Donald Trump's Attack on Equality

"The issue of income and wealth inequality is the great moral issue of our time, it is the great economic issue of our time and it is the great political issue of our time."

Senator Bernie Sanders, announcing his candidacy to be nominated for president

by Bill Barclay

The driving force behind both the decision of Bernie Sanders to seek the presidency and the firestorm that his campaign unleashed is the same as that of Occupy Wall Street: the 1% vs. the 99%. The unifying theme of Sanders' rallies, speeches and policies has been the denunciation of "the billionaire class." Sanders understands better than most that the obscene level of income and wealth inequality in the U.S. – we're No. 1 among wealthy countries – makes all other problems more difficult to solve.

Sanders made inequality an issue – *the* issue – in the presidential campaign. But many pundits and even many voters seem to have forgotten this.

"You're kidding. You still pay taxes? It's a nostalgia thing? Right?"

Republican presidential nominee Donald Trump hasn't – but he is not interested in fighting inequality. In fact, his proposal for "reforming" taxes is a blatant attempt to increase inequality.

Of course, he doesn't state it like that. Instead he talks about tax cuts for all and simplifying the tax code. So, let's look at what Trump proposes to do to your and my taxes – and our after-tax incomes.

Trump once said that wages are too high, although he (maybe) later "walked back" from this statement, claiming that he meant that we should not raise the minimum wage. But whatever Trump's shape-shifting on wages, his tax proposals are clear: the 1% have too little money and the rest of us too much money. He stands solidly for increased – dramatically increased – income and wealth inequality.

The core of Trump's **personal income tax** proposals is: (1) to reduce the top marginal rate from 39.6% to 25% and (2) to cut the number of tax brackets from 7 to 3 (25%, 20% and 10%). Trump claims that many people will be able to file a very short form with little effort.

Trump would give households in the bottom quintile (the bottom 20% of households by income) more after-tax income: a HUGE increase of 1.5%. Those in the middle quintile would gain 4.9%, and those households in the top quintile 9.0%. OK, a little unfair perhaps, but maybe some people would think the trade-off of less time to fill out their tax form is worth it.

But, as is typical of neoliberal approaches to inequality, the focus on broad groups such as quintiles is designed to obscure more than reveal. Digging deeper, we discover that the top 1% of households by income would see their after-tax income increase by 15% and the top 0.1%, by 17% – because they would see their tax bill reduced by $1,780,826.

But class is not just about the *amount* of income you get, it is also about what *kinds* of income you get. And class is also about how you can pass on privilege to your heirs.

Trump (and here he and his newly announced pick for vice president are singing from the same hymn book) believes that income from capital should have preference over income from labor. So, while his maximum tax rate for labor income is 25%, his maximum tax rate for income from capital gains and dividends would be 20%. In another preference for capital income, he proposes to eliminate the 3.8% tax levied by the Affordable Care Act on net investment income that applies to households making over $250,000. Trump would also repeal the alternative minimum tax (AMT). The AMT is a complicated set of calculations, but it is designed to insure that high-income households are not able to escape taxation altogether.

Trump's proposed changes shift the cost of funding government further off businesses and onto individual taxpayers. His top corporate tax rate would be 15% and, as in the case of individuals, he would repeal the corporate AMT.

Trump's proposed tax reforms also contain a sleight of hand. The "carried interest" tax break that allows billionaire hedge fund managers to have their income taxed as capital rather than labor income has been under attack by both Bernie Sanders and Hillary Clinton. Trump proposes to eliminate this tax break. Good, right? Except that he is actually offering a reduction below the current 23.8% effective tax rate on this income (20% capital gains maximum rate plus the 3.8% ACA tax). Pass-through businesses, such as partnerships, would be taxed at a maximum rate of 15%. Hedge funds are organized as partnerships. Of course hedge funds are not the only entities using the partnership structure. Major commercial and residential development firms such as John Buck in Chicago, Trammel Crow and, to take another random example, The Trump Organization, are similarly structured.

But Trump's gift to himself and other developers does not stop there. He proposes to cap itemized deductions – except mortgage interest and charitable contributions. The mortgage interest deduction, of course, carries populist appeal to homeowners. Almost 75% of mortgage interest deductions, however, are claimed by households in the top 20% by household income. And, The Trump Organization, like all major real estate development companies, is highly leveraged, with large mortgage interest payments incurred during the development phase of a project such as the Trump Tower Hotel in Chicago.

(***Leverage*** is the ratio between the amount of money you invest and the value of the asset you control. For example, if you buy a $300,000 house with $30,000 down payment, you are leveraged 10:1.)

Class is not just about current income. Class is also about insuring continuity of a family's class position through inheritance. The 1% – or actually the 0.1% – has long attacked President Theodore Roosevelt's Estate Tax. The ideological thrust of this attack has been to rebrand the Estate Tax as the "death tax," although a better name would be the Paris Hilton Tax. The effort to repeal the Estate Tax has been largely funded by 18 families with combined fortunes of over $20 billion, seeking to avoid paying $6-9 billion in estate taxes.

> "We can have democracy in this country or we can have great wealth concentrated in the hands of a few, but we cannot have both."
> *Louis Brandeis, former U.S. Supreme Court Justice*

The great agglomerations of wealth that Trump seeks to preserve are corrosive to what remains of our democracy, allowing a few to contribute large amounts to political campaigns, assuring post-election access and attention, raising the costs of seeking office and reducing the opportunities for many who, absent the high cost of electoral success, might make outstanding political leaders.

Trump's tax proposals are pure class warfare. For those of us committed to carrying on the political revolution, the imperative to defeat Trump could not be more compelling.

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