workers to be roughly six million people.

Even absent concrete numbers, it is clear that the emergence of app jobs in the past decade is a significant development in the evolution of work in the United States. In fact, app workers have become so important that many have been deemed "essential workers" in the battle to quell the coronavirus pandemic. As Americans grow increasingly wary of venturing outside, many are relying on their Instacart app to get groceries delivered to their homes. Some are even calling an Uber to take them to the hospital when they fall sick. A driver in San Francisco recalled how halfway through a ride his young passenger commented that he was worried that he had coronavirus because he had been coughing up blood and was actually on his way to the hospital.

App jobs are part of what employment and labor market expert David Weil calls the "fissuring" of the workplace, whereby employers "change the boundaries of the firm itself" and "employment is no longer the clear relationship between a well-defined employer and a worker." The spread of multitier subcontracting has enabled companies to plan their budgets around paying for services rather than paying wages. App jobs are the next step—a testing ground for companies to see how much they can force workers, consumers, and governments to take on the costs of production.

Pushing Costs onto Workers

Uber exemplifies the logic of app work. Drivers provide their own vehicle (paying for gas, repair costs, and insurance) and phone, while Uber provides only the software and its network. Uber takes a 25% cut from each ride, yet drivers are not considered employees and the company is not responsible for their safety. Uber is also not responsible for the safety of its consumers (riders), nor the increased congestion and pollution it causes in urban centers. In San Francisco, for example, transportation experts concluded that transportation network companies such as Uber and Lyft were responsible for more than half of the increase in roadway congestion between 2010 and 2016.

App jobs are appealing at first glance. There are few barriers to entry. You can work when you're able, and the ads promise decent money. You just need a smartphone, often a car, and a willingness to work. Matthew Telles, a former Instacart "shopper" and member of the Gig Workers Collective, told *Democracy Now!* that, at first, he loved delivering for Instacart. It "paid great and gave [him] access to all the amazing buildings downtown, like the top of the Sears Tower." In a landscape of degraded work, app jobs can seem like a step up from the frustrating world of scheduling software and low-paid, irregular shifts that are common in the retail and fast-food sectors.

Some app jobs can even feel like being your own boss. Tech companies certainly push this interpretation, emphasizing how they provide the digital platform—the digital infrastructure that facilitates interactions (often commercial) between at least two people or groups—and you provide the hustle. Uber, for example, is adamant that it is not the employer of the roughly one million drivers worldwide who use its app to find people to ferry around.

Researchers at Carnegie Mellon's Human-Computer Interaction Institute aren't so sure. They call the Uber arrangement "algorithmic management." App workers who use these platforms to earn money don't have easy access to a flesh-and-blood mant that it is not the employer of the roughly one million drivers worldwide who use its app to find people to ferry around.

Researchers at Carnegie Mellon's Human-Computer Interaction Institute aren't so sure. They call the Uber arrangement "algorithmic management." App workers who use these platforms to earn money don't have easy access to a flesh-and-blood manager. Instead they interact with an algorithm—a set of exact instructions to solve a problem or perform a computation. Algorithms can be written to perform simple tasks, like adding or subtracting numbers, or complex tasks, such as playing a video or, in the case of Uber, telling the driver where to drive, paying them what they are owed, and so forth. Algorithms effectively transform app workers' phones into their boss.

Turns out, it's not so great to have a smartphone as your boss. The modern work relationships enacted through our phones show not only how phones are a dream come true for the well-off, but also how the 21st-century working class is being made, and the divide between the haves and the have-nots is being reinforced.

In the United Kingdom, drivers for Deliveroo, a food delivery app—who are disproportionately immigrants and poor people of color—are closely monitored by Deliveroo's algorithm. They have 30 seconds to respond to the app when it pings them, and they don't know where they're going until they swipe "accept delivery." If the driver doesn't accept, or is too slow, meaning the "time to accept orders," "travel time to restaurant," "travel time to customer," or "time at customer" are longer than what the algorithm estimates they should be, her account can be deactivated.

Precarious Labor

Reliable data on how much pay app workers take home is hard to come by. Ridester's 2018 Independent Driver Earnings Survey found that drivers of Uber's most popular service, Uber-X, made a median wage of $14.73 an hour in 2018 after tips but before gas, insurance, and repairs—substantially less than a living wage. Pay can change from one day to the next following tweaks to the app by the company, and workers often have a hard time understanding how their pay is calculated. Last year Instacart and DoorDash drivers, for example, discovered that their companies had been routinely stealing the tips customers left them on the app.

