

## Repeal of the “Death” Tax: Is the Income Tax Next?

In 2001, as part of newly-elected President Bush’s massive \$1.35 trillion tax cut package, Congress “repealed” the estate tax. The repeal was really a ten-year phase out which cuts the tax to zero by 2010. But because the entire package has a sunset provision, the tax will be reinstated in 2011.

This convoluted scheme allowed Bush and his Congressional tax cut champions to win deep tax cuts while meeting agreed-upon budget restrictions. And it gives repeal advocates ten years to try to make it permanent. To that end, on April 14th, the U.S. House of Representatives voted for the fourth year in a row to make repeal of the estate tax permanent. That repeal of the estate tax is even on the agenda is a testament to how far the right wing has advanced its agenda.

The estate tax is the most progressive part of our tax law. It

requires people who have amassed great wealth to pay a portion of it to the general good before they pass it on to their heirs. The estate tax applies only to estates of considerable size (\$675,000 as of 2001). It does not apply to any assets left to a spouse and does not apply to contributions to charity. Fewer than 2 percent of all Americans must pay the tax.

*The estate tax repeal effort is simply one battle in the right-wing crusade to reduce radically the size of the federal government.*

It raises significant revenue to fund government programs, encourages charitable giving while still allowing the wealthy to pass a sizeable portion of accumulated wealth to their children. Repeal of the estate tax

would reduce the federal government’s revenue by about \$40 billion in 2011 and ultimately add, with interest, an estimated \$1 trillion in debt by 2021, according to the Center for Budget and Policy Priorities.

### The Repeal Campaign

For most of the 20th century, “the idea of progressive taxation based on ability to pay seemed as stable and fundamental to American policy as ‘no taxation without representation,’” write Michael J. Graetz and Ian Shapiro in *Death by a Thousand Cuts* (see box). So how did a tax that impacts fewer than 2 percent of the population, raises significant revenue and encourages charitable contributions become the “supposed enemy of hard-working citizens all over this country?”

Champions of estate tax repeal waged a ten-year campaign in which they patiently



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She may not have a clue, but the House of Representatives recently passed the “Paris Hilton Benefit Act,” otherwise known as repeal of the estate tax.

stood fast to their goals and principles. Advocates of repeal convinced the public that the issue was about fairness, that inheritance is a natural right. As Graetz and Shapiro put it, “the wealth that is accumulated during a lifetime, either through work or through investment [is] the sovereign possession of its current owner to dispose of entirely as he or she chooses.”

Repeal advocates cleverly branded the estate tax the “death” tax and implied, erroneously, that legions of family farms and small businesses had to be sold outside the family to pay estate taxes. And most Americans (77 percent according to one poll) believe that everyone pays the tax; only 9 percent think it affects only the wealthy. And a 1995 poll showed that 90 percent of minority business owners thought they would be vulnerable to the tax.

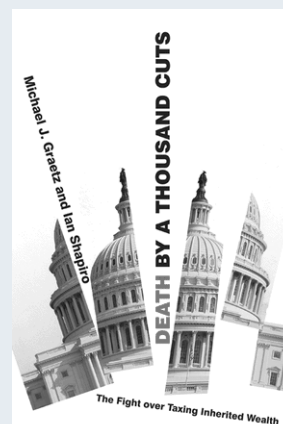
The real story is that exempting farms and small businesses from the estate tax would cost only a small part of the revenues

### Essential Reading

*Death by a Thousand Cuts* unravels the political mystery of how anti-tax crusaders radically changed public perception and opinion about the estate tax in little over a decade. The authors challenge and debunk much of the conventional wisdom about power and politics in the United States today.

“The stakes in this battle could not be higher,” write Graetz and Shapiro. “At issue is what kind of government we shall have and who shall pay to finance it.”

