



Written by [William P. Hoar](#) on November 18, 2019

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Correction, Please!

Ostensibly Setting Sights on Rich, Progressives Hope to Hit Middle Class

Item: *Writing in the New York Times for October 8, in an article entitled “The Rich Really Do Pay Lower Taxes Than You,” Times columnist David Leonhardt alleged that for the “first time on record, the 400 wealthiest Americans last year paid a lower total tax rate — spanning federal, state and local taxes — than any other income group,” citing “newly released” data. The data came from a book called The Triumph of Injustice, by economists Emmanuel Saez and Gabriel Zucman, both professors at the University of California, Berkeley.*



Item: *A video clip carried by MSNBC on August 1 carried a typical charge made by former Vice President Joe Biden during his ongoing presidential campaign. Disregarding the generally strong U.S. economic performance under Donald Trump, Biden implausibly maintains that the “economy, as well as the soul of this country, is collapsing because of this presidency.”*

Item: *Also on August 1, following early Democratic debates, the New York Times essentially offered recommendations on how to beat Donald Trump, in a piece called “How Democrats Will Attack Trump on the Economy.” Amid its suggestions, the establishment paper noted that the candidates have been assailing “Trump’s record on trade, tax cuts and wage growth, accusing him of perpetuating economic inequality and a ‘rigged’ system that favors the wealthy and powerful. It was a preview of the economic arguments to be made as the 2020 race escalates.”*

Item: *Commenting on the then-recent debate among Democratic contenders, media columnist Margaret Sullivan made several complaints in the October 16 Washington Post. She carped that Elizabeth Warren had been repeatedly and publicly asked if her universal healthcare plan — one of several massive, expensive proposals cooked up for the candidate — would require more taxation on the middle class.*

As has long been her way, Warren repeatedly deflected and/or denied to answer such questions. The Post’s Sullivan charged that journalists “are kindly doing President Trump’s work for him when they insist on trying to pin down” front-runner Warren “to declare she’d raise taxes to fund Medicare-for-all.”

Correction: There has been considerable misinformation and dissembling about the differing tax burdens of segments of the American population. That includes the counterfeit counter-claim by Senator Elizabeth Warren (D-Mass.) against those who dare to critique her: She has blasted them, for



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example, for believing that it is “more important to protect billionaires than it is to invest in an entire generation.”

This “investment,” to Warren, Bernie Sanders, and other Democratic candidates, along with their followers, means guaranteed healthcare — as well as a carbon-free world, an elevated minimum wage, college education for everyone, government-provided day care, and more. Building castles in the sky might take a bit longer.

Much of this is cheap politics — and a comfortless reminder that the cheaper the politician, the more he (or she) costs the country and the taxpayers.

The middle class is the ultimate target of economic fiction because that is where the meaningful votes, and the bulk of funds, can be found. Of late, aided by cuts in taxes and regulations, the economic situation of those in the middle class, and low earners as well, has been on the rise. This is happening despite the finger-pointing of so-called progressives, armed with misleading allegations about who does pay the tax bills. As intended, this leads to class-warfare rhetoric about soaking the rich and redistributing wealth.

Before imagining what it might take to construct the Brave New Socialist World, it might be instructive to look at what has actually been happening: The economy has been boosted widely and, in fact, the most progress has been made for those in need. Championing the poor and less fortunate, or so we have been told, is a progressive tenet — but somehow they don’t credit Trump.

As of mid-year, as summarized by Adam Michel of the Heritage Foundation, average wages had grown at an annualized rate above 3 percent “for 10 straight months — twice as fast as inflation. And since the tax cuts of 2017, wage growth for the poorest 25% of workers has reached post-recession highs of 4.4%.” Meanwhile, according to data from the Federal Reserve Bank of Atlanta, “the highest-income workers’ wages are growing at a more modest rate, more than a percentage point lower than those of low-wage workers,” said Michel.

If you want a job, it is available. In July, Michel pointed out that previously unemployed Hispanic and black working-age women were finding jobs faster than any other demographic group. The employment numbers got even better more recently. As the White House noted in early October, since Donald Trump’s election, “the economy has added over 6.4 million jobs — more than the population of Maryland.”

The White House also took note, happily, at the unemployment rate — which fell to 3.5 percent in September. This marked

the 19th consecutive month at or below 4 percent unemployment. The unemployment rate is the lowest it has been since May 1969 — over 50 years ago. All Americans are benefiting from the labor market’s continued improvement. The lowest unemployment rates on record were matched or set in September 2019 for African Americans, Hispanics, and people with disabilities.

Additionally, the unemployment rate for people without a high school diploma fell to 4.8 percent, the lowest rate since the series began in 1992 and much lower than the 7.8 percent rate in November 2016.

Looking at this situation, the Democrats favor actions that would impair progress, such as imposing a \$15 per hour federal minimum wage. Should that occur, there would naturally be some winners. And many losers. The Congressional Budget Office has estimated that the number of jobs lost (among many



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other negative results) could range from 1.3 million to 3.7 million.

There are many economic numbers that should be encouraging. Commentator Stephen Moore, who was considered for the Federal Reserve Board, cites the most recent data from the Census Bureau Current Population Survey. It reveals that middle-class incomes, after adjusting for inflation, have surged by \$5,003 since Trump became president.