In practice, app jobs are just the latest form of precarious labor. On-demand workers are not entitled to minimum wage, sick days, overtime pay, safety protections, unemployment or health insurance, a pension plan, or disability pay. App workers in service jobs are held hostage to the reviews of fickle customers, and if they have a problem, their app boss usually isn't much help. Stories abound of app workers who have found it difficult or impossible to get help from a real person at their companies when they needed it.

The coronavirus crisis is a real-time demonstration of just how vulnerable app workers are. After the pandemic brought the economy skidding to a halt, tens of millions of Americans have been thrown out of work, including app workers. The U.S. government passed a stimulus bill, providing federal unemployment payouts to ease the financial pain of the crisis. Significantly, in crafting the bill, app workers were recognized for the first time as real workers and made eligible for stimulus funds. Getting access to these funds has proven difficult, however. Outdated software, understaffed state agencies, and a delay by the Department of Labor in providing official guidance on how the program should be administered have meant relatively few app workers have received relief payments nearly two months into the shutdown.

Moreover, for the millions of app workers still working, a lack of safety equipment and workplace rights have made app jobs increasingly dangerous. In a Medium post, the Gig Workers Collective say Instacart has "turned this pandemic into a PR campaign, portraying itself [as] the hero of families that are sheltered-in-place, isolated, or quarantined." But Instacart, the collective argues, has "not provided essential protections to Shoppers on the front lines that could prevent them from becoming carriers, falling ill themselves, or worse."

Thousands of Instacart workers "walked out" on March 30, refusing to fill orders on the app in order to call attention to their concerns. They demanded sick pay, hazard pay ($5 extra per order and a minimum 10% tip per order), and personal protective equipment to be provided by the company. The company brushed off the action claiming the walkout represented only a small fraction of the company's 200,000 shoppers and did nothing to disrupt the app's functionality.

App workers aren't the only front-line workers who are anxious about safety and stress during the pandemic. Grocery store employees, health care providers, cleaners, warehouse workers, and truck drivers are just some of the workers dealing with a lack of protective equipment and demands to keep working while everyone else stays at home. This shared sense of struggle shaped the May Day walkouts and demonstrations by frontline workers at Amazon, Instacart, Whole Foods, Target, and FedEx. But app workers face additional challenges to organizing because they aren't ourses/intro-to-micro-umass-boston-spring-2022/real-world-micro

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Organizing App Workers

Over the past few years app workers have been fighting back—demanding recognition and fair compensation for the work they do and developing strategies to overcome these organizing hurdles. In 2018 Uber and Lyft drivers, working with the New York City Taxi Workers Alliance and the Independent Drivers Guild, convinced the city to implement the country's first cap on drivers, limiting the number of ride-hail vehicles that could hit the streets in an effort to boost pay for all drivers.

Last year California legislators approved Assembly Bill 5, a landmark bill that forces app-based service companies (such as Uber and Lyft) to reclassify their workers as employees rather than independent contractors.

Some more traditional labor unions have made tentative efforts to organize app workers. The United Food and Commercial Workers Local 1546 in Chicago, Last year California legislators approved Assembly Bill 5, a landmark bill that forces app-based service companies (such as Uber and Lyft) to reclassify their workers as employees rather than independent contractors.

Some more traditional labor unions have made tentative efforts to organize app workers. The United Food and Commercial Workers Local 1546 in Chicago, for example, is trying to sign up Instacart shoppers. App workers are also forming new organizations. The Gig Workers Collective is nonprofit group that bills itself as a "first responder" designed to "take the lead in organizing immediate action to new grievances." A number of state-based groups have also emerged. In California, Gig Workers Rising and Mobile Workers Alliance organized a three-day caravan of Uber and Lyft drivers in support of Assembly Bill 5.

Platform companies who desperately want to maintain the digital piecework model are pushing back hard against these initiatives. In New York City, Uber and Lyft sued the city over the driver cap and implemented a punishing new tiered quota system for drivers. The rideshare companies also sued the state of California to prevent their drivers from being considered employees and are working on a ballot initiative to be exempted from the new regulations. In the meantime, they are simply ignoring the legislation, prompting California Attorney General Xavier Becerra to file a lawsuit against Uber and Lyft in San Francisco County Superior Court.

The federal government's belated recognition that app workers are real workers that deserve protection, even if only rhetorical at this point, is a positive shift, however. It is a signal that support for app workers is growing and that tech companies will find it more and more difficult to hide abusive employment relationships behind slick apps and feel-good stories. ❑

Note: This article is adapted from Aschoff's most recent book, *The Smartphone Society: Technology, Power, and Resistance in the New Gilded Age* (Beacon Press, 2020).