***Death by a Thousand Cuts: The Fight over Taxing Inherited Wealth***  
by Michael J. Graetz and Ian Shapiro  
Princeton University Press, 2005



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**On The Issues****Worker Rights**

A debate on the crisis of worker rights in the Spring 2005 issue of *New Labor Forum* features an article by National Organizer Mark Dudzic. In "Saving the Right to Organize: Substituting the Thirteenth Amendment for the Wagner Act" Dudzic assess-

**Social Security**

"The CEO of Charles Schwab, David Pottruck, finished paying his Social Security taxes before the end of the Rose Bowl on January 1, 2004," according to Scott Klinger, co-author of *Taxpayers for a Day: Wall Street CEOs Have Most to Gain, Least to Risk, in Social Security Privatization Schemes*. "That's \$87,900 in a few hours. Most Americans pay all year long without ever reaching the annual cap."

Financial services companies such as Charles Schwab are—not surprisingly—some of the biggest advocates of Social Security privatization. These firms would profit nicely from administering the proposed pri-

ate accounts, collecting billions of dollars in management fees. And as the April 2005 report by United for a Fair Economy (UFE) and the Institute for America's Future points out, the CEOs take virtually no personal risk in calling for reform. Seven of the 26 CEOs profiled in the report reached the 2004 earnings cap of \$87,900 in less than a day.

Because of the earnings cap, these CEOs pay taxes only on the first \$90,000 (the 2005 cap) of their average pay of \$17.7 million, making their effective tax rate only .16 percent of their annual pay. Over 94 percent of workers earn less than the earnings cap and therefore pay social security taxes on 100 percent of

income (or every day of the year). Workers effectively pay 12.4 percent of annual income (employer and employee contributions) to Social Security or more than 200 times the effective rate of these CEOs. UFE calls this the "Joe-to-CEO" index.

Removal of the earnings cap would also go a long way toward solvency of the Social Security Trust Fund. "If Wall Street CEOs pay into the system all year long, perhaps they'll have a greater stake in ensuring that we have a rock-solid retirement system that works for everyone, not just the affluent," say the report's authors. The report is available at www.faireconomy.org.

**Higher Education**

The right has stepped up its assault on access to higher education, following the same pattern as in attacks on the estate tax, social security, and personal bankruptcy protection.

A Cato Institute report identifies government-provided student aid as the main source of the crisis of affordability. The recommendation? Eliminate all federal student aid, replace it with a form of indentured servitude in which students would borrow tuition money from private lenders in exchange for a lien against anticipated earnings after graduation.

The American Enterprise Institute also fingers government

aid as a culprit driving up tuition costs. But AEI raises the stakes, arguing that colleges need to run more like profit-making corporations: increase faculty teaching loads, cut salaries, and eliminate the job security of tenure.

"This attack can be met only by affirming broadly that access to higher education must be a basic right," says Adolph Reed Jr., co-chair of the Free Higher Education campaign. Reed reports on several events to that end. In mid-April, student activists, faculty and staff unions at the University of Massachusetts-Amherst organized a public hearing on the human costs of budget and aid cuts. A

similar alliance at Rutgers University sponsored a week-long Tent State University teach-in, and South Carolina State University hosted a forum on the state of public higher education in South Carolina.

"The Free Higher Education campaign," says Reed, "was featured prominently in all these events, both as the only real solution to the problem of accessibility and as a promising vehicle for creating the broad alliance we need to turn back the right-wing assault. In each venue people expressed excitement that the campaign gives us all something to fight for." LP

cede and override employers' property rights.  
Larry Cohen, executive vice-president of CWA and Joshua B. Freeman, professor of history at Queens College, respond. The article is available on the Labor Party website.

Remove the earnings cap and override employers' property rights.  
Larry Cohen, executive vice-president of CWA and Joshua B. Freeman, professor of history at Queens College, respond. The article is available on the Labor Party website.

which repeal would do away with entirely. Nearly two-thirds of the wealth that is taxed is stocks, bonds, and other liquid assets, not family businesses. But Graetz and Shapiro show that even when people learn the truth about who actually pays, support for repeal remains strong. And many Americans seem to think they are wealthy or will be soon. Polls show that 40 percent of Americans think they themselves are in the top 1 percent of income distribution or will reach that point soon.

