We are economists who live, work, study, and teach in Massachusetts. We support the initiative petition that proposes new funding for quality public education and affordable public colleges, and for the repair and maintenance of roads, bridges and public transportation. The initiative provides this new funding through a 4 percent additional tax on annual income above $1,000,000 a year (affecting less than one percent of all Massachusetts taxpayers). Investing in our people and transportation system with such a tax is a fair means by which to improve our economy's performance and create greater opportunities for all residents of the Commonwealth.

The economic benefits from investment in education begin with the increased productivity of the students who go through our schools and then enter the workforce. This increased productivity comes from the particular skills and ability to think creatively that the students gain, but also from the behavioral capacities they develop in schools. Beyond productivity gains, schooling yields other benefits that directly and positively affect the state government's budget—for example, Medicaid savings, tax revenue gains, and savings in the corrections system.

A well-functioning transportation system allows businesses to move goods more cheaply and efficiently, access a variety of suppliers and markets, and manage inventories more effectively. With the resulting lower costs, more firms are able to stay in or move to the state. Families gain as consumers, from lower priced goods, and as workers, with the addition of more jobs to the state economy and better access to those jobs.

Currently the highest income one percent of taxpayers in Massachusetts pays a smaller share of their income in state and local taxes than the other 99 percent.[i] Requiring the highest income residents to pay a higher state tax rate on their income over $1 million is, then, a fair way to pay for sustained investments in the human and physical foundations of our economy. The income tax rate would stay the same for all residents earning $1 million or less a year, and for the very rich the higher rate would only apply to their income in excess of $1 million. The higher tax rate of 9 percent on income over $1 million would be similar to the rates on income at that level in a number of other states including New Jersey, New York, Vermont, Iowa, Oregon, Minnesota, and Washington, DC, but less than the top rate in California, which is 13.3 percent.

Massachusetts is one of the wealthiest states in America. It is also one of the most unequal. There is a growing body of research on the negative economic effects of inequality, which would be modestly reduced by a tax on top-earners and increased investments in programs that expand opportunity. Indeed, acute inequality can lead to underinvestment in the education of lower and middle-income children, lessen the overall competitiveness of the workforce and reduce long-term economic growth.[ii]

The typical arguments that a higher tax rate for those with the highest incomes could reduce economic growth or drive away high income residents are unfounded. Leading research generally does not show any statistically significant relationships between tax rates and state economic performance.[iii] While a very small number of wealthy taxpayers might decide to move in response to higher taxes, most will not. That is because state income tax rates—which are deductible on federal income taxes—are not typically the main reason people move. When taxes on the very rich are increased, the net result is an overall gain in revenue.[iv]

The transportation system of Massachusetts– including our roads, bridges, and public transport – has not been adequately funded for years, was hard pressed to handle last winter, and is not ready to serve the competitive needs of tomorrow's economy. Similarly, the Massachusetts education system must continually improve in order to prepare our workforce to compete with workers anywhere in the world, and we are not yet delivering the best possible education to all of our residents. Our state has the capacity to make investments in people and physical infrastructure that could create a much brighter future for Massachusetts families. Such investments will expand opportunity and directly improve the life prospects of children and families across our state and is good for the long-term strength of our economy.

Randy Albelda, University of Massachusetts Boston
Michael Ash, University of Massachusetts Amherst
M. V. Lee Badgett, University of Massachusetts Amherst
Carole Biewener, Simmons College
Barry Bluestone, Northeastern University
James K. Boyce, University of Massachusetts Amherst
Robert Buchele, Smith College
Jim Campen, University of Massachusetts Boston
Michael Carter, University of Massachusetts Lowell
Phoebe Chan, Wheaton College
Alan Clayton-Matthews, Northeastern University
Peter Doeringer, Boston University (Emeritus)
Thomas A. Downes, Tufts University
Gerald Epstein, University of Massachusetts Amherst
Colleen Fahy, Assumption College
Kade Finnoff, University of Massachusetts Boston
Nancy Folbre, University of Massachusetts Amherst
Dania Francis, University of Massachusetts Amherst
Richard B. Freeman, Harvard University
Gerald Friedman, University of Massachusetts Amherst
Monica Galizzi, University of Massachusetts Lowell
Heidi Garrett-Peltier, University of Massachusetts Amherst
Neva Goodwin, Tufts University
Carol E. Heim, University of Massachusetts Amherst
Keren Horn, University of Massachusetts Boston
J.K. Kapler, University of Massachusetts Boston
Anirban Karak, University of Massachusetts Amherst
Marlene Kim, University of Massachusetts Boston
Supriya Lahiri, University of Massachusetts Lowell
William Lazonick, University of Massachusetts Lowell
Frank Levy, Massachusetts Institute of Technology (Emeritus)
David L. Lindauer, Wellesley College
Catherine Lynde, University of Massachusetts Boston
Arthur MacEwan, University of Massachusetts Boston
Stephen A. Marglin, Harvard University
Julie Matthaei, Wellesley College
John Miller, Wheaton College
Fred Moseley, Mount Holyoke College
Philip I. Moss, University of Massachusetts Lowell
Sripad Motiram, University of Massachusetts Boston