Sources: Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2017-May 2018," May 2018; U.S. Bureau of Labor Statistics, "Contingent and Alternative Employment Arrangements News Release," June 7, 2018; Janet Burns, "'He was coughing up blood:' Uber and Lyft Drives Face Illness and Confusion Amid COVID-19 Outbreak," Forbes, March 17, 2020; David Weil, The Fissured Workplace: Why Work Became So Bad for So Many and What Can Be Done To Improve It (Harvard University Press, 2014); San Francisco County Transportation Authority, "TNCs & Congestion" draft report, October 2018; "Essential

Article 9.1

CAN TAX CUTS REALLY INCREASE GOVERNMENT REVENUE?

BY ELLEN FRANK

November/December 2003

Dear Dr. Dollar:

A Republican friend tells me that the huge new tax cuts will actually produce more revenue than the government would have collected before the cut, because once rich beneficiaries invest the money, they will pay taxes on every transaction. He suggested that the increase could be as much as 50% more than the originally scheduled revenues. Is this possible?

—Judith Walker, New York, N.Y.

Back in the 1970s, conservative economist Arthur Laffer proposed that high marginal tax rates discouraged people from earning additional income. By cutting taxes, especially on those with the highest incomes, Laffer argued, governments would spur individuals to work harder and invest more, stoking economic growth. Though the government would get a smaller bite from every dollar the economy generated, there would be so many more dollars to tax that government revenues would actually rise. President Ronald Reagan invoked the "Laffer curve" in the 1980s, insisting he could cut taxes, hike defense spending, and still balance the budget.

President George W. Bush's 2001 and 2003 tax packages are eerily reminiscent of the Reagan cuts. They reduce rates levied on ordinary income, with the largest rate cut going to the wealthiest taxpayers. They extend business tax write-offs and increase the child tax credit (though only for two years and only for families who earn enough to pay federal income taxes). They cut the tax on capital gains from 28% to 15%; dividend income, previously taxed at the same rate as ordinary income, now faces a top rate of 15%.

Citizens for Tax Justice estimates that two-thirds of the 2003 tax cut will accrue to the richest 10% of taxpayers. By 2006, the increased child credit will be phased out and nine out of 10 taxpayers will find their taxes cut by less than $100. The top 1%, Citizens for Tax Justice estimates that two-thirds of the 2003 tax cut will accrue to the richest 10% of taxpayers. By 2006, the increased child credit will be phased out and nine out of 10 taxpayers will find their taxes cut by less than $100. The top 1%, in contrast, will save an average $24,000 annually over the next four years, thanks to the 2003 cut alone.

Though inspired by the same "supply-side" vision that guided Reagan, Bush officials have not explicitly cited Laffer's arguments in defense of their tax packages. Probably, they wish to avoid ridicule. After the Reagan tax cut, the U.S. economy sank into recession and federal tax collections dropped nearly 10%. The deficit soared and economic growth was tepid through much of Reagan's presidency, despite sharp hikes in military spending. Some of the Republican faithful continue to argue that tax cuts will unleash enough growth to pay for themselves, but most are embarrassed to raise the now discredited Laffer curve.

The problem with your friend's assertion is fairly simple. If the government cuts projected taxes by $1.5 trillion over the next decade, those dollars will recirculate through the economy. The $1.5 trillion tax cut becomes $1.5 trillion in taxable income

and is itself taxed, as your friend suggests. But this would be just as true if, instead of cutting taxes, the government spent $1.5 trillion on highways or national defense or schools or, for that matter, if it trimmed $1.5 trillion from the tax liability of low- and middle-income households. All tax cuts become income, are re-spent, and taxed. That reality is already factored into everyone's economic projections. But the new income, taxed at a lower rate, will generate lower overall tax collections.

To conclude that revenues will rise rather than fall following a tax cut, one must maintain that the tax cut causes the economy to grow faster than it would have otherwise—that cutting taxes on the upper crust stimulates enough additional growth to offset the lower tax rates, more growth than would be propelled by, say, building roads or reducing payroll taxes. Free-marketeers insist that this is indeed the case. Spend taxed at a lower rate, will generate lower overall tax collections.

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Critics of the Bush cuts contend, however, that faster growth arises from robust demand for goods and from solid, well-maintained public infrastructure. Give $1.5 to Wall Street and you get inflated stock prices and real estate bubbles. Give it to working families or state governments and you get crowded malls, ringing cash registers, and businesses busily investing to keep up with their customers.

