



Rebutting the Idea of Business Taxes as “Job Killers”

Produced by the Topos Partnership for the Ford Foundation

November 2011

“It would be fair to say this tax increase on job creators [proposed by the Obama Administration in order to pay for the Jobs Bill] is the kind of proposal both parties have opposed in the past,” said Michael Steel, a spokesman for House Speaker John Boehner. ...

The oil and gas industry, housing industry, and charitable services sector are among those lining up to argue that these tax increases will endanger hundreds of thousands of jobs. They would result in the slashing of 200,000 jobs in the oil and gas industry said John Felmy, chief economist at the American Petroleum Institute. “It will be a terrible hit to an industry this country needs dearly to drive up revenue, jobs and energy security.”

Republicans Warn Obama Tax Hikes Will Kill Jobs

By Michelle Hirsch, *The Fiscal Times*¹

September 13, 2011

Introduction

Communicators who support any proposals to increase public revenue, by whatever means, are likely to come up against the opposition argument that the measures in question will “kill jobs.”

¹ <http://www.thefiscaltimes.com/Articles/2011/09/13/Republicans-Warn-Obama-Tax-Hikes-Will-Kill-Jobs.aspx#page1>

But while this argument is applied to virtually any tax proposal, it may be advanced most vigorously when it comes to taxes on businesses, or even a reduction in subsidies to businesses, which are bemoaned as job-killing “tax increases.” (E.g. see oil industry responses like the one cited above.)

In the face of this argument, how can communicators successfully promote increased business taxes as a reasonable and important component of our nation’s revenue strategy? Topos’ recent memo on the “Tax Shift” frame (“How the ‘Tax Shift’ Idea Can Promote Greater Revenue and More Progressive Taxation,” by the Topos Partnership for the Ford Foundation, October 2011) explains that a wide range of Americans can be engaged by a narrative that clarifies how corporations and the wealthy have successfully evaded tax-paying responsibilities over the past several decades, shifting tax responsibility to the rest of us. This strategy is broadly effective for promoting a return to a more reasonable distribution of the load we must collectively carry, for our own wellbeing. But what are communicators’ best responses to the direct and *seemingly* sensible argument that when companies pay more in taxes, they are able to employ fewer people?

This short memo begins with a review of some of the key “common sense” perceptions communicators are up against followed by recommended, tested² responses to both defend against the Job Killer attack and promote a new perspective that inoculates against its effectiveness.

Up Against Current “Common Sense”

The good news about the “job killer” argument is that people are unlikely to bring up this point on their own, when presented with the general idea of tax increases, for instance. Even though industry spokespeople and their government allies make this point often and forcefully, it is not a top of mind point for average Americans. They are much more sensitive to the effects of taxes on *individual and family* budgets.

On the other hand, communicators trying to promote increased (direct or indirect) taxes on businesses are up against a set of related perceptions that feel like “common sense,” including the following:

Taking tax money out of private hands slows spending and therefore the economy.

This idea was repeated often in all phases of the research. Taxes result in less money to spend. In particular, individuals spend less on things like restaurants, clothes, travel, etc. In short, taxes are an *expense*, not a source of benefits.

² The research effort took place in April through June of 2011 and included a set of in-depth, one-on-one telephone interviews (“cognitive elicitations”); focus groups in Richmond, VA and Minneapolis, MN; and “talkback” testing in which individuals hear a single brief message and are then asked a series of questions assessing their ability to remember, explain and reason in terms of a key idea, as well as its effects on their thinking about the topic.

Okay, you've taxed and built a road and a school, but now this guy that makes 50 a year doesn't have it to buy a newer car . . . There's only so much money being made, so every dollar is taken out of somebody's pocket is not being spent somewhere else.

52-year old moderate man, Alabama

A minority of research participants also noted that businesses that are taxed more heavily may spend less on hiring and purchasing.

We can put more money in our pockets and spend it how we want, and start the economy again by allowing businesses to hire more because they have more.

27-year old conservative Republican, Illinois

Businesses create jobs, with little or no involvement of government.

A widespread default view of the economy holds that healthy *businesses* produce jobs. Government spending, on the other hand, results in government jobs (especially bureaucrats and politicians) as well as handouts for the poor and unemployed. Leaving as much money as possible in the hands of businesses therefore makes sense as a way of promoting job growth.

