

Manoj Mohanan:

Hello and welcome to Policy 360. I'm Manoj Mohanan. I'm the Interim Dean of the Sanford School of Public Policy here at Duke University, and I'm so pleased that part of my new role at Duke is to host this podcast. We have a fantastic lineup of conversations planned for you this fall and our focus is on, can you guess? Democracy. We have planned an entire season of conversations this year, perspectives that we hope will help you make sense of the competing visions for America in this 2024 election year. Today we'll explore something that Republicans and Democrats seem to somewhat perhaps surprisingly agree on, expanding the Child Tax Credit. J.D. Vance, the Republican nominee for vice president, says he wants to boost the child credit from its current \$2,000.

JD Vance:

I think one of the things we can do is make it bigger per child, I think we'd love to see it as a higher dollar value, I think President Trump and I have proposed that.

Reporter:

Do you have a number in mind?

JD Vance:

I mean, look, I'd like to see a child tax credit that's \$5,000 per child, but you of course have to work with Congress to see how possible and viable that is...

Manoj Mohanan:

Vice President Kamala Harris, who is the Democratic nominee for president, would also like to make changes. She'd bump the maximum credit up to \$3,600 per child and restore another tax credit.

Kamala Harris:

...the earned income tax credit (cheering) and the child tax credit (cheering) through which millions of Americans with children got to keep more of their hard-earned income. We know this works ...

Manoj Mohanan:

Harris said in that speech that she'd also add a new credit of \$6,000 for the first year of a newborn baby's life. So in today's conversation, we thought we'd discuss the Child Tax Credit, what it is, how does it work, and we'll also explore some surprising new research on the topic. My guests today are Lisa Gennetian and Anna Gassman-Pines, both our professors and leaders here at the Sanford School and both our affiliates of the Duke Center for Child and Family Policy. Welcome Lisa, and welcome Anna.

Anna Gassman-Pines:

Happy to be here.

Lisa Gennetian:

Thanks so much.

Manoj Mohanan:

Lisa, let's start with you. What is the Child Tax Credit and what's the history of this tax credit?

Lisa Gennetian:

So let me start, I'm going to have us go back in history a little bit to the 1990s when the first Child Tax Credit was established in 1997 by the Tax Relief Act. And it was indeed bipartisan. And the idea was really to reduce families with children their tax liability. So reduce what they already owed the government. And that's why this is really important I think in this context because it is tax relief. And the presumption there is that people, families with children, owe something to the government and we're going to reduce what they owe, recognizing that there's financial burden with raising children. So that is different from another element that has become part of this conversation, which is income support. Can we provide income to families through the tax system? And that income support element entered the argument in 2001. And a couple of other changes happened at that time, which is increasing the amount of the tax credit.

So even though there's income support and then there's tax relief, I want to point out one important element of all this, which brings us to what happened in 2021, which is you still had to be connected to the tax system somehow. And usually that's through some earnings. So there were always families, if they earned below a certain amount or if they weren't connected to the tax system, they weren't going to get this kind of tax credit. So let's fast forward to 2021 and what happened during the pandemic and what we're calling the so-called Expanded Child Tax Credit, the 2021 Expanded Child Tax Credit. Which let me say right away, it was revolutionary in a couple of ways, but one of the important elements of it, it was temporary. It's not a permanent expansion. And so this sets the stage for the two presidential candidates moving forward.

There were a couple of big changes that happen in 2021 that are informing the debates today. One is the amount, and you heard about some of the proposals to increase the amount of the credit that families get with children. And the second is something around refundability. So even if you don't have earnings and you're not connected to the tax system, let's say historically, there is a mechanism to get this credit through the tax system.

Manoj Mohanan:

Thank you. And since you mentioned this is right now in the policy debates around the election, it now seems to have bipartisan support. Was this always the case?

Lisa Gennetian:

So historically I would say the bipartisan support was a little more bipartisan. Let's just leave it there. And the parts of partisan debate that are playing out now, so partisan being different ideologies if you're more on the Republican or conservative spectrum versus liberal or Democrat spectrum, are really around a couple of things. One, how high and generous this amount should go. Whether there should be bigger or smaller amounts depending on the age of the child or you mentioned Kamala Harris's proposal for starting with newborns. Those are some elements of the debate. And the third biggest one is whether it should be contingent on work, having some earnings. So those remain part of the debate in how to structure expansions moving forward.

Manoj Mohanan:

Thank you so much. So Anna, turning to you, Lisa told us that in 2021 the Child Tax Credit was expanded. Could you tell us a little more about what it looked like at the time, what the structure of that tax credit was back then?

Anna Gassman-Pines:

Sure. So one of the other really revolutionary things that the 2021 expansion did that hadn't ever happened before is that half of that annual tax credit was actually paid out to families monthly. So during the second half of 2021, people were able to get one-sixth of half of their tax credit paid to them every month in this consistent monthly payment. And that was a really new way of thinking about how these income supports or credits that come through the tax system could reach families and help to provide some more consistency rather than everyone having to wait until they file their tax return and then get a big lump sum at one point in time.