Who is right? Die-hard supply-siders insist that the Reagan tax cuts worked as planned—the payoff just didn't arrive until the mid-1990s! But the Bush administration's own budget office is predicting sizable deficits for the next several years. Maybe, like your friend, they believe the tax cuts will pay for themselves—but they're not banking on it. ❑

Article 9.2

THE GREAT TAX-CUT EXPERIMENT

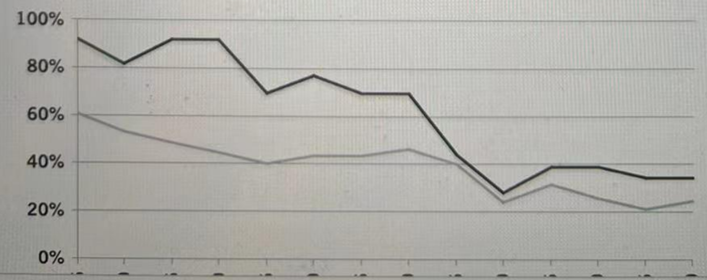
Has cutting tax rates for the rich helped the economy?

BY GERALD FRIEDMAN

January/February 2013

Since the late 1970s, during the Carter Administration, conservative economists have been warning that high taxes retard economic growth by discouraging productive work and investment. These arguments have resonated with politicians, who have steadily cut income taxes, especially those borne by the richest Americans. The highest marginal tax rate, which stood at 70% by the end of the 1970s, was cut to less than 30% in less than a decade. (The "marginal" rate for a person is the one applied to his or her last dollar of income. A marginal rate that applies to, say, the bracket above $250,000, then, is paid only on that portion of income. The portion of a person's income below that threshold is taxed at the lower rates applying to lower tax brackets.) Despite increases in the early 1990s, the top marginal rate remained below 40%, when it was cut further during the administration of George W. Bush. These dramatic cuts in tax rates, however, have not led to an acceleration in economic growth, investment, or productivity.

FIGURE 1: FEDERAL TAXES ON RICHEST AMERICANS, MARGINAL AND AVERAGE RATES, 1945-2010



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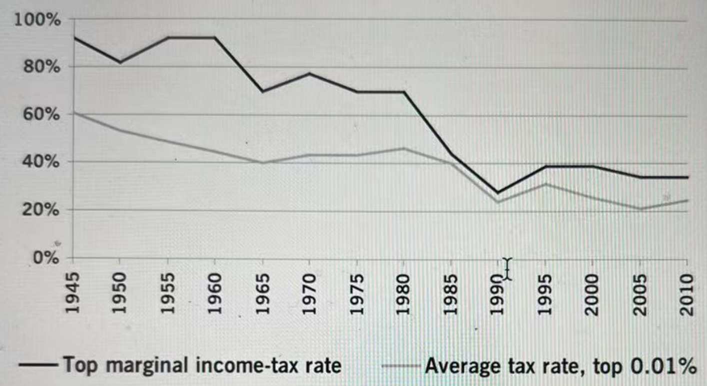
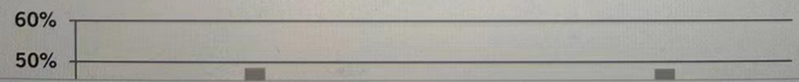


The federal government has been cutting taxes on the richest Americans since the end of World War II. The average tax paid by the richest taxpayers, as a percentage of income, is typically less than the top marginal rate. Some of their income (the portion below the threshold for the top marginal rate, any capital-gains income, etc.) is taxed at lower rates. Some is not subject to federal income tax because of deductions for state and local taxes, healthcare costs, and other expenses. The decline in the average tax rate for the richest, however, does follow the cuts in the top marginal income-tax rate.

