

## Will the Wealthy Find a Political Home With Warren?

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Presidential candidate Joe Biden is reportedly considering a proposal for a new tax on Wall Street and the wealthy. Clearly pressure from Biden's left—from Elizabeth Warren and Bernie Sanders, who have proposed wealth taxes of their own—is forcing the centrist Delawarean, long known for his coziness with big banks and big donors, to shift his ideology. For the flexible politician, it's never too late to change.

As we all know, the Democratic Party as a whole is shifting. Defeat in the 2016 election has liberated activists from the leash of Clinton-Obama neoliberalism, and now the party is embracing populism, redistributionism—even democratic socialism.

Of course, this shift is not without consequences, including this September 26 headline from CNBC: “Wall Street Democratic donors warn the party: We'll sit out, or back Trump, if you nominate Elizabeth Warren.” We can pause to observe that Wall Street moguls have discounted the possibility that Sanders can win the nomination—and that was before his heart attack. Yet what will Wall Streeters do if Biden, who *can* win the nomination, starts to sound like Warren? What if the lefty economic thinking of Paul Krugman and Alexandria Ocasio-Cortez—both of whom have endorsed substantially higher tax rates—really is the wave of the Democrats' future? And what if the Democrats not only say it, but *mean* it?

If so, then the days when the average plutocrat could be happy as a Democrat might be coming to an end.

It has been a long time, after all, since the Republicans were the party of plutocracy. Setting aside the stray Koch Brother—and an economic policy platform that still includes whole chapters borrowed from the Cato Institute—the GOP is now the party of workers; by contrast, the Democrats are the party of owners. (Admittedly, the visible line bosses may still be Republicans, but *their* bosses, the ones operating from Manhattan, are mostly Democrats.) Thus in the 2016 presidential election, nine of the 10 richest states voted for Hillary Clinton, and nine of the 10 poorest voted for Donald Trump. Moreover, today, Democrats represent all 10 of the wealthiest congressional districts in the country, as well as 41 of the top 50.

So what's going on? How did the party of the little guy become the party of the big him, her, or *they*?

One can cite many cultural and sectional reasons as to why the rich have moved so strongly toward the Democrats, yet those tensions have existed previously. In the 20th century, high-living tycoons and humble teetotalers alike voted for, say, Alf Landon and Richard Nixon.

No, the big switch for the rich came when the tax issue became moot. In the old days, Democrats such as Woodrow Wilson, Franklin D. Roosevelt, and Harry Truman pushed personal income tax rates into the 90s—and kept them there. To be sure, those high rates always allowed for plenty of loopholes. And yet many of the moneyed were caught criminally after trying to cheat the tax man. One such was Philadelphia publishing tycoon Moses Annenberg; in the early 1940s, he served two years in prison for income tax evasion. His son, Walter Annenberg, was a big Republican.

Yet more recently, those high tax rates have gone away, to some extent *de jure*, and to an even greater extent *de facto*. Here's how *The New York Times* described the changed situation in 2015: “Two decades ago, when Bill Clinton was elected president, the 400 highest-earning taxpayers in America paid nearly 27 percent of their income in federal taxes, according to I.R.S. data. By 2012, when President Obama was re-elected, that figure had fallen to less than 17 percent.”

So we can see: in an era when Democrats held the White House for four presidential terms, the effective tax rate on the rich *fell* by more than a third, from 27 percent to 17 percent. That 17 percent rate, of course, stands a lot lower than the rate paid by many in the middle class. In response to that anomaly, billionaire Warren Buffett proposed in 2011 what has become known as the Buffett rule: a 30 percent minimum tax on incomes of \$1 million or more. Nearly a decade later, his idea still languishes.

So if we can, let's look at politics as a plutocrat might have seen them in recent years. On the one hand were the Republicans, the party of Southern Baptists and conservative Catholics. On the other hand were the Democrats, the party of civil liberties, defined as having the right to do just about anything they wanted to do. Why, for a long time, the Democrats cheerfully gave an honored place to such deep-pocketed transgressors as Harvey Weinstein and Jeffrey Epstein.

Bottom line: if the tax variable is off the table, and neither party is into soaking the rich, why not go with the fun party?

