

Say goodbye to the Middle Class

Written by Bruce Enberg

Saturday, 14 April 2012 11:41 - Last Updated Saturday, 14 April 2012 11:41

We've had an increase in the Initial Unemployment Claims number for the second straight week, and this may or maybe not be bad news. It's too early to get really worried about it, we're still way below the 400,000 number that seems to indicate a failing economy these days. The numbers are seasonally adjusted and thanks to global warming we had no winter to speak of, causing the normal spring spike in activity to start in January. Low winter heating bills put an average of \$400 per family into the economy with twice that in the northeast. Unfortunately, high gasoline prices are taking it back again.

The far right is screaming about hyper-inflation again because of gas prices, and this totally wrong-headed thinking is common among Federal Reserve Board members. This is what is spooking the stock market, that the Fed might start "fighting inflation".

Fighting non-existent inflation would trigger deflation and a freefall crash of the markets. Improved sovereign bond sales in Europe did calm the market for awhile. Markets did resume sliding again today, so that wasn't enough. Let's be clear, it's not about the jobs numbers. Wall Street doesn't give a crap about how many people are unemployed, it's the Fed they care about.

Obama is gaining political traction with the proposed Buffet Rule that would force the rich to pay a minimum 30% tax on all income over \$1 million (except on municipal bond interest). This would effectively double Mitt Romney's taxes. His wife might need to get a job (just kidding, she can stay home and hand crank the car elevator to save money).

The problem is that the Buffet Rule only goes half way. History shows that the top rate must be at least 50% to have a stable economy. Income over about \$5 million should be taxed at the pre-Reagan rate of 74%, at a minimum. FDR wanted a 100% top tax rate, but settled for 91%. Republicans immediately started drilling holes into that rate with exemptions and loopholes under the excuse of bolstering the economy. It did just the opposite of course, and this allowed them to call for ever more loopholes.

Republicans still make the same excuses today for why the rich should not only be exempted from paying their share, but with a straight face propose paying no taxes at all, but only if you're rich. The peasants should pay taxes of course, they even claim 48% of Americans pay no taxes. They mean income taxes but don't say that. FICA taxes bring in almost as much revenue

Say goodbye to the Middle Class

Written by Bruce Enberg

Saturday, 14 April 2012 11:41 - Last Updated Saturday, 14 April 2012 11:41

as the income tax does and rich people pay in almost nothing toward that.

Then there are sales taxes that have tripled since Reagan, local taxes and fees have skyrocketed while services are cut in order to give huge tax breaks to big business. In fact, the only people who pay no taxes of any kind are the elderly confined to nursing homes.

Then there is the decline in tax revenue caused from wages that have been driven down and manufacturing activity disappearing. Working Americans make half of what they did prior to Reagan and even with 75% of women working, family income is now declining sharply. Only 1 in 10 households had two people working prior to Reagan.

We've had massive gains in productivity in the last 30 years, but the gains have all gone to the rich. Plus they are stealing what the middle class already had in wealth to the point that the next big downturn will eliminate the middle class entirely.

www.prairie2.com