FIGURE 2: TAX REVENUE AS A PERCENTAGE OF GDP, 2008



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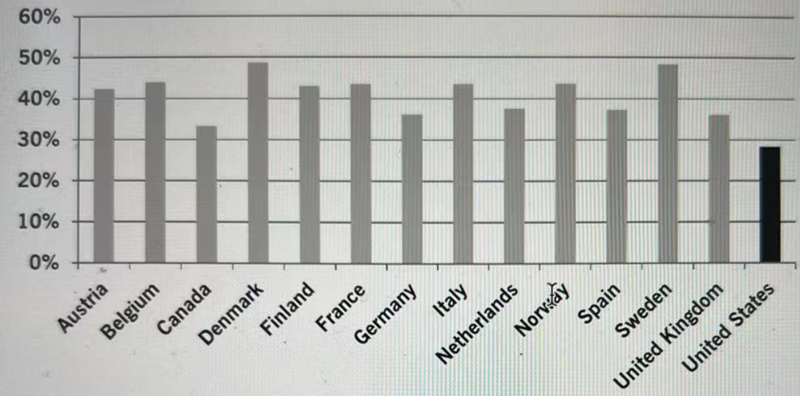
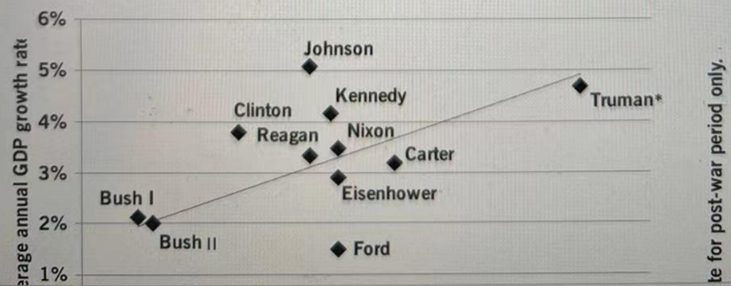


Americans pay a smaller proportion of total income in taxes than do people in any other advanced capitalist economy. As recently as the late 1960s, taxes accounted for as high a share of national income in the United States as in Western European countries. After decades of tax cuts, however, the United States now stands out for its low taxes and small government sector.

FIGURE 3: AVERAGE TAX RATES ON RICHEST AND REAL GDP GROWTH, BY PRESIDENT, 1947-2010



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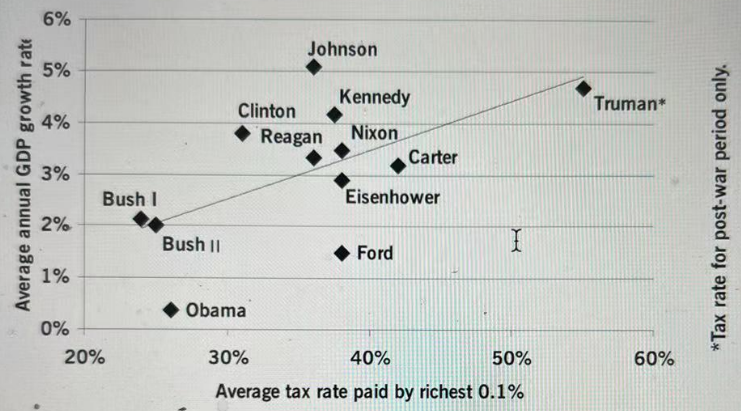
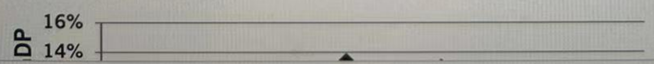


On average, the economy has grown faster during presidential administrations with higher tax rates on the richest Americans. Growth was unusually slow during President George W. Bush's two terms (Bush II) and during President Barack Obama's first term, when the Bush tax cuts remained in effect. On average, every 10 percentage-point rise in the average tax rate on the richest has been associated with an increase in annual GDP growth of almost one percentage point.

FIGURE 4: TOP MARGINAL TAX RATE AND INVESTMENT,1963-2011



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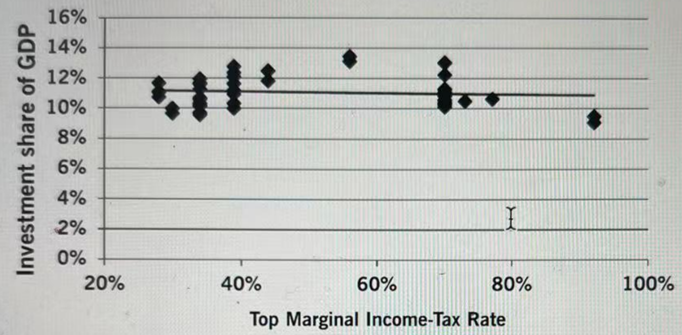
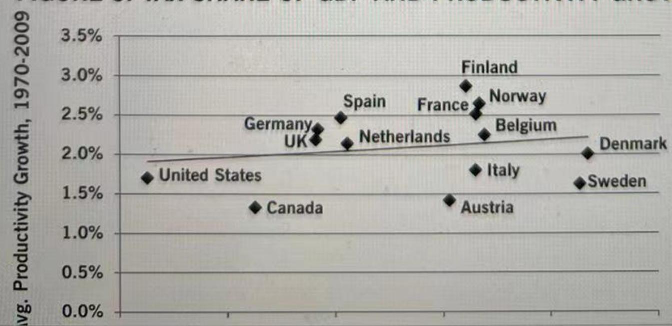


Cutting taxes on the richest Americans has not led them to invest more in plant and equipment. Over the past 50 years, as tax rates have declined, there has been no increase in investment spending as a percentage of GDP. (The flat trend line shows that changes in the highest marginal income-tax rate have not affected investment much, one way or the other.) Instead, the investment share of the economy has been determined by other factors, such as aggregate demand, rather than tax policy.

