REAL CLEAR MARKETS

Donald Trump Is the Middle-Class Growth Candidate

Middle-income wage earners should not be fooled by Hillary Clinton's tax-the-rich rhetoric.

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Did Hillary Clinton actually propose raising middle-income taxes in a recent speech? The audio suggests she said "we are going to raise taxes on the middle class," although the prepared remarks indicate she meant "we aren't." Well, these things happen. But the fact remains that Hillary Clinton's proposals to raise taxes on so-called rich people, rich corporations, Wall Street, investors (capital gains, dividends, and financial transactions), and estates *will greatly harm middle-income wage earners who have essentially not had a pay raise since the year 2000.*

Donald Trump is set to give a major economic speech in Detroit on Monday. In general terms he will propose lowering marginal tax rates on both large and small businesses and on all income classes. He also will set forth a hike in the standard deduction for families and special deductions for childcare and the elderly.

All of these polices will help the middle class. Trump's plan will generate substantial new investment, business formation, jobs, and growth - and hence higher wages.

Trump is the pro-growth candidate in this race. Hillary Clinton is the anti-growth candidate. Trump wants to expand national income and the economic pie. Clinton wants to redistribute income and shrink the pie.

In past writings I have equated Trump's tax-reduction plan to the JFK and Ronald Reagan tax cuts, which generated economic booms of roughly 5 percent growth per year. President Obama, by comparison, has raised taxes, spending, and regulations, producing the worst recovery since World War II. And Clinton intends to follow in Obama's footsteps with a Bernie Sanders-like, left-wing policy mix. She is the Democrats' anti-JFK. What a pity.

I want to draw on some academic work to validate how Trump is the pro-growth, pro-middle-class candidate.

Let me begin with AEI economists Aparna Mathur and Kevin Hassett. They have written extensively on the adverse effects of high corporate taxes on worker wages. They argue that high taxes drive capital out of the high-tax country, like the U.S., which leads to lower domestic investment. That in turn reduces the productivity of the worker, who will lack the latest advances in technology and machinery. And since there is a tight link between worker productivity and pay, lower wages result.

Mathur and Hassett cite famous University of Chicago economist Arnold Harberger to explain that when taxes are raised on corporations, wages are lowered not only for the workers in those firms, but for *all* workers in the economy. So, a $1 corporate income tax leads to a $1 loss in wages for a firm's workers. But that tax could lead to more than a $1 loss overall when we look at all wages for all workers.

President Obama and Mrs. Clinton wrongly believe that the corporate income tax is a tax on the rich. The reality is that rich corporations don't pay taxes - *workers do*.

Another erroneous claim from Obama and Clinton is that the rich don't pay their fair share. But a new CBO study shows that the so-called rich pay the lion's share of federal taxes. The CBO reveals that the top 1 percent of households pays an average of 34 percent of income in federal taxes, while the middle 20 percent of households pays only 12.8 percent. This is confirmed by a recent Tax Foundation report.

And taxes for the top 1 percent have been going up. Between 2008 and 2012, the top 1 percent paid an average tax rate of 28.8 percent. But in 2013 that rate spiked to 34 percent as a result of tax increases and the Affordable Care Act. This data is summarized by Mark J. Perry of the University of Michigan and AEI.

It's also worth noting that the so-called rich haven't had it so great lately. Recent studies by Manhattan Institute economist Scott Winship and Cato Institute economist Alan Reynolds show that during the Great Recession, the top 1 percent lost 36 percent of its income, while income for the bottom 90 percent was 12 percent lower. As of 2014, the top 1 percent was still poorer by 18 percent than it was in 2007, compared with a 9 percent decline for the bottom 90 percent. Reynolds also notes that middle-incomes fell only 1 percent in the 2007-09 recession, after counting tax cuts and government benefits.

These facts and figures slay a lot of left-wing urban legends. *Highly divisive* urban legends, I might add.

What matters most for *all* Americans is economic growth. As Arthur Laffer frequently reminds us: Tax something more, get less of it. Tax something less, get more of it.

Mr. Trump's big-bang economic speech on Monday will outline policies to tax growth less and restore American prosperity. Mrs. Clinton, on the other hand, has nothing but prosperity killers up her sleeve.