

Tax system redistributing wealth to the wealthy

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ROCK ISLAND -- A Pulitzer Prize-winning journalist who investigates tax breaks and loopholes that benefit the wealthiest Americans exhorted an audience of local activists, educators and elected officials on Saturday to “get organized” to help reverse growing income inequality.

David Cay Johnston, author, columnist and former long-time reporter for the New York Times, Los Angeles Times and other newspapers, was the keynote speaker for a Symposium on the Impact of Wealth Disparity on America held at Augustana College’s Olin Center. Along with documenting the rise of income disparity, its effects and the laws that enable it, Mr. Johnston encouraged attendees to get politically involved.

“Inequality didn’t happen, it was created,” Mr. Johnston said. “In fact, we chose this by the people we elect, because we elect the people who make the rules.”

Following Mr. Johnston’s 90-minute speech, symposium participants met in a half-dozen groups to discuss different aspects of wealth disparity and poverty in the Quad-Cities and how to address them. Discussion group leaders included Davenport Mayor Bill Gluba, Augustana provost Pareena Lawrence, Martin Luther King Center executive director Dwight Ford, Rock Island alderwoman Kate Hotle, St. Ambrose history professor Kari Manning and others.

“I hope this will be the beginning of efforts in the Quad-Cities to lift our neighbors up out of poverty, because we are being robbed of our potential human resources,” said Bob Babcock of Progressive Action for the Common Good, one of the symposium organizers.

To launch the symposium, Mr. Johnston armed the participants with plenty of data gleaned from his latest column-writing, as well as best-selling books like “Free Lunch: How the Wealthiest Americans Enrich Themselves at Government Expense (and Stick You with the Bill),” published in 2008, and “Divided: The Perils of Our Growing Inequality,” published earlier this year.

In 2001, when he was a reporter for the New York Times, Mr. Johnston won a Pulitzer Prize “for his penetrating and enterprising reporting that exposed loopholes and inequities in the U.S. tax code, which was instrumental in bringing about reforms,” according to the prize citation.

Disparities are clear, he said. In 1966, the average incomes for the entire “bottom” 90 percent of Americans was \$31,000, he said, and adjusted for inflation, it hasn’t changed, he said. Meanwhile, the incomes for earners in the top one percent and top one-tenth of one percent have skyrocketed.

In 1980, that top-tenth of a percent — the 0.1 percent — received “every 33rd dollar” earned in America, or just over 3 percent. In 2012, those wealthiest Americans received “every ninth dollar,” or about 11 percent, he said, citing government figures.

Citing Internal Revenue Service data, Mr. Johnston said the top 400 income earners who filed taxes rose 31 percent just from 2009 to 2010, while the income tax rate they paid dropped from 19.9 percent to 18 percent on average, lower than the rate paid by someone earning \$80,000. He cautioned that the 400 figure doesn’t mean the top earners overall, since many get away with deferring declared income for many years.

What happened between 1980, when Ronald Reagan was elected president, and now?

“What happened was the government rule book was rewritten, and it was fundamentally rewritten to take from the many to give to the few,” Mr. Johnston said. “That’s what’s going on. We have the largest socialist redistribution scheme the world has ever seen, here in the United States.”

This redistribution toward the wealthy, he said, “created a system so awful that we have companies that earn all their profits from the tax system.”

Among many examples he cited, “90 percent of Wal-Mart distribution centers and as many as a third of Wal-Mart stores were built with your tax dollars.” Citing a 2011 column he wrote for Reuters, he said that the state of Illinois allows Peoria-based Caterpillar to keep the taxes withheld from its Illinois employees.

“Caterpillar got it by meeting the legal standard of providing a credible threat that they would leave the state and move elsewhere,” he said.

These and many other tax code provisions and loopholes Mr. Johnston cited go unchecked and are even largely unknown because of the money in campaigns that promote misleading television advertising and a news media that’s “too busy covering controversies instead of policy.” There are a dozen conservative think tanks in Washington, D.C., such as the Cato Institute and Heritage Foundation, that are “the Madison Avenue of the right-wing, welfare for the rich philosophy.”

That severely hampers the benefits that taxes should provide, such as for education and infrastructure, he said. “A properly designed tax system will make us richer, because it will finance the public goods and services, the commonwealth that is required for private wealth.”

To effect change, “we’ve got to be organized,” he said. “You’ve got to go to the polls — you’ve got to get people to the polls. ... You can get things done. But don’t grouse about it. Work on it and put time into it so we can change the country.”