FIGURE 5: TAX SHARE OF GDP AND PRODUCTIVITY GROWTH



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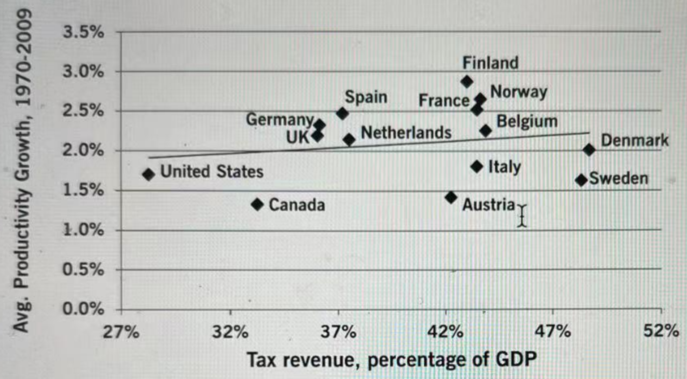

Despite lower and declining tax rates, especially on the rich, the United States has had slower productivity growth over the last several decades than other advanced economies. Overall, lower taxes are associated with slower growth in GDP per hour worked. A 10 percentage point increase in taxes as a share of GDP is associated with an increase in the productivity growth rate of 0.2 percentage points. ❑

Sources: Tom Petska and Mike Strudler, "Income, Taxes, and Tax Progressivity: An Examination of Recent Trends in the Distribution of Individual Income and Taxes" (Statistics of Income Division, Internal Revenue Service, 1997); Thomas Hungerford, "Taxes and the Economy: An Economic Analysis of the Top Tax Rates Since 1945" (Congressional Research Service, 2012); Economic Report of the President, 2012; Bureau of Economic Analysis (bea.gov); Organization of Economic Cooperation and Development, OECD STAT.

Article 9.3

Article 9.3

STATE TAXES ON MILLIONAIRES DO WORK

BY JOHN MILLER

January/February 2018

> The liberal tax model is to fleece the rich to finance spending on entitlements and government programs. IRS data on tax migration show this model is now breaking down in progressive states as the affluent run for cover.
>
> Between 2012 and 2015 a net $8.5 billion in adjusted gross income left New Jersey while $6.2 billion poured out of Connecticut—4% of the latter state's total income. Illinois lost $13.6 billion. During that period, Florida with no income tax gained $39.3 billion.
>
> —"The Great Progressive Tax Escape: IRS data show an accelerating flight from high-tax states," *Wall Street Journal*, Nov. 13, 2017

> The surcharge on millionaires is a hardy perennial in Trenton. But with the state and local deduction [limited by the Republican tax bill], New Jersey Democrats will have to rethink their policies lest they drive from their states their affluent taxpayers.
>
> —"A Millionaire Tax Rethink? Killing the state and local tax deduction makes an impression in New Jersey," *Wall Street Journal*, Nov. 19, 2017

The *Wall Street Journal* editors would have you believe that every taxpayer with two dimes to rub together has made a deposit on a home in Florida, just in case their state government should pass progressive taxes or special levy on million-dollar earners.

But rich taxpayers are nowhere near as footloose as the editors suggest. Rather, when state governments have mustered the courage to tax their best-off residents, state tax revenues have grown, their tax codes have become fairer, the rich have not

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Hemorrhaging Taxable Income?

Let's start with the editors' seemingly damning evidence that—in high-tax states like New Jersey, Connecticut, and Illinois—the taxable incomes of those leaving their state exceeded the incomes of taxpayers entering their state.

True enough. But that hardly means tax flight is draining the coffers of these state governments. To begin with, taxes are way down the list of reasons people give for moving out of state. Also, as economist Michael Mazerov reports, employment increased in all but one of the 26 states that experienced net out-migration from 1993 to 2011.

On top of that, the vast majority of people who move from one state to another can't take their incomes with them because they work for someone else. And in most cases,

another person takes the job they left, and the income earned continues to be taxed by the state. Other times, taxpayers move out of state but continue to work and pay taxes in state. Even the former incomes of people who leave a state after they're laid off is counted in the total of lost adjusted gross income that so concerns the editors.

