

A Fair Tax System for 2016

With the US election less than a year away most, if not all, of the candidates are talking taxes. They all claim to want a fair taxation system which does not hurt the economy and they each claim to have come up with the right one. Wow, what real money can buy. The wealthy in the US pay a lot less in taxes than many in the lower middle class, on a percentage basis that is. Here we have to use the word "lower" as the official ranges used in classifying groups based upon earnings are ridiculous. The real wealthy in the USA pay taxes at a lower rate than those in the middle class who do not use the tax experts when it comes to creating their income definition/tax avoidance system. The taxation rate reduction concepts for the wealthy started with John F. Kennedy and were really pushed by Ronald Regan who gave the wealthy the ability to lower their tax rates by moving the bulk of their income into the capital gains side of the equation and away from the regular income side. Some of these overpaid executives even started and continued to take a \$1.00 annual salary as regular income and the rest of the millions as stock options which lead to the much lower tax rates found related to capital gains.

Did this approach, again starting with JFK, really prove itself to work for the nation? If you believe this, then you do need to go back and take a closer look at the objective factors listing real economic changes over time. The best economic times in the USA were at the times when the marginal tax rates were the highest and that was in the 1960's. Since the wealthy families, starting with the Kennedy's, had to find better ways to get the social acceptance of their families they also had to find ways to bargain with the other wealthy families and business people. Once the wealthy got together they could find ways to trick the majority of taxpayers into believing that the people these taxpayers supported for government offices were not there for the wealthy but for the lower and middle class voters at that time. Since the Kennedy's every Republican has fought for tax changes which would keep their tax reduction candidates running for every election at every level in the system. The Democrats meanwhile did the same thing but never highlighted the fact that they too had been bought out by the wealthy like Donald Trump who has shown as he is running for office that in order for him to get his deals he had to support both sides of the electoral system. As the old saying goes: Power corrupts but absolute power corrupts absolutely. And money is power!

The current American taxation system is not only very unfair it also drives this nation down the path to an oligarchical system of government where the wealthy take back total control of almost every facet of life in this nation. They will do so at almost every turn in order for them to grow when it comes to both economic and political changes. Only a handful of the truly wealthy care about anyone but themselves. If the rest really cared for the other 95% of the American people, as a group they would support a taxation system where they would have the tax rates structured where they paid their fair share of the costs of all governments here in the USA.

It is very important to understand that today's world is not where it was 150 years ago when the few with money drove the economy. Economic diversity has changed all of that. In order for capital investments to drive the economy we no longer need to go back in time where the few control the system where their wealth increases at a rate greater than the economy itself. It would be fine if an ever changing few did experience financial growth greater than the economy but not for the entire group itself. But where is the real problem when it comes to the tax system? Well it is easily found in the elected officials of this nation and this needs fixing. We need a change in our governments. This will require a more important focus by the voters than simply reacting to the camouflaged advertising being used by the wealthy today.

So how can the required change of focus and commitment be forced upon every elected official? To start a more logical tax system would need to be created where the correct tax rate for every earnings group in the nation would be equal to their percentage of ownership of the nation's wealth. Obviously the billionaires would have to have their tax rates set to the highest level necessary to meet the total coverage of the related governments' spending. Those who own 97% of the nation's income which relates to its assets would have to cover 97% of the federal spending (as well as the states and local governments to be fair) which could mean a marginal tax rate at the top pushing 75%. Oh and their capital gains would have to be taxed at the same rate as regular income which in turn would most likely eliminate another poor fiduciary management failure like the one which led to the nation's second most severe economic drop in the last 150 years. Next, those elected officials who do not support this approach need to be removed from office on the first day following the next election for their jobs. Now possibly the most important point related to fixing this unfair tax system needs to be learned. Before you start claiming that this type of tax change would ruin the American economy you must go back to the 1960's and see what was happening then, before JFK's favoritism took place. The real rich were paying far more in taxes as a percentage of their incomes and still made this economy work not only for them but for most of the rest of the nation.

Now, based upon this wealth based tax formula where do you think your personal tax rate will be if this fix is taken by the next Congress? Do the calculations correctly and you can find out that the majority of Americans will be much better off and the economy could begin to flourish once again as more would be spent locally versus offshore. Even better if for some reason we could elect a better educated congress then maybe we could also take some of these increased taxes to begin to pay down the national debt but that is another issue to be discussed at another time if you are interested.