

Interview with Chuck Todd, Daily Rundown on MSNBC

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Webb ('07 SOTU Response clip): *When one looks at the health of our economy, it's almost as if we're living in two different countries. Some say that things have never been better. The stock market is at an all-time high and so are corporate profits, but these benefits are not being fairly shared. ... The middle class of this country, our historic backbone and best hope for a strong society in the future is losing its place at the table.*

Todd: Well, the more things change, the more they may stay the same. That was Virginia Senator Jim Webb, he had just come into office, giving the Democratic response to President Bush's State of the Union in 2007. He was talking about the need for economic fairness. Senator Webb joins me now. Senator, all of a sudden now it apparently is the president's State of Union message. What took your party so long to get to this point where you were talking there?

Webb: Well, actually, if you look back at five years, the response that I gave to the State of the Union, we did speak a lot at the beginning about economic fairness and also I spoke about a failed strategy in terms of our foreign policy. It's a little frustrating to be standing here saying to you that I don't think we're much better off in terms of policy than they were then. We went into a near depression, as you know, in late '08. The president inherited a failed strategy in Iraq. But, in terms of coming out of the economic downturn, quite frankly, when we voted for the T.A.R.P. program -- and I voted for it at the end of '08 to try to save our banking system -- a good portion of the money that was designed to bail out the economy went to the very top, again. We're in a situation where a corporate CEO multiples in terms of working people are as strong and in some cases stronger than they ever were. And if you look at the debate that we've been having over the past 7 or 8 months, the 99 percent versus the 1 percent, I've been really concerned that we're not really focusing on how to fix the problem when we look at the 1 percent. I have consistently said that I do not believe we should raise taxes on ordinary earned income — no matter how much ordinary earned income you're making. That's how you succeed in America, but we really do need to fix the formula when it comes to capital gains and dividends, passive income. You have a classic example of that, now. You finally have a human face on it in terms of Mitt Romney and other people who are making all their money in that respect.

Todd: You know, it was funny you say that. He pointed out last night to Newt Gingrich that, you know, that Gingrich wants to zero out capital gains, that's in his tax plan. And Mitt Romney actually pointed out sort of in a preview of what we saw this morning, that he wouldn't have paid any income tax, any new tax at all on any of his, quote, income, because none of it was wages. It was all the investment income. Do you really think you'll see that 15 percent actually get raised?

Webb: It's as low as it's been in a very, very long time. In fact, it was at 20 percent before the Bush tax cuts. I still don't see any evidence that in spite of the fact people want to do away with Bush tax cuts on ordinary earned income – what you make, what a truck driver makes, what a doctor makes – I still don't see any evidence that people want to revert the capital gains and dividends tax back to where it should be. If you need revenue, if we need revenue to solve our problems, the best place to get to it, at least as we begin to move forward and to restore

economic fairness, is in this passive income. Mitt Romney, I don't mean to pick on him. He's one of many – he's obeying the tax laws as they now exist – is going to pay, I think, 14 percent of his income. If you have earned income, you are going to be paying double that. This is exactly what Warren Buffett was saying, by the way, when he was saying that his secretary was paying at a higher rate than he was. And when he published his returns, he was paying at 14.7 percent, as I recall, of \$66 million. The average American can sit down and see that if you're going to work every day and you're paying double the same percentage on your amount of money, whatever that amount of money is, that something needs to be fixed in terms of how we pay people for what they do.

Todd: Could you do this where you actually lowered rates on wages, essentially, on working income, and then you would raise the rates on investment income and then that would end up generating, quote, more revenue?

Webb: I think as a beginning step you should put the capital gains and dividends back to where they were before the Bush tax cuts, which would be putting up to 20 percent. A lot of people aren't going to like that. *The Wall Street Journal* is not going to like that. In the long term, I think we should push towards consumption taxes. I don't count on that happening in the near future, but certainly you should be able to say that if I go out and work every day, whether I make \$50,000 a year or \$5 million a year, the taxes I pay should be equivalent to someone who can sit back with a passive investor and, with accumulated wealth, be able to have an income and only pay 15 percent on it. The key here is if we agree we have to raise revenues in order to fix our economic situation, and I believe we do, then we have to start with capital gains and dividends. The Romney situation is a classic example.

Todd: Senator, very quickly, any advice to Mitch Daniels? You've given a response to the president. I think it's one of the most thankless jobs, potentially. You're invited, it's a huge stage, and yet thankless because you get the smaller part of this stage. What's your nonpartisan advice to Governor Daniels?

Webb: Well, Governor Daniels has a long experience in many different areas of our country and I'm sure he has his game plan and his ideas all set out. I would like to say again how concerned I am that we aren't putting policies together, Republican or Democrat -- this is not a party issue -- that are addressing some very key failures in foreign policy and also these issues of having Americans understand that we're trying to do fairness and justice when it comes to issues like how we fund our economy.

Todd: All right. Senator Jim Webb, I've got to leave it there. Thanks for coming on this morning. Senator Webb, of course, is not seeking re-election in 2012.