We can observe that this choice is perfectly consistent with the history of plutocracy. It's the rich who have wanted to be able to enjoy their pleasure domes; everyone else, pleasure-loving or not, had to work.

Moreover, the rich typically signed on with the state. Indeed, often in the spirit of Louis XIV, they *were* the state. So in our time, the rich could see that the state could be the guarantor of their good times.

Indeed, it's worth recalling that through most of human history, the rich weren't taxpayers fearing the state's tax collectors; they *were* the state's tax collectors. That is, the peasants ponied up to pay for royal estates and hedonistic lifestyles.

In those days, though, there was a catch: rich aristos were obliged to military service. In fact, in France, top nobles were referred to as *noblesse d'épée*—nobles of the sword. Yet over time, the aristocracy grew tired of fighting; the last British monarch who led troops in the field was George II, at the Battle of Dettingen in 1743. Since then, absent any real justification for their existence, aristocrats have been consigned to ornamentation at best, and execution at worst.

Meanwhile, in the mid-18th century, a new force was emerging: the bourgeois capitalist. These were bounders typically lacking in the aristocratic and martial graces. They might have been admired for their industry and philanthropy, yet they were loathed for their disruptiveness and acquisitiveness.

The resulting economic and political struggles reshaped the world, and were chronicled by figures as diverse as Charles Dickens, Karl Marx, and Ida Tarbell. Yet by the 20th century, one consensus solution to the issues raised by robust capitalism loomed above all others: the progressive income tax. Thus the new capitalists could displace the old aristocrats at the pinnacle of society, but they would have to pay heavy taxes, in part to support expanding post-aristocratic militaries.

Of course, as with any political thing, there was a left end and a right end. Thus came the many arguments over tax rates, higher versus lower. And since in those days the Democrats were firmly the party of higher rates, affluent places such as Greenwich, Connecticut, and Winnetka, Illinois—and even the Upper East Side of Manhattan—were firmly Republican.

Then, late in the 20th century and into the 21st, tax rates fell dramatically, and so the old tax tug-of-war mostly went away, to be displaced by other concerns, typically cultural. Partisan loyalties inverted. The old Republican citadels became Democratic, even as the old Democratic bastions—in Missouri, South Carolina, and West Virginia—are now Republican.

For affluent places, the new winning Democratic model can be described as “libertarian”—that is, the fusion of libertarian and liberal. The familiar fat cat formulation is: *I'm conservative on fiscal issues, but liberal on social issues.*

We can translate that easily enough: *I want a political arrangement that lets me keep my money and do whatever I wish. And the codicil: if anything goes wrong in my adventuring, I can always fall back on therapists, clinics, and, if need be, lawyers.* After all, one fun thing about being really rich is that your money is always working for you, even if you yourself need some time off—or a lot of time off.

Interestingly, this upper-class vision has been embraced by the sober upper-middle class, folks who are more likely to be pushing shopping carts at Whole Foods than any avant-garde envelope. Indeed, the upper-middle class, because it depends on salaries as opposed to investments, actually pays income taxes at the statutory rates, which can easily total more than 50 percent. Yet such is the power of virtue-signaling—including, one might guess, some trickle-down value-receiving from the super-rich—that yuppie suburbanites are now pillars of the Democratic Party. Perhaps deep down, the blue bourgeoisie always wants at least the theoretical option of kicking loose.

Yet now, the Democrats, they are a changin'. Yes, they are top-heavy with top incomes, but they are also swelling with the world's poor proletarians. Indeed, a poll earlier this year found that 61 percent of Americans support Warren's wealth tax—that's a big majority, beefed up by more than just Democrats.

So the real prospect is that if the Democrats win next year, they will follow through on their soak-the-rich campaign promises—and some serious class-warfare will commence.

If so, what will happen to our politics? Will the wealthy stay loyal Democrats, even as they are suddenly getting soaked? Will they come streaming back to the GOP? If so, what will Trumpy Republicans, most of whom are at least somewhat socially conservative—and many of whom are also economically populist—make of these new joiners?

Or perhaps, in the spirit of a new tech startup, the rich will launch some new political formation, modeled, perhaps, after the neoliberal party created by France's Emmanuel Macron.

Yes, many possibilities. Yet history is clear about one thing: in any but the most extreme situations, the rich always find a home.