Julie Nelson, University of Massachusetts Boston
Laurie Nisonoff, Hampshire College
Paul Osterman, Massachusetts Institute of Technology
Richard Parker, Harvard University
Prasannan Parthasarathi, Boston College
Mark Paul, University of Massachusetts Amherst
Eva Paus, Mount Holyoke College
Karen Pfeifer, Smith College
Steven D. Pizer, Northeastern University
Robert Pollin, University of Massachusetts Amherst
J. Mohan Rao, University of Massachusetts Amherst
Smriti Rao, Assumption College
James B. Rebitzer, Boston University
Tom Riddell, Smith College
Luis D. Rosero, Framingham State University
Juliet B. Schor, Boston College
Zoe Sherman, Merrimack College
Peter Skott, University of Massachusetts Amherst
Bryan Snyder, Bentley University
Ceren Soylu, University of Massachusetts Amherst
Peter Spiegler, University of Massachusetts Amherst
Elizabeth A. Stanton, Synapse Energy Economics
Robert Tannenwald, Brandeis University
David Terkla, University of Massachusetts Boston
Vamsi Vakulabharanam, University of Massachusetts Amherst
Thomas White, Assumption College
Jeannette Wicks-Lim, University of Massachusetts Amherst
Russell Williams, Wheaton College
Brenda Wyss, Wheaton College
Robert Zevin, Zevin Asset Management, LLC
Andrew Zimbalist, Smith College

[i] Institute on Taxation and Economic Policy, in their report *Who Pays? (2015)*, finds that the richest 1 percent of Massachusetts households pay 4.9 percent of their income in state and local taxes while the middle 20 percent pay 9.3 percent (http://www.itep.org/whopays/states/massachusetts.php).

[ii] See for example, Corak, M. (2013) "Income Inequality, Equality of Opportunity, and Intergenerational Mobility" *Journal of Economic Perspectives* 27(3): 79-102; Bradbury, K and Triest, R. (2014) "Inequality of Opportunity and Aggregate Economic Performance" paper prepared for conference on Inequality of Economic Opportunity held at the Federal Reserve Bank of Boston, October 2014. (http://www.bostonfed.org/inequality2014/papers/bradbury-triest.pdf); and OECD, 2015 "In it Together: Why Less Inequality Benefits All" (http://www.oecd.org/social/in-it-together-why-less-inequality-benefits-all-9789264235120-en.htm).

[iii] Gale, W. Krupkin, A. and Rueben, K. (2015) "The Relationship Between Taxes and Growth at the State Level: New Evidence" Brookings Paper (http://www.brookings.edu/~/media/research/files/papers/2015/04/29-relationship-between-taxes-and-growth-gale/gale–taxes-and-growth-42915.pdf). These authors provide an extensive review of the literature as well as their own model. The evidence, they conclude, indicates that increases in top income tax rates do not negatively affect employment or economic growth in states.

[iv] Young, C. and C. Varner (2011), "Millionaire Migration and State Taxation of Top Incomes: Evidence from a Natural Experiment", *National Tax Journal*, 64 (2), 255-283.; Cohen, R., A. Lai and C. Steindel (2014), "State Income Taxes and Interstate Migration", *Business Economics*, 49 (3), 176-190; and Tannenwald, R. (2013), "In the Tax Flight Debate, Correlation Does Not Causation make" *State Tax Notes*, October 28.