

Financing America on the backs of the middle class

Bucks County Courier Times-Joseph Kraher

In the December, January and February issues of *The American Prospect*, economist Robert Reich, Clinton's Labor secretary, writes about America's widening income inequality, and thinks that Clinton wasn't doing enough to address this crisis. A Democrat criticizing another Democrat. I contact him occasionally, and met with him recently when he was lecturing in New York City to promote his new book "SuperCapitalism."

Reich notes IRS data showing the bottom 50 percent of all Americans combined are earning just 12.8 percent of all income. The richest 1 percent earn more than 21 percent of all income. He faults Democrats and Republicans alike for their political unwillingness to raise taxes on those making over \$500,000 a year, as the leading factor resulting in this increasing inequality seen since the late 1970s.

He notes that under Eisenhower, Republican, in the 1950s, the top tax rate was 91 percent for the richest, and the middle class didn't complain. People who lived through the Depression were seeing their take-home incomes rise, even with these high taxes for the rich. A one-worker family could afford the middle class American dream.

Reich simplifies the two economic theories in America as Trickle-Down (Friedman) and Bottom-Up (Keynes). Everyone should remember Reagan's "Trickle-Down," which Republicans have been fooling us with since. This assumes the rich get richer with lower taxes and use their extra income to invest in America. Investments don't trickle down to the middle class; they trickle out to wherever on the planet the rich can get the highest return. If trickle down worked, inequality wouldn't be rising so fast.

Bottom-Up means giving Americans what they need to be productive, a basic tenet of our Constitution — which can mean health coverage, good schools, a chance to attend college, jobs, and affordable child care, for starters.

How can we afford this and give baby boomers Social Security, Medicare, homeland security and defense, develop non-fossil fuels, and repair decrepit bridges and highways? The only way is to stop obsessing about a balanced budget (do you pay cash for your house?) and push for a serious tax hike on the rich (timid Democrats can call this rolling back the tax cuts for the rich if they like!).

Reich criticizes Democrats who style themselves as "fiscal conservative" and refuse to raise the highest tax rate on the rich from 35 percent, and from the lowly 15 percent rate paid by the super rich with incomes as capital gains. The rich paid up to 91 percent under Eisenhower, (with deductions they paid 52 percent) but now the country rests on the backs of the middle class. Is it any wonder that the rich of other countries flock to the United States with lower taxes than their own?

Reich explains that people should feel the same degree of pain when paying taxes. Those earning millions should pay larger portions of their incomes in taxes than those earning \$20,000 or even \$100,000. Even Adam Smith, America's first conservative president advocated a graduated tax and stated "the rich should contribute ... not only in proportion to their revenue, but something more than in that proportion." Conservatives say that a big portion of taxes are paid by America's rich. They're wrong! Ignored are highly regressive payroll, property and sales taxes which take bigger chunks of middle-class income.

Reich proposes a 50 percent top rate for those earning over \$500,000 annually to 70 percent for those over \$10 million and stop the very rich's stock schemes with 15 percent rates (Financiers with average \$560 million annual incomes pay lower rates than those earning \$20,000, America's working poor).

Add an annual 1 percent on net worth of \$5 million in total assets and this would yield approximately \$205 billion each year.

Let's finance the common good once again. It worked before the very rich and corporations took over America and stopped repairing bridges, roads, and water and sewer systems and states started depending on gambling money from the poor and middle class. Will the rich leave the country? Yea, right! Go where?

Let them leave and yank their citizenship. That should be the American version of tough love. Demand this thinking from your next president.

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