



A New Millennial Republican Agenda

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On Vermont college campuses Republicans are an endangered species. A recent Middlebury College survey found that only 8 percent of the student body identified themselves as Republicans (there are probably a few more hiding in the closet; one admits to being Republican on a college campus today at one's own peril). Moreover, based on our informal survey, far less than half of those 8 percent voted for the Republican nominee for president. So, while the Republicans won the presidential election, they have certainly lost the college-educated new millennial election.

The problem for Republicans is that it is college-educated new millennials who will most likely populate the brain trust for the Republican Party for the next several decades. Currently, that brain trust has been alienated. As politically involved Republicans have been pushed off campus, they have gravitated toward conservative think tanks such as the Cato Institute, where they feed on each other's provincial and unchallenged ideas in much the same way that Progressive Democrats on college campuses feed on their provincial and unchallenged ideas.

Millennials on both sides reject the old guard; that's why there was little campus support for Hillary or for the dozens of old guard Republican presidential wannabes. Both the Democratic and Republican parties have lost touch with their college student millennial base.

New Millennials Want Change

New millennials want change, much like the forgotten Middle America wants change. College millennial Democrats have found a home for change with progressive Democrats such as Bernie Sanders and Elizabeth Warren whose message of change and compassion resonates with the young, as it has for decades. The problem is that the progressive pie-in-the-sky policies are designed for a world of angels, not for the real world. While Bernie's heart may be in the right place, his mind is stuck in a Panglossian fiction about what a real-world government can actually accomplish.

College millennial Republicans don't have a Bernie-like alternative; they are stuck with the old guard Republicans policy mantra of cutting taxes for the rich, deregulation, and free trade — all of which fail to capture the commitment to fairness that is inherent in being youthful. New millennial Republicans are looking for policies that blend Bernie's heart with a Republican sensibility that “there ain't no such thing as a free lunch, free college, or free health care.”

To reach new millennials, Republicans need proposals that connect to new millennials' belief in fairness and desire to do good. (The desire to do good is an attribute of all youth; it takes years of frustration to become a jaded old-guard curmudgeon.) The ideas associated with the national Republicans don't meet the new millennial bar. Tax cuts for the rich is so 1970s. Eliminating regulation to let current incumbents further enrich themselves is so 1960s. Being unwilling to compromise is so 1990s.

In short, national Republicans are offering new millennials outdated ideas when new innovative ideas are needed. What are those innovative ideas? There are a number of them. Policies that encourage voluntary bottom-up social entrepreneurship, where companies are seen as vehicles for achieving one's social as well as one's material goals; institutional mechanisms that increase fairness and transparency in the system, and alternatives to government giveaways, not simply obstructions. Some of these plans will reflect standard Republican proposals, but they will make a more conscious effort to be fair, and to be seen as fair, than standard old-guard Republican proposals.

More Open To Outside The Box Proposals

In the "age of Bernie," we think that the Republican Party ought to take a moment and learn from Bernie's popularity among young voters. We're not suggesting that the Republican Party adopt Bernie's stances on single-payer health care, taxation or college tuition. But it needs to do more than offer vague "free market" solutions. It needs to offer real alternatives to the Democratic initiatives. These alternatives need to push policy boundaries, and press for transformational change. To give you an idea of what we mean, here is the outline of two modifications of Republican policies that we believe new millennial Republicans would find appealing.

A Republican Millennial Tax Policy Initiative

Back when the top marginal tax rate was 70 percent, it made sense to support cutting it. Today, with federal marginal rates at less than 40 percent, and the enormous wealth transfer that has occurred in the U.S. over the past decade, it's time for national Republicans to dump any "tax cut for the rich" proposal, and replace it with what might be called a "new millennial fair tax" proposal.

What's a new millennial fair tax? In our view, it is a proposal for a tax system in which the taxes reflect, as best it can, the structural benefits people get from taxes. It is a tax system that a neutral observer would judge as acceptably fair. A fair tax based on benefits received, not on ability to pay, is most likely to meet a fairness criterion. The entire "ability to pay" rhetoric goes against fairness. What makes designing a fair tax system based on benefits so difficult is that the benefits each individual gets from the existence of government significantly exceed the costs each individual pays. Everyone benefits from government because governments make civilization possible and taxes are the price we pay for civilization. This means that a wide variety of tax systems can be justified. The tax system that can gain the most acceptance from a broad range of individuals is one in which the burden of taxes is related to the structural benefits individuals get from government. Our current income tax system doesn't do a good job of that; it is filled with

loopholes; it lacks of any attempt to connect taxes with benefits; and its progressive nature is justified by ability to pay.