Manoj Mohanan:

So this must have been really helpful to families, and you had this amazing op-ed in The Hill where you say that the tax credit was helpful, especially in economic terms. But you point our attention to the fact that it fell short in at least one way. Can you tell us a little more about that? Lisa, you want to go?

Lisa Gennetian:

Sure, I'll kick off. And this is where I think the interdisciplinary, or that's a really technical word, but how thinking broadly about impacts of things like tax policy with collaborators like psychologists can be really helpful. We should be thinking about how to support families with children in lots of ways. One is directly financially. The other is how do we think about how they're doing? How do they feel? Are they stressed? Are they happy? Are they experiencing joy? And we worry about things broadly in the US. These are things we want. It helps with productivity, it helps with contributing to society. So one thing that we don't see happening universally is that this expansion in income, the way that I was just described, didn't universally make everyone feel better. And there's lots of reasons and lots of ways we can think about that. It might not be surprising that you can get some more money, but you're still struggling to pay bills, to get to work every day.

Those of us who are parents, we know how hard it is to juggle parenting. And while a little bit of cash can offer some real relief, it might not relieve all of the demands of parenting, caregiving and working. So that's one part of how to think about this. The other one that I just want to raise, and I'm going to have my colleague Anna talk more about this, is when we ask people, "How are you're feeling?" It's a very subjective evaluation and it can depend on, are you talking about my work? I could be really happy with my job, but I could feel very sad because something happened to my child. Both things can be true. And we don't know how children are experiencing those feelings in a family. So there's a lot of complexities in improving, let's call, social welfare or happiness. It doesn't mean we shouldn't care about it, we should, but it's complicated.

Manoj Mohanan:

Yeah. Thank you. And since Lisa set us up to ask Anna next question, so Anna, were you surprised by this research? And can you tell us a little more about why is it that happiness or welfare, the stress levels didn't decrease or happiness didn't increase?

Anna Gassman-Pines:

So let me start by saying one thing that's actually quite clear across the social science that's looked at the Expanded Child Tax Credit is that it really did help families financially. So I want to make sure people come away from this conversation really understanding that there's been actually a remarkable amount of research about this policy that only happened three years ago. And in that time, what we've seen is that by increasing the generosity of this tax credit, by making it available to more people, and by offering it in these monthly allotments, poverty went down, income went up, and families were better able to meet their basic needs. So things like food insecurity went down when people were able to get this additional support. So that's one really important thing to keep in mind. So families are having more resources that they're able to put towards their basic needs. And these are really important for families.

Every parent is wanting to make sure, of course, that they have food on the table for their kids, that they have housing that they can count on for their family to live in. But as Lisa mentioned, what's been a bit more mixed and not consistent is a parallel increase in happiness. And we don't know exactly why. But I think a lot of the things that Lisa mentioned are really important things that the social scientists and policymakers should probably be thinking about. What are our goals? Do we want parents with young children to be feeling joy in their parenting? Is that something that we are trying to achieve as a society? Do we want children to be feeling joy in their families? How can we address through policy serious mental health problems, serious illnesses? That's actually something entirely different but also really important. So this idea of well-being is actually really broad and it hasn't been an explicit policy goal, and that may be one reason why we don't see more consistent effects of the Expanded Child Tax Credit.

And I think the other thing that Lisa mentioned that's really important to keep in mind is families were still juggling a whole lot of things at this time. So in 2021, the pandemic still felt very real, very pressing. Many families were dealing with if loss of loved ones, continued worries about their own health and the health of their family members, a lot of uncertainty about schooling and availability of child care and what that was going to look like. And there are so many things that parents are managing on a daily basis that of course having additional dollars that can help them meet basic needs is crucial. But while they continue to juggle all these other things, they may sometimes feel stressed or unhappy.

Manoj Mohanan:

Yeah. So in the article you mentioned that getting by is not the same thing as thriving. And is that what you're referring to here?

Anna Gassman-Pines:

Yeah, that's exactly what we'd been thinking about when we wrote that piece. So we helped people meet their basic needs, have food on the table for their families, have some more cash for those important basics. But if we want to think bigger about helping parents achieve their dreams, achieve their goals, be facilitators of their children achieving their dreams and goals, that's a bigger idea that is more about human thriving that is really important to keep in mind.

Manoj Mohanan:

Thank you. So Lisa, in your comments earlier, you mentioned that the Child Tax Credit was temporary. So do you think that some of the issue here we are talking about is because of the temporary nature of that credit? Can you help us understand better?

Lisa Gennetian:

So one thing that's happened over time and that we haven't addressed in very explicit ways is families with children are also facing increased risks, increased uncertainty. And that uncertainty is in part because of the labor market and jobs in low wage work. So think about sectors like service sectors, retail, caregiving sectors, have only become more uncertain over time. In other words, there're less likely to be nine to five salary jobs with benefits and bargaining power for families. And so families are being asked to take more of this on and absorb that uncertainty at the same time in which more of the benefits and economic cushions provided by the government are making their benefits contingent on that uncertain work. So you've got uncertainty on top of uncertainty. And so this expansion added some certainty but only for a short time period. And there are lots of ways to think about income instability, uncertainty and risk.

