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The Progressive Tax Revolt–and the Possibility of a Progressive Ownership Society

by Gar Alperovitz

Something very important is brewing just beneath the radar of most media attention–something which looks very much like the first stages of a progressive tax revolt. Moreover, it is about to converge with a broad range of developing strategies which suggest the possibility of something even more interesting: a progressive "ownership society." Taken together the two directions could offer new hope for progressive politics in general

Consider the following little noticed facts:

Last November California voters approved tax increases for people making more than $1 million--and earmarked the proceeds for mental health programs. New Jersey has enacted legislation taxing those making more than $500,000–and uses the money to offset regressive property taxes.

In Connecticut–which is currently considering a new tax on incomes over a million–a recent poll found 77% of voters in favor of the tax (including 63% of Republican voters!)

The conservative Virginia State Senate has also approved legislation to raise income taxes on those making more than $150,000. And in Indiana, Mitch Daniels, once President Bush's extremely conservative White House Budget director ("the blade") and now governor of the state, proposed a special tax increase on residents making more than $100,000 a year

Even as Washington has been cutting taxes for the rich, these initiatives aim to raise them at the state level. The progressive tax revolt is the logical result of three fundamental realities:

First, the draconian Bush tax cuts have led to equally draconian federal spending cuts. Second, the pain these are causing is being felt at the state and local level as mounting educational, Medicaid, transportation, environmental and other problems. Third, at the state level there is politically often simply no other place to turn for revenues but to those at the top.

Unlike attempts to tax the suburbs, moreover, targeting the very top elite groups can put 95-98% of the electorate on one side of the line of political demarcation–and only a tiny 2-5% on the other side. As the Republican poll data in Connecticut suggest, the extremely unequal economic gains of the last decades have made targeting the highly favored few politically and ethically compelling.

The top 1% of income recipients currently garner for themselves more money each year than the bottom 100 million Americans taken together.

Taxation of top groups is important on its own terms. However, such taxes also suggest even more intriguing possibilities. Bill Gates, Sr. and Chuck Collins have proposed a way to connect new tax ideas to a variety of other progressive policies. Their proposal, if broadened and linked to the tax revolt, might well open the way to a new and powerful double-barreled progressive strategy:

Gates and Collins suggest that revenues from a modified form of federal estate tax might flow into a Public Trust which then could allocate funds to various wealth building investments. Their revised estate tax proposal would impact only the top 1.5% but it would produce flows of roughly $1 trillion over two decades.

Variations on this theme might use other taxes aimed at those at the top to fund both state and federal trusts–and then invest in a wide range of increasingly popular and increasingly sophisticated community benefiting strategies. For instance, there are now more than 4,000 neighborhood development corporations which invest in housing and other services. Over the last three decades employee-owned companies have grown from a handful to an estimated 10-11,000. In communities all across the nation creative mayors have been establishing new municipal enterprises to produce additional revenues for public services.

Hundreds of nonprofit social enterprises also now own businesses which help pay for service provision and simultaneously create jobs for disadvantaged populations. In many cities new land trusts have created an ownership form which maintains low and moderate income housing. There are also thousands of traditional and modern cooperatives which use ownership strategies to serve more than 115 million members.

America's top 1% of wealth owners currently have title to just under 50% of all stocks, bonds and business assets. Government statistics show that an even tinier group–a mere 2/10th of 1%–made more money from the sale of stocks and bonds than all other taxpayers taken together in the most recent year for which data is available (1999). This is the reality behind the rhetoric of the Bush "ownership society." A very different and far more equitable "ownership society" is represented by the community benefiting efforts.

Progressives clearly need new strategies if they are to counter the dominant Bush era policies. That a new line of more equitable taxation might now be feasible–and that it might be linked to very widespread and popular community

building ownership strategies–suggest an important point of departure for what just possibly could become the basis of the next big progressive push.

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