

American pie: The truth about redistribution

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In the course of discussing tax policy with an unlicensed Ohio plumber, Barack Obama suggested that “spreading the wealth around” a bit more would be good for the country. Obama was trying to explain why he wants to impose a modest tax increase on people who make more than \$250,000 a year while reducing taxes on those making less than that amount. John McCain and his supporters immediately seized on Obama’s remark as a sign that Obama favors a socialist form of income redistribution.

The notion that a progressive income tax is a form of socialism is ludicrous. Since the time of Teddy Roosevelt, Americans have recognized that those who are flourishing most in society should pay a proportionately higher share of tax. After all, they are the ones benefiting most from the social stability and infrastructure that government provides.

Talk of socialism would be laughable except that it is part of a larger, disturbing reality in American politics: it has become almost impossible to talk about the disparities in wealth that have arisen over the past three decades and about how this stratification undermines democracy and fosters unequal outcomes in other areas of life, including educational opportunity and access to health care.

Since the late 1970s the share of national income going to the top 1 percent of Americans has doubled and the share for the top 0.1 percent has tripled. More than 40 percent of total income goes to the wealthiest 10 percent—their biggest share of the nation’s pie in at least 65 years. The very wealthy have become enormously wealthy, while middle-class workers have seen their wages stagnate—barely keeping pace with inflation—and at the same time have had to deal with sharp increases in the costs of health care and education.

In light of this trend, the dispute between McCain and Obama on taxes is minor: Obama wants to return the top marginal tax rate to 39 percent, where it was under

Clinton, while McCain wants to keep it at 35 percent. Both men, in other words, would maintain the mildly progressive tax system that currently exists. The current system is actually much less progressive than it was in earlier decades—under Eisenhower the top tax rate was 91 percent, and under Nixon it was 70 percent. Those were hardly socialist administrations.

Though tax rates are not the only factor shaping economic conditions, they are an important measure of how the burdens of common life are being distributed. The warnings about socialism should be seen for what they are: a blunt effort to block any discussion of the ominous fact that the U.S. has become a nation of increasing inequality and, for many, of declining opportunity.