If you want a business to hire some folks, don't cause their bottom line to go up because if it goes up, they are going to be cutting costs as opposed to adding more employees.

Richmond Man

The wealthy create jobs because they use their money to invest in businesses.

While people may dismiss the phrase “trickle down economy” as a flawed philosophy, their thinking continues to be shaped by the idea that wealthy people create jobs by investing in business. “Job Creators” is another way of reinforcing a trickle-down approach.

The top wage earners and top people in the country that are making the most money will spend more money in the economy. I believe they will reinvest, that they will buy and invest in companies that will employ people and that will build our tax base and therefore that will provide more federal and state income tax. They do give back to the economy.

Minneapolis Man

Taxing businesses higher motivates them to leave (the state, the country).

For many people, this is a familiar and convincing downside to taxes. Because people think about taxes as an expense rather than a source of benefits, it makes perfect sense that businesses will try to reduce their costs by keeping taxes to a minimum, even relocating their operations.

Importantly, this is a concern for people whether they are receptive or hostile toward taxes in general.

We need to keep corporations here for jobs that we really need but we do not want to raise their taxes too high that they will prefer to go to another country.

40-year old liberal woman, Massachusetts

The bottom line is that while Americans tend not to think spontaneously about the “job killing” effects of business taxes, or taxes in general, the idea is a good enough fit with the rest of their “common sense” perspectives that it risks becoming a default perspective.

Defense: Defeating the “Job Killer” argument

Fortunately, the research shows that it is possible to defeat the “job killer” idea with different explanations *that fit just as well with common sense.*

More specifically, people respond very well to explanations that point out why taxes don’t in fact have much to do with companies’ hiring decisions. The research identified three different points that are effective.

➤ *Hiring is driven by consumer demand.*

Companies hire when demand dictates that they need to produce more products or provide more service. People are quite willing to disconnect taxes from hiring decisions once they see things from the company’s point of view in this way.

Sample language

Businesses hire employees for only one reason – because there is consumer demand for their goods and services. They hire when they think an extra employee can help them make more money. According to many business owners, the percentage of taxes paid is an insignificant factor, so the idea that taxes lead to fewer jobs just isn’t true.

Cutting their taxes doesn't save them any more money to create more jobs . . . [As] business owners said about job creation: it all boils down to increased demand for their products.

48-year old moderate woman, North Carolina

Tax hikes don't affect our unemployment rate . . . Taxes don't affect how a business does. Demand for the product and willingness of consumers to shop does.

27-year old moderate woman, Kentucky

Taxes and employment costs are costs of doing business. Despite what the taxes on business may be, so long as there is a demand for a product, then business will go and provide that product. It's a false argument to claim that to increase taxes would be bad to business.

45-year old conservative man, New York

➤ **Hiring practices are driven by the search for profits**

People are very willing to accept the common-sense idea that companies hire when hiring will help them increase overall profit and “grow the pie.”

Sample language

Talk to actual businesspeople and you'll find that tax rates don't go into their hiring decisions. Why? Because businesses hire workers to grow the "profit pie." The fact that they have to give away a slice of the profit pie (as taxes) doesn't change that logic. Businesses still want to grow overall profits – and will hire workers if they need to.

Higher taxes on companies don't mean fewer jobs. Businesses hire in order to make more money.

72-year old moderate woman, California

Businesses who want to expand will do so regardless of higher taxes. Expanding their "pie" will mean paying more in taxes, but most likely not a higher percentage.

21-year old conservative woman, Wisconsin

Companies still want to make money and will still hire people to make that money regardless of the taxes.

41-year old moderate woman, Wisconsin

➤ **Historically, high taxes haven't killed jobs.**

Not only are people willing to accept this point, but they often go further and add that, conversely, low taxes have historically failed to create jobs. (“Been there, done that.”)

Sample language

Companies are crying wolf when they complain that higher taxes will cost jobs. The fact is that corporate taxes, as a percentage of the economy, are only about a quarter of what they were in prosperous times a generation or two ago. In the fifties and sixties, companies didn't have so many ways of avoiding taxes, and they were still able to employ enough people to keep a booming economy going.