So if we are to arrive at a compromise, we need some new thinking. To show what we mean by new thinking, let us outline one suggestion of how to make our current tax system fairer while maintaining taxes that are proportional, not progressive. The plan would replace the current income tax system with an alternative three-part tax system designed to loosely connect tax payments to benefits received. It would consist of three components: 1) a national sales tax of 2.5 percent (to capture the extent to which everyone benefits from government); 2) a flat rate individual and corporate income tax of 10 percent to capture benefits received by all, and 3) a flat wealth protection “fee” of 2.5 percent to be paid by all U.S. citizens and foreign individuals whose wealth exceeds \$1 million. This alternative tax system would be fairer all around — it is not a progressive tax system, but because it is proportional in both income and wealth, not just in income, it captures what supporters of a progressive income tax are trying to get at — the rich benefit relatively more than the poor so it is only fair that they pay more in tax.

Our alternative tax system is not justified by ability to pay. It is justified by benefits received. The first 2.5 percent sales tax is paid by everyone who consumes. It reflects the reality that everyone benefits from government so everyone should pay taxes. The flat rate proportional income and wealth tax reflect the reality that benefits received from our system rise as both income and wealth rise. A multi-billionaire receives a lot more structural benefits from a stable, property-protecting government than does someone under the poverty line. Based on the benefit principle, they should pay more.

Such a tax system would be much fairer than our current system. Let’s consider Donald Trump, who by most accounts probably paid close to zero income tax over the last decade under the current tax system. Under this system, assuming he had income of \$50 million a year, and net wealth of \$1 billion, he would pay \$5 million income tax (probably closer to \$3 million since it is unlikely that all tax loopholes will be closed), \$1.25 million in sales taxes, and \$25 million in a wealth fee, for a total of \$29.25 million in taxes each year.

Replace Rules Based Regulation With Principles Based Regulation

Our second example involves deregulation, which just about every Republican calls for. Unfortunately, the call for deregulation is not conducive to compromise. It makes it sound as if regulation is not needed. A new millennium Republican agenda would recognize that regulation is needed. The problem is not with regulation per se; the problem is that we have the wrong type regulation. Too many of our current regulations are rules-based regulations, not principles-based regulations. With rules-based regulation, individuals are told by government what to do. With principles-based regulation, individuals are provided with general guidance about the goal of the regulation and, while held responsible for achieving the desired outcomes, are given flexibility in how they achieve those outcomes.

The problem with rules-based regulation is that rules are an invitation to get around the rules. They encourage people to stretch the rules and not to concentrate on the goal the regulation was designed to achieve. Rules-based regulations works against small business. Large corporations

who can hire attorneys to find every loophole are the only ones who can afford to navigate our regulatory code. In an attempt to close loopholes, we require a massive bureaucracy to arbitrarily enforce rules. Rules beget additional rules.

With principles-based regulation, government's role is to provide a forum through which society can lay out broad principles for individuals and companies to follow. Individuals are given the freedom and responsibility to meet these broad principles. The Australian government tried this in their regulation of nursing homes. They replaced hundreds of input based regulations with 31 outcome-based standards. They tossed out fines, and replaced them with meetings of all interested parties on how they can improve. Bureaucrats were directed to measure overall quality changes, not adherence to specific, tedious rules. Arbitrary enforcement was replaced by human judgment. The results were remarkable, and the program was a huge success. Principles-based regulation, which gives responsibility to individuals can change the way government works. It is a policy millennial Republicans can support.

Conclusion

These two examples give you an idea of how millennial Republican policy proposals will differ from old guard Republican proposals. They will be based in Republican principles of individual responsibility and recognition of limitations of government. But they will also recognize the need for government, people's desire to use government to achieve common ends, and the fact that people have social goals, not just materialistic goals. This recognition will make new millennial proposals more likely to garner bipartisan support. They will not be designed to protect vested interests, but will be designed to make the system fairer. They are the type of policies that the Republican Party should be exploring if they want to attract new millennials to their fold.