When small business owners move from one state to another, they sometimes take their incomes and jobs with them. In that case, however, other small-business owners in the original state might attract the departed business owner's customers, another person takes the job they left, and the income earned continues to be taxed by the state. Other times, taxpayers move out of state but continue to work and pay taxes in state. Even the former incomes of people who leave a state after they're laid off is counted in the total of lost adjusted gross income that so concerns the editors.

When small business owners move from one state to another, they sometimes take their incomes and jobs with them. In that case, however, other small-business owners in the original state might attract the departed business owner's customers, or even purchase their business, keeping much of the income on the state's tax rolls.

Likewise, when retirees move out of these high-tax states, for instance to go to Florida, it is misleading to count all of their income as lost to the states. The incomes of the retirees would have declined even if they hadn't moved.

Finally, average adjusted gross income rose in Connecticut, Illinois, and New Jersey from 2012 to 2014—the very years the editors report they suffered debilitating losses of taxable income to other states.

One in a Million Millionaires

While millionaire tax flight is more common than one in a million, every report of millionaires stampeding for the exit because a state imposes a levy on million-dollar earners turns out to be an urban legend.

Let's start with New Jersey, the first state to levy a tax on their highest-income earners. In 2004, New Jersey raised the tax rate on income of a taxpayer over $500,000 by 2.6 percentage points. Then-Governor Chris Christie warned, "If you tax them, they will leave." But, as Stanford sociologists Cristobal Young and Charles Varner uncovered, the net out-migration of millionaire taxpayers increased by just 0.5% of the population of million-dollar earners in the years 2004 to 2007. Beyond that, it is hard to attribute that uptick in out-migration to the tax since the increase in the out-migration of taxpayers with incomes between $200,000 and $500,000—and so were unaffected by the tax—was identical in those years. Meanwhile, the tax added nearly $4 billion in state revenues in those years. Economists from the New Jersey Department of the Treasury similarly found that tax flight would not "come anywhere close to eclipsing the immediate revenue gain from an income tax increase."

In 2005, California passed a 1% tax on income of a taxpayer over $1 million to finance mental-health services, pushing up the state's top income tax rate to 10.3%. In their 2012 study, Varner and Young detected "no observable tax flight" among million-dollar earners in response to the 2005 tax. Net out-migration of California mil-

In 2013, at the urging of Governor Jerry Brown, California voters approved Proposition 30, which raised its millionaire tax by three percentage points. That put California's top income-tax rate at 13.3%, by far the highest for any state. Nevertheless the state saw no loss in the number of its super-rich residents. In his 2018 book, *The Myth of Millionaire Tax Flight*, Young reports that by 2015 the number of the Forbes 400 in California had risen from 84 to 92. And the state's tax revenues had increased by more than what had been projected.

In 2008, Maryland legislators, led by then-Governor Martin O'Malley, passed a tax increase on a taxpayer's income over $1 million—from 4.75% to 6.25%. When the number of million-dollar earners fell the next year, the *Wall Street Journal* published an editorial claiming that one-third of Maryland's millionaires had disappeared from the state's tax rolls because of the tax. And the state legislature let the tax increase expire in 2011. But a subsequent examination of the actual tax returns revealed that the vast majority of the decline in the number of millionaires was due to a drop in their incomes (from the stock-market crash and the Great Recession), not to out-migration. Those former millionaires remained on the tax rolls, but in a lower tax bracket.

They Just Don't Move That Much

Part of the reason that millionaire taxes provoked such little migration is that state-to-state migration is just not all that common in general. Most people have strong ties to their states and are reluctant to leave. For the period from 1999 to 2011, Young and his co-authors found that 2.9% of taxpayers moved between state to state in any year. And, for taxpayers with incomes of at least $1 million per year, the migration rate was just 2.4%—lower still for those who were married, had children, or owned a business. Young and his colleagues argue that million-dollar earners are reluctant to move out of state because they are "embedded elites" whose earning power is often place-specific.

Also, taxes are far from the top reason people give for moving from state to state

They Just Don't Move That Much

Part of the reason that millionaire taxes provoked such little migration is that state-to-state migration is just not all that common in general. Most people have strong ties to their states and are reluctant to leave. For the period from 1999 to 2011, Young and his co-authors found that 2.9% of taxpayers moved between state to state in any year. And, for taxpayers with incomes of at least $1 million per year, the migration rate was just 2.4%—lower still for those who were married, had children, or owned a business. Young and his colleagues argue that million-dollar earners are reluctant to move out of state because they are "embedded elites" whose earning power is often place-specific.

