

## **The Case for a Mild Dose of Progressive Taxation**

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*In difficult economic times – and these are definitely difficult economic times – it is normal for conservative politicians to pursue hard-pressed voters by raising the specter of tax hikes. McCain is doing it now, playing on the fear that an Obama administration would add to the weekly pressures on the family budget. It is equally normal for progressive politicians to respond simply by denial. Obama is certainly doing that, promising a tax cut for 98 American households in every hundred.*

*Whose tax cuts will be bigger is fast becoming the order of the day.*

*Promising to be a better tax-cutter than McCain presumably has to be done. But that promise doesn't take away the fear. It doesn't make big health care plans credible; and it leaves the conservative framing of the tax issue firmly in place. Which is why, from a progressive standpoint, there is a case to be made for refocusing debate onto the limited tax hike to which Obama is committed: a surrender of some of their recent tax cuts by the richest 2% of American families.*

*That tax hike – and arguably an even bigger one – may be generally popular, for these reasons at least.*

*1. The moral outrage reason. There is currently huge popular disgust with the salaries top CEOs and Wall Street brokers pay themselves; and ever greater outrage at the golden parachutes on which they leap safely away from their own mistakes. The Financial Times (9/25/08) reported 2007 compensation packages for the CEO of Goldman Sachs at \$70.3 million and J. P. Morgan Chase at \$30 million. The CEO of Lehman Brothers apparently took home \$40 million in 2007, part of the \$480 million Henry Waxman yesterday said he took in compensation over eight years! Tax hikes on such self-indulgence are more civilized than public floggings, and should be campaigned for as such: though in some circles the temptation to flog must currently be enormous.*

*2. The great theft argument. So it should be, because we have just lived through the greatest increase in income inequality since the days of the Robber Barons. The latest EPI survey of 350 large companies reports a 2007 ratio of average CEO compensation to typical worker pay of 275:1 (a CEO roughly earning in a day more than a worker in a year). In 1989 that ratio, though still large, was 71:1 (*The State of Working America 2008-9*, 221). Indeed, if income inequality had remained at 1980 levels, every middle class American family would now be \$7000 better off. That is money that the average family did not receive because the super-rich took it for themselves. Middle class America needs some of that money back.*

*3. The failure of trickle down economics. In the Bush years we were told endlessly that tax cuts on the rich would make us all wealthy, because the rich would invest the money and the rest of us would pick up the jobs and wages that this investment generates. The 2001 tax cut – the one McCain used to oppose but now does not – gave the majority of taxpayers a rebate of just \$300 a year. It gave the top 10% of taxpayers \$50,000 a year. But investment in the 2001-8 business*

*cycle was lower than in any business cycle since the war, as average wages stagnated. Even the Bush Administration practiced trickle-up economics in its recent stimulus package – handing out tax breaks to average America. As the recession deepens, we need more of the same.*

*4. The need for a strong middle class. For in a recession, the short-term health of the economy requires middle class spending. In a competitive global marketplace, its long-term health requires a persistent rise in middle class skills and industry. Currently the US middle class is being hit from above by the salary-snatch of the men in the top office, and from below by the pressure of the low paid on median middle class income. It is time to strengthen the middle class on both fronts: progressive taxation on the super-rich to sustain expanded earned income tax credits for the working poor, and affordable health care for all Americans*

*5. The rights of the children argument. The Republican Right invariably blames the poor for their own poverty and praises the rich for their entrepreneurial zeal. Far from apologizing for the widening income gap, they actually welcome it: hailing it as proof that the American Dream is alive and available to all who are prepared to put in the effort. But they hail too much. Poverty and affluence are not just earned. They are also inherited. The children of the poor normally stay poor. Those of the rich begin with advantages that others lack. If we genuinely believe in equal access to the promise of America for all our children, then each and every one of them needs to start on a level playing field. No matter what Rush Limbaugh calls it, transferring income from rich adults to poor children is not socialism: it is American fairness in action.*

*Societies are contracts – between rich and poor, between young and old, between the well-born and the disadvantaged. On any one day, there is only so much money to go round. If the folks in the big office keep taking so much more than their fair share, it is the rest of those they employ who suffer. It is time to tax the super-rich, and put that tax revenue into programs that serve the common good. It is time for a mild doze of progressive taxation.*