

Social Democrats favor a tax system that makes life in a democratic nation-state bearable for people at the middle and lower ends of the income spectrum. The United States desperately needs a tax system that builds a stream of revenue for social insurance programs that help working people – more generous social security (more cash benefits), more generous Medicare (extended it down to age 55), unemployment insurance (more cash benefits), guaranteed vacation, guaranteed paid family leave, and guaranteed paternity leave.

How do we build capture revenue to support these things? We'll need 10 percent more in Gross Domestic Product. First, we return to the same tax rates we had under Clinton for all tax brackets. This will raise 2% of the revenue we need. Therefore, the top marginal tax rate on the highest earners would be 39%. At the same time, let's raise taxes on the top 1% a bit more, raising .7%. This would bring in a little over 2% of the GDP we need. We can add a value-added tax of 12% with limited deductions, bringing in five of the 10% of the GDP discussed above. We must also get rid of the tax deduction for mortgage interest. This would increase revenues by .6% of GDP. In addition, let's use a carbon tax to combat greenhouse gas emissions. This will generate about .7%, and we need a modest tax on financial transactions, which would bring in another .5%. Also, we could raise the cap on social security taxes. Right now, an income of about \$114K is not subject to taxation, leaving high earners with a way to dodge taxes. This would bring in another .2% of the GDP we need. Finally, to get the last 0.3% we need, we would increase the Social Security payroll tax by 1%, split 50% on employees and 50% on employers to provide more generous Social Security benefits.