This puts national median household income at an all-time high. It also serves as a contrast to the previous two administrations. As Moore has noted (for Fox News and FreedomWorks), during the eight years that George W. Bush served as president, the median income went up only \$401, greatly affected by the 2008 recession. Then, during the 7.5 years that Barack Obama was president

and not including the end of the recession, which Obama inherited, incomes inched up by \$1,043 (June 2009 – January 2019). This means that in the 16 years before the Trump presidency, incomes rose by about \$1,500 while in less than three years middle incomes have risen three times faster.

Moreover, those are pre-tax numbers that don't include the impact of the Trump tax cuts. According to estimates by the Heritage Foundation, the average household saves about \$1,400 on its federal taxes because of those cuts. This means, in Moore's words, that "many working-class families now have a \$6,000 higher after-tax, and after-inflation paycheck today."

Such progress won't continue if Americans fall into the grasp of would-be saviors such as Elizabeth Warren. She promises to cancel student loans, reduce rents, ban fracking, curb drilling, and much more. She even has, among her bag of many plans, a trick that would likely kill ridesharing as well as other "gig" economy businesses. Liz Wolfe of *Reason* has exposed how Warren's proposal is a "federal version of California's A.B. 5, which classified Uber drivers and other gig workers as employees, not contractors." If she's elected, look for the gig to be up for the whole economy — but in a bad way.

These days, the Democrats' progressive healthcare fallback is "Medicare for All," and Warren has said that "I'm with Bernie" on that unbelievably expensive scheme. The decade-long cost of that has been estimated (conservatively) at \$32 trillion. Considering the cost of all such fantasies, it's no wonder that Warren has been reticent to tell Middle Americans what a huge price tag she has planned for them. As the *Wall Street Journal* has put it, Warren

could impose her wealth tax, her higher taxes on capital gains, her higher income taxes on the affluent, and she still wouldn't come close to paying for Medicare for All. And that's before her plans for new spending entitlements on child care, pre-K education, free college and so much more.

The only way to pay for this is to raise taxes on the middle class, which is where the real money is. That's how government health care is financed in Europe, where the rich generally provide a smaller share of overall tax revenue than they do in the U.S. Democratic voters have to decide if they want a nominee who would eliminate private health insurance while dissembling about taxes.

Before Warren vowed that she would come up with some "specifics" to prove how the middle class would not be hurt, she was taking a bit of heat — as were those advising her (and Sanders) about why the rich need to be soaked: authors Emmanuel Saez and Gabriel Zucman.

Boston University economist Laurence Kotlikoff has taken apart their new book, *The Triumph of Injustice: How the Rich Dodge Taxes and How to Make Them Pay*. As noted, the book has been used as ammunition for those calling for even higher taxation on those at the top. The authors misrepresent



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how much those with high incomes already do pay. Their biggest mistake, says Kotlikoff (who is also president of Economic Security Planning), is “to focus on gross, not net, taxes. They ignore transfer payments, like Social Security, which are disproportionately paid to the poor. In doing so, they mistake language for economics.”

(Other critics of the book — including Howard Gleckman, a senior fellow in the Urban-Brookings Tax Policy Center at the Urban Institute — have pointed out that the authors also “left out refundable tax credits like the earned income tax credit (EITC) and the child tax credit (CTC).” This distorts comparisons between those with higher and lower incomes.)

The essential message of the Berkeley authors is that the current tax system is flat, not a progressive one. Kotlikoff demonstrates otherwise. Far from being flat, he writes (in this case using a 40-year-old as an example), “the net tax rate facing middle age Americans rises rapidly with their resources — from negative 46.4% for the bottom 20% to positive 34.5% for the top 1%.”

Those in the middle, already supporting way too much government, would face a huge tax increase if we were saddled with the grab-bag of plans favored by the leading Democratic candidates. These proposals, including the Green New Deal, single-payer healthcare, and more, would total the equivalent of 21 percent of the Gross Domestic Product, as calculated by Brian Riedl, a senior fellow at the Manhattan Institute. As Riedl has said,

Increasing federal spending by 21 percent of GDP to fund Democratic socialism — even after slashing defense — would require either a 55 percent payroll tax increase, or [a] 115 percent value-added tax, according to CBO [Congressional Budget Office] data.

No Democrat who expects to be elected will admit this. This is, indeed, why progressives lie about the situation.

Economic historian Phil Magness also disputes the figures that Warren/Sanders favorites Saez and Zucman employ when discussing the tax burden of the top one percent. Writing for the American Institute for Economic Research, Magness shows that, while Saez and Zucman “place the top 1 percent’s *total* tax burden (federal, state, and local) at around 30 percent of its income in 2016 (the latest year available for comparison in both series), the CBO’s estimate for federal taxes alone is actually higher at 33.3 percent.”

Even Jason Furman, who was the chairman of the Council of Economic Advisers in the Obama administration, has acknowledged that American high-income earners do in fact pay at a higher rate than low-income earners (even with adding the somewhat more regressive levels of state and local taxation).

Progressives apparently can’t even be honest about the progressive nature of taxation in this country: The United States, according to the Organisation for Economic Co-operation and Development (OECD), has the most progressive household taxes among developed countries.

In trying to sell their socialist snake-oil panaceas, big-government politicians are employing biased academics peddling misleading elixirs spiked with spurious assertions. It may not be polite to call them liars — but they sure live on the wrong side of the facts.

— William P. Hoar

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