And big picture the way that we've designed policy in the last couple of decades has put more and more of that risk of uncertainty on families while simultaneously families are moving more, they're less connected to extended family members for various reasons. The caregiving economy is more uncertain, childcare is not readily available. And so you can start piecing together how this is really stressful in some ways. And so I do want to go back to cash is a great tool. This was an expansion that really mattered in lots of ways and then it went away. And so this idea of uncertainty, I think, is a theme that we should talk more about in policy circles.

Manoj Mohanan:

Yeah.

Lisa Gennetian:

Anna, do you have more to add there?

Anna Gassman-Pines:

I will just say, agree with everything Lisa said, and it is quite amazing actually on some level that a policy change of this magnitude actually happened very quickly. There are a lot of folks working behind the scenes in the federal government who made that happen, and it's really quite remarkable. But also, it was brand new. It was in some ways more complicated if you hadn't been connected to the tax system, that was extra steps that families had to learn about and then take. And it was short-term. And so that was an added challenge, just building on Lisa's point, that it was amazing that this policy experiment happened, but it also in and of itself added something new for families to navigate along with this bundle of other things they're already working on navigating.

Manoj Mohanan:

So Anna, sticking with that point about the policy change, given that we are talking in 2024 with the upcoming elections, this is a matter of debate now. And as Lisa told us earlier, it's not that the principle that's being debated, it's the design and the specific aspects. So what does your research mean for policy and the policy debates that we are having now? I'll ask both of you, I'd like to hear from both of you about this, but Anna first.

Anna Gassman-Pines:

Sure. Yeah. I mean recently I do think there's been somewhat of a tendency for policymakers to pass things that are short-term for a variety of political reasons. And that can make sense, but again, it does add sometimes confusion and uncertainty to families' lives and to the folks who are trying to engage

with those policies on the ground. So one thing that I think the research shows, again, is that increasing predictability and decreasing uncertainty is helpful for parents who are already juggling so many different things in the US context. So as policymakers are debating how they might agree on an expanded Child Tax Credit, I think one recommendation that might come out of that research is to, if not make it permanent, have the set of rules be in place for a long enough time that families can come to expect them, to understand them and to use them in their daily lives.

Manoj Mohanan:

Thank you. Lisa?

Lisa Gennetian:

I've been really struck, if you really unpack where income is coming from, even for families with super low income, it's earnings. And so I would really love for policy and policy debate to start from that premise that work is desirable, parents want to work, there's dignity in work. And so taking seriously how do we think about a labor market and how do we think about enhancing and supporting earnings and how do we honor care responsibilities is something that I feel like is a little sidestepped in these conversations around expanding the Child Tax Credit. Great, let's do it. Let's also honor that earnings and work are actually really a norm, they're not exceptions.

And then the second thing is my head goes towards infrastructure and public goods and how far can we go without making sure roads are built, that schools are in good shape, public schools in particular, probably the biggest kind of platform we have in the US that can really help children and families actually, child care. And so I hope as much as, again, cash is one piece of, I think, thinking more broadly about infrastructure investments that would really support families with children in the US.

Manoj Mohanan:

That's great. I have one last question. So suppose you are in a short elevator ride with either former President Donald Trump or Vice President Kamala Harris. What would you advise them about potentially expanding the tax credit?

Anna Gassman-Pines:

I mean, one thing I would advise them is, just building on the really important point that Lisa just made, if in the back of their mind they're worried that providing more generous support to parents who are raising young children is going to keep those parents from working, I don't think we really need to worry about that as much as some folks have thought we did. There's also been really good social science around the 2021 expansion, looking at whether parents who got this more generous benefit worked less and they didn't. I think for the reasons that Lisa just mentioned. I think that has been in many ways a driving undercurrent of how some policy choices are made that folks don't want to work, that they need to be prodded or incentivized. And I actually think in the US context, work is really important and parents want to work for their own identity, for the way that that serves as role models for their children, and of course, because work remains the main source of financial support for families.

Lisa Gennetian:

I agree with all of that. And I guess I'm turning towards thinking about, how do we welcome children in the US? And I think there's something around this time of birth that I think has mostly come up with Kamala Harris' campaign. And that very lines up with a lot of things we've been talking about. There's

inequalities and segregation in communities with experiences with the health system. And so I think something, this is going to reflect my biases, we should be thinking really early and we can think about time of birth. And if cash is one of those things that we can offer in a way that's equitable, I think there's something to that really good point of focus for policy.

Manoj Mohanan:

That's great. I hope both the Democratic and the Republican campaigns are listening into our podcast and will take your advice to heart. Thank you so much both of you for joining me today. Lisa Gennetian is the Pritzker Professor of Early Learning Policy Studies and Director of the PhD program at Sanford. Anna Gassman-Pines is Professor of Public Policy, Psychology and Neuroscience at Duke. She's also the Senior Associate Dean for Faculty Affairs here in the Sanford School of Public Policy. We will have a link to their op-ed in our podcast feed. Thank you so much for joining us. I'll be back soon with another conversation related to democracy and the 2024 election. I'm Manoj Mohanan.