*“In less than a decade, the Democratic leadership’s position on the estate tax had become almost unrecognizable ...”*

Repeal advocates did a lot of things right. As Graetz and Shapiro so effectively document, they took advantage of greater resources and changed the face of those who pay the tax from obscenely wealthy to working rich. The authors tell a riveting account of how the zealous

advocates crafted new strategies such as effectively lobbying with stories from the “grasstops” (elite constituents), manipulating the language of repeal, and exploiting the “think tank gap.” But the key point is they had virtually no organized opposition.

### Where Was the Opposition?

Natural constituencies to oppose the estate tax repeal include labor, charities, foundations and private universities as well as life insurance companies (wealthy individuals pay into life insurance policies that can be used to pay the estate tax). But Graetz and Shapiro found that these groups were either in denial, “too poor, too weak, too distracted, too compromised and too divided” to mount a defense. When they did fight back, they “argued about the math of who pays and how much, without joining the fight over questions of morality, fairness, and democratic values.”

Repeal opponents missed an opportunity to counter the claim that inheritance is a natural right.

As the authors note, there is an equally long-standing view that it is a social privilege, that “society ha[s] some claim on it from having provided the markets, the rules of law, the security, and the enforcement that allowed the wealth to grow and develop.” Those opposed to repeal failed to articulate this alternative view. The effect was to cede the moral high ground to the right.

Without a principled alternative, “[i]n less than a decade, the Democratic leadership’s position on the estate tax had become almost unrecognizable: the same people who had previously advocated lowering the exemption to \$200,000 in order to fund Medicare enhancements were now endorsing an increase in that tax threshold to as much as \$5 million to forestall outright appeal,” write Graetz and Shapiro.

David Corn writes in *The Nation* that, “[o]nce again, the Democrats botched an opportunity to signal clearly that there is a sharp difference between Ds and Rs and that the Republicans care more about millionaires than middle- and low-income Americans while Dems do not.” After NAFTA, welfare reform, two repressive crime bills, and caving in to war in Iraq, are we to believe that the Democrats are merely “botching” it again and again? When do we conclude that they are simply incapable of articulating, much less advancing, an agenda that can inspire people and speak to their real needs?

### Anti-Tax, Anti-Government Agenda

The estate tax repeal effort is simply one battle in the right-wing crusade to reduce radically the size of the federal government. “The leaders of this wing of the Republican Party regard

the tax issue, not the wedge issues of social policy, as the linchpin to a long-term Republican majority,” write Graetz and Shapiro. Every time they win one battle, they come closer to their goal of killing government—death by a thousand cuts. And the next item on their agenda is the income tax.

Americans for Fair Taxation, the right-wing, anti-tax group headed by Grover Norquist, is building support for a “fair tax” plan in which corporate and individual income taxes, Social Security and Medicare payroll taxes, and the estate tax would be replaced with a highly regressive national sales tax. What is the ultimate goal of the anti-tax movement? As Grover Norquist puts it: “To cut the government in half in 25 years, to get it down to the size where we can drown it in the bathtub.”

In his pocket, Norquist carries a timeline for his legislative agenda that runs from 1980 through mid-21st century. The agenda includes abolishing affirmative action, privatizing Social Security and renaming a building for Ronald Reagan in every county in the United States.

Graetz and Shapiro paint a bleak picture of where the country is headed if Norquist and his cronies have their way and starve the federal government. We will have to either make huge cuts in government spending and end up looking a lot like Brazil. Or we will find ourselves with huge deficits like Japan in the 1990s.

The only way for us to avoid these horrible alternatives is to advocate boldly for an alternative vision and agenda that reflect what the country would look like if it were governed by and in the interests of the vast majority of the people who live here. **LP**

## PACE Merges with USWA

The Paper, Allied-Industrial, Chemical and Energy Workers Union (PACE)—Labor Party affiliate and successor to OCAW—voted at its April 2005 convention to merge with the United Steel Workers of America. The new union will be called the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied-Industrial and Service Workers International Union—USW for short.

