Taxing top 1 percent isn't stealing — it's righting a half-century wrong

BY MARIK VON RENNENKAMPFF

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Wealth begets power. Power and political influence, in turn, beget more wealth. This simple, age-old dynamic lies at the root of America's decades-long decline.

Yes, social media platforms and hyper-partisan news outlets are fueling the extreme polarization that is stress-testing America's democratic guardrails like never before. But deep political divisions were simmering – and intensifying – long before the dawn of Facebook, Twitter, Fox News and MSNBC.

The meteoric rise of Trumpism, the Jan. 6 insurrection, last summer's mass racial protests and antifa riots in Portland, Ore., are all symptoms of a far more insidious sickness afflicting America. Indeed, these developments are rooted in the collapse of a once-prosperous middle class and, importantly, the concentration of extreme wealth in the hands of a fortunate few.

From 1945 to the early 1970s, America's middle and working classes were the envy of the world. Well-paying jobs were plentiful. Unions ensured robust employment benefits, social mobility and a better life for millions. Most importantly, incomes for all Americans grew at roughly the same rate.

But, in a development that now increasingly threatens American democracy, middle and working-class wages began stagnating in the mid-1970s.

Since then, the wealthiest 1 percent has taken a vast amount of wealth – to the tune of $50 trillion – from hard-working Americans.

Among those hardest hit by tens of trillions of dollars in stolen wages? Donald Trump's white, blue-collar base.

After their livelihoods, families and communities crumbled over the course of four decades, white, working class Americans are killing themselves with opioids and alcohol at a staggering rate.

Trump tapped into the despair and anger of this "American carnage" with remarkable success. But instead of directing his most fervent supporters' rage at the CEOs and business executives who systematically slashed worker pay, cut benefits and shipped jobs overseas, Trump scapegoated immigrants and "globalist" Democrats. (Republicans, not Democrats, bear most of the blame for outsourcing millions of American jobs)

The rise of Trumpism was not pre-ordained. Had incomes grown equitably since the mid-1970s, Trump would not have had a vast pool of poor, sick and angry citizens to rile up and exploit for political and monetary gain. Unsurprisingly, nearly 60 percent of those arrested following the Jan. 6 insurrection were in some form of financial distress.

At the same time, an extraordinarily vocal, uncompromising and illiberal minority of the American left would not have emerged had Republicans refrained from preying on America's gutted middle and working classes in the pursuit of political power.

Indeed, a left-wing backlash to the surge in deadly right-wing extremism and authoritarianism was inevitable; especially so after Republicans eagerly embraced the extreme politicization of guns (in 1977), religion (in 1979) and now – thanks in part to Trump – white racial identity.

Moreover, the vast majority of those arrested in the violence after the death of George Floyd were not ideologically motivated extremists.

Instead, criminal "opportunists" were behind most of the looting and rioting. So, if the wealthiest 1 percent had not taken an estimated $2.5 trillion in wages from middle and working-class Americans each year for 45 years running, it is entirely plausible that last summer's mass demonstrations would have been 100 percent (versus 93 percent) peaceful.

Alternatively, had incomes risen equitably, causing George Floyd to earn tens of thousands more each year, he may not have interacted with a police officer on that fateful May 2020 day. This, naturally, would have left several dozen left-wing extremists in Portland, Ore., with nothing to violently "protest."

But how did we get here?

Economist Milton Friedman published the economic manifesto heard 'round the world in September 1970. In his essay, Friedman argued that businesses have no obligation to their workers or society as a whole. Instead, Friedman wrote, corporations should focus solely on the maximization of profit.

Not long after the New York Times published Friedman's groundbreaking op-ed, middle and working-class wages began stagnating. But as wage growth dwindled, employment benefits disappeared and unions increasingly lost influence in the Friedmanesque race to maximize shareholder profits, wealth began accumulating among a small sliver of citizens.

Some at the top of the income distribution spent the sudden, Friedman-induced windfalls of the 1970s on expensive cars, new homes and luxury goods. But others sought to put their newfound wealth to work by influencing politics and policy to amass ever-more wealth.

And thus began the rise of "free market" think tanks. The Heritage Foundation, for example, was founded in 1973. The Cato Institute followed in 1977.

Many Republicans eagerly played along, moving from a pre-Friedman platform of championing a robust minimum wage, labor unions, Social Security and strong unemployment insurance benefits to fiercely opposing them, all in the span of a few years.

Ronald Reagan, influenced by Friedman and radical “free market” policy prescriptions, ushered in extreme tax policies that super-charged the concentration of wealth among the top 1 percent.

More “free market” think tanks emerged shortly thereafter, including the Heartland Institute and the Competitive Enterprise Institute (both founded in 1984), followed by the Committee for a Constructive Tomorrow a year later.

Unsurprisingly, all of these institutions staked out aggressive policy positions that perpetuate the concentration of extreme wealth by opposing virtually all forms of government intervention in the economy. Indeed, fierce opposition to minimum wage increases, rabidly anti-union stances and climate change denial are among these think tanks’ greatest hits.

Enormous sums also went into lobbying politicians who, in turn, eagerly pushed policies that made the fantastically wealthy even richer.

Forty-five years later, the devastating consequences of this mass upward redistribution of wealth are brutally obvious.

Importantly, America’s experiment in extreme “free market” economics was not the product of external pressures. It was the result of deliberate policy choices that can – and must – be reversed.

A well-crafted, targeted wealth tax is a step in the right direction.