Raising taxes is not always a bad thing. In the 60s this was not a problem and businesses were still booming. This tax money would be used to do important things.

36-year old conservative man, New Jersey

They say that jobs will decrease but it's not true. They would still flourish as they did years ago, before tax cuts became so abused.

40-year old conservative woman, Texas

Massive tax savings accrued by businesses has not generated job growth.

31-year old independent woman, Illinois

Offense: Pivoting to the Tax Shift frame

Rebutting the “job killer” argument is an important part of making the case for higher corporate taxes, but communicators also need to change the terms of the debate by helping people understand that tax responsibilities have shifted in the wrong direction.

Our research confirms that the following is an effective “organizing idea” for creating more constructive conversations about collecting revenue:

**The Tax Shift From Corporations and the Wealthy
to the Rest of Us**

In recent decades, corporations and the wealthy have paid a smaller and smaller proportion for the things we need, and taxes have shifted to average Americans and small businesses.

This is an idea that is currently missing in public discourse, that sticks with people, that they find compelling, that helps people reason about other points, and that inclines people, including many conservatives, to *believe that we actually need to get more revenue*. The following brief text illustrates one way to express the point in a coherent and compelling narrative:

One of the most dramatic changes in the US economy in the last 40 years has been what's called the Great Tax Shift. For instance, thanks to decades of lobbying for cuts and loopholes, large corporations today pay half of what they used to in taxes. Since we still need to pay for the things that our prosperity rests on, like education, infrastructure, etc., the Tax Shift really means that more taxes have been shifted onto regular people or small businesses, or else we have created deficits. Shifting Taxes back to where they were before, when profitable corporations and the super rich paid their share, would mean we can start paying for our needs again, rather than borrowing to pay for them.

(For more on the Tax Shift frame see “How the ‘Tax Shift’ Idea Can Promote Greater Revenue and More Progressive Taxation,” by the Topos Partnership for the Ford Foundation, October 2011.)

Depending on the audience and the speaker, advocates can connect the Job Killer frame to the Tax Shift frame in one of several ways, along a continuum of rhetorical aggressiveness. At the “soft” end, communicators can treat the Shift point as simply more solid and factual than the Job Killer “theory” – e.g.:

The theory that taxes kill jobs is pretty debatable. Here are X reasons why most economists don't buy it... While we might not agree about how valid that theory is, what we can agree on is the fact that there's been a huge shift in who pays our taxes, from big corporations to ordinary people. Let me give you some numbers: ...

Somewhat more aggressively, communicators might suggest that the “job killer” argument is a deliberate ploy to help *accomplish* the tax shift away from corporations – e.g.:

The idea that taxes kill jobs is just propaganda that no serious economist or even corporate CEO believes. The agenda behind the mantra is to keep shifting responsibility for actually paying taxes from Big Corporations onto regular people.

Big corporations need roads, electricity, an educated workforce, healthcare, government-funded science research, and a strong military as much as anyone. They just want you to pay for it.

CONCLUSION

Advocates regularly cite the “job killer” frame as an obstacle to progress on revenue and other policies. They are rightfully concerned that the threat of eliminating jobs, once uttered, can derail constructive conversation with the public or even with leaders, who

are particularly concerned about appearing not to prioritize employment and economic prosperity in these tough economic times.

The research conducted for this project demonstrates that average Americans are receptive to common sense arguments about why policies, including taxes on businesses, are *not* in fact job killers. If advocates approach their work with the understanding that they must fight common sense with *better* common sense, they can make a confident case in favor of new tax and other policies that are critically needed.



Founded by veteran communications strategists Axel Aubrun and Joe Grady of Cultural Logic, and Meg Bostrom of Public Knowledge, Topos has as its mission to explore and ultimately *transform the landscape of public understanding* where public interest issues play out. Our approach is based on the premise that while it is *possible* to achieve short-term victories on issues through a variety of strategies, *real change* depends on a fundamental shift in public understanding. Topos was created to bring together the range of expertise needed to understand existing issue dynamics, explore possibilities for creating new issue understanding, develop a proven course of action, and arm advocates with new communications tools to win support. For more information: www.topospartnership.com