With over 850,000 active members in more than 8,000 bargaining units in the United States, Canada and the Caribbean, USW becomes the largest industrial union in North America. USW will continue its affiliation with the Labor Party.



USWA President Leo Gerard (left) will be president of USW. Boyd Young (right), president of PACE, will be executive vice president.

# A Road Map Out of the Jam

Chris Townsend

As the big debate about labor's future and direction unfolds, I have been struck more by what has been missing from the discussion than what has been in it. But right now, I'm tired of reading page after page of this stuff. I know that unions are in a jam. You know that unions are in a jam. For me, for you, for the rank and file, and the many millions of unorganized, the question is: "How do we get out of this jam?" What can we do today, right now, in the workplace, to start turning things around?

I joined the labor movement in 1979 because the wages, benefits, and working conditions of my job sucked. I was a garbage-man in Florida—and take my word for it—things really sucked. We started a union for one simple reason: we wanted to fight back at work and win. No big reason other than that. We were tired of losing. We were tired of being humiliated and treated like "apes." That's what our City Manager called us. We organized our union because we wanted to win—for a change. And we pulled it off.

I still think that unions exist to fight back against the employ-

ers, every day if necessary. If you agree, buy this book: *A Troublemaker's Handbook 2: How to Fight Back Where You Work—and Win!*. Published by *Labor Notes*, edited by Jane Slaughter, and featuring a foreword by Baldemar Velasquez, President of the Farm Labor Organizing Committee (and Labor Party Co-chair), this 372-page volume is made up of articles by 70+ authors who have waged workplace struggles of every size and shape and, more often than not, won. In a labor movement that seems on most days to be in a headlong retreat on all fronts, this book is a potent boost to morale. This book is a road map out of the jam we are in.

Here's a sample ... chapter 3, "Shop Floor Tactics" is loaded with good ideas, suggestions, and experiences on how to go far beyond the ordinary grievance process. It explains how to work-to-rule as part of a campaign to push back against the boss, and how to produce and use an in-shop newsletter to keep the members informed and mobilized. Another chapter on "Creative Tactics" offers numerous cool suggestions about how

to launch a real show right in the boss' face. "Fighting Discrimination/Building Unity" is a chapter loaded with ideas and experiences on how to combat employers' constant schemes to divide and conquer.

There's more: how to run a winning contract campaign, actually save good jobs, drum up community support, organize new members, welcome and involve immigrant members, revitalize and clean up your union if it needs it, deal with the media, develop new leadership, prevent burnout, you name it and more. Every chapter is loaded with detailed references and lists of sources for more information, along with questions that easily can be used to stimulate a good discussion at your next union meeting. This is the long-awaited follow-up to the original *A Troublemaker's Handbook* in 1991, and I don't think that it's an overstatement in any way to refer to the new edition as "The Owners Manual for a Real Union."

We will never rebuild our labor movement unless we first rebuild the front-line shop steward structures—and better support the ones we have already.



Working people want to know that you can make the boss change his mind, and do so in their lifetimes. But we won't rebuild the fighting capacity of our unions in the workplace until we have the tools needed to engage the boss. This book is a toolbox full of those tools. I urge you to buy this book. And buy copies for your shop stewards. Add this to what you know already, go into action, and begin to write the history that's bound to get collected for the *Troublemaker's Handbook 3*.

**Chris Townsend is Political Action Director of the United Electrical Workers Union (UE)**

### A Troublemaker's Handbook 2

Available from: Labor Notes  
7435 Michigan Avenue  
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## No Comment

"You win this issue [taxation], you win—over time—all issues."

—Grover Norquist, Americans for Tax Reform

The income tax must be "pulled out by its roots."

—Bill Archer, former Ways and Means Chairman

Bush's "ownership society" can mean only one thing: "a shift in the tax burden on to wages and salaries—or, put more simply, a wage tax."

—*New York Times* editorial

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