Also taxes are far from the top reason people give for moving from state to state. For instance, a June-to-December 2013 Gallup survey found that, of the people who say they plan to move within the next year, just 3% cited taxes as the reason. Many more cited business- or work-related factors, family or friends, weather or location, quality of life, school-related motives, and the cost of living as reasons for their move.

Young's research group estimates that a 10% increase in the top tax rate leads to just 1% of the millionaire population moving out of state. That leaves plenty of room for states to impose taxes on income above $1 million and still increase their tax revenues.

Millionaire taxes, which fall on the richest 0.4% of taxpayers, also improve the fairness of state and local taxes. According the Institute on Taxation and Economic Policy's index of tax inequality, California taxes are the second most equal in the nation, New Jersey taxes are eleventh most equal, and Maryland taxes are twelfth most equal. (Even without the millionaire tax, Maryland still has a progressive state income tax.)

Finally, a higher tax rate on income over $1 million has little effect on state economic performance. A recent study from the Brookings Institution-Urban Institute's Tax Policy Center found that increases in a state's top income-tax rate did not negatively affect employment or economic growth.

The Choice Before Us

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only intensified with the passage of the Republican tax cut in December. While the tax cut showered benefits on the rich, it limited the federal income-tax deduction for state and local taxes to $10,000. That provision hit well-to-do residents in high-tax states, such as New Jersey, the hardest.

But none of that is likely to derail the Massachusetts campaign for a "Fair Share" tax on taxpayers' income over $1 million. The Massachusetts proposal would add a 4-percentage-point tax on income over $1 million to the state's flat 5.1% income tax. The proposal has been approved twice by the state legislature and will appear as Proposition 80 on the November 2018 ballot.

The Massachusetts tax on income over $1 million is much needed. To begin with, the proposal is projected to raise $1.9 billion in state tax revenue in 2019. That revenue will be dedicated to spending on education and transportation that could make Massachusetts a more attractive place for workers and businesses.

It would also make the state's taxes fairer. In 2015, the top 1%—those with incomes greater than $860,000—paid 4.9% of their income in state and local taxes, far less than the 9.3% paid by families in the middle 20% of the income ranking. Even if the Republican tax bill had eliminated, instead of just capping, the deduction for state and local taxes, the top 1% would still have paid just 6.4% of their incomes in state and local taxes. And even with the limit on deductions, taxpayers with over $1 million of income in Massachusetts will be paying far lower federal with, the proposal is projected to raise $1.9 billion in state tax revenue in 2019. That revenue will be dedicated to spending on education and transportation that could make Massachusetts a more attractive place for workers and businesses.

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Finally a 9.1% rate would be similar to the rates paid on that level of income in New Jersey, New York, and other high-income states, and lower than the rate in California. Massachusetts's million dollar earners are no more likely to rush for the exit than those in New Jersey, California, or Maryland.

Now that's some good tax news that will help to reverse the tax debacle of December. And it would be even better news if other states followed suit. ❑

Sources: Michael Mazerov, "State 'Income Migration' Claims Are Deeply Flawed," Center on Budget and Policy Priorities, Oct. 20, 2014; "Half in Illinois and Connecticut Want to Move Elsewhere," Gallup, April 30, 2014; Roger Cohen, Andrew Lai, and Charles Steindl, "The Effects of Marginal Tax Rates on Interstate Migration in the US," New Jersey Department of the Treasury, October 2011; William Gale, Aaron Krupkin, and Kim Rueben, "The Relationship Between Taxes and Growth at the State Level: New Evidence," Brookings Institution, Urban Institute, and Urban-Brookings Tax Policy Center, April 2015; *Who Pays?* Fifth edition, Institute on Taxation and Economic Policy, January 2015; Kurt Wise and Noah Berger, "The Evidence on Millionaire Migration and Taxes," MassBudget, April 27, 2017; Cristobal Young and Charles Varner, "Millionaire Migration and State Taxation on Top Incomes," *National Tax Journal*, June 2011; Charles Varner and Cristobal Young, "Millionaire Migration in California," Stanford Center on Poverty and Inequality, 2012; Cristobal Young and Charles Varner, "Do Millionaires Migrate When Tax Rates are Raised?" *Pathways*, Summer 2014; Cristobal Young, Charles Varner, Ithai Lurie, and Richard Prisinzano, "Millionaire Migration and Taxation of the Elite," American Sociological Review, Vol. 81(3), 2016; Cristobal Young, *The Myth of Millionaire Tax Flight*, Stanford University Press, 2017.