

RESOLUTION 16 -20

Resolution Supporting an Increase in the Federal Tax Rate for the Highest Income Brackets

WHEREAS: "Issues of taxation are preeminently political and philosophical issues, perhaps the most important of all political issues. Without taxes, society has no common destiny, and collective action is impossible;"¹

WHEREAS: From 1930 to 1980 – for half a century – the rate for the highest US income (over \$1 million per year) was on average 82%, with peaks of 91% from the 1940s to 1960s (from Roosevelt to Kennedy), and still as high as 70% during Reagan's election in 1980 (with a low point of 28 percent after the Reagan tax reform of 1986);

WHEREAS: Democrats have never truly challenged this choice by the Reagan administration, the taxation rate for the highest US income having stabilized at around 40% (two times lower than the average level for the period 1930 to 1980);

WHEREAS: "If we look at all the developed countries, we find that the size of the decrease in the top income tax rate between 1980 and the present is closely related to the size of the increase in the top 1 percent's share of national income over the same period;"²

WHEREAS: Economists Emmanuel Saez and Peter Diamond (2011) recently estimated the "optimal" top tax rate for the wealthy – getting the most revenue from those most able to surrender it - for the United States at 73 percent (combining average federal, state, and local government taxes);³

WHEREAS: "The progressive tax is thus a relatively liberal method for reducing inequality, in the sense that free competition and private property are respected while private incentives are modified in potentially radical ways, but always according to rules thrashed out in democratic debate. The progressive tax thus represents an ideal compromise between social justice and individual freedom;"⁴

WHEREAS: "No mathematical formula or econometric estimate can tell us exactly what tax rate ought to be applied to what level of income. Only collective deliberation and democratic experimentation can do that."⁵

THEREFORE BE IT RESOLVED: Very high earners should be subject to high and rising marginal federal tax rates on earnings, including capital gains.

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¹ Piketty, Thomas. 2014. *Capital in the twenty-First Century*, p.493.

² Piketty, p.509.

³ Fieldhouse, Andrew. 2013. *A Review of the Economic Research on the Effects of Raising Ordinary Income Tax Rates*. Economic Policy Institute – The Century Foundation, Issue Brief #353.

⁴ Piketty, p.505.

⁵ Piketty, p.513.