Curbing Social Inequality through "The Millionaires Tax"?

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This winter the California Federation of Teachers (CFT) sent tremors of hope through its ranks by announcing it was going to spearhead an attempt to place an initiative on the California ballot — appropriately called the "Millionaires Tax" — that would raise taxes only on millionaires (3 percent on those making more than $1 million; 5 percent on those making more than $2 million). The initiative carefully specifies that the money it raises — if it gets on the ballot — will go to public education on all levels (36 percent for K-12 and 24 percent for colleges and universities), social services for children and seniors (25 percent), public safety (10 percent) and infrastructure (5 percent). To qualify for the ballot, somewhere in the order of 800,000 petition signatures are required.

According to the San Francisco Chronicle, it "typically costs between $1 million and $3 million to hire a signature-gathering firm." (March 17, 2012) Consequently, CFT was hopeful that other unions would join the campaign so that the expenses could be shared. But that did not happen. The California Nurses Association endorsed the Millionaires Tax but failed to allocate money for signature-gathering. Few other unions endorsed.

Even worse, the California Teachers Association (CTA), a National Education Association affiliate and the largest teacher union in the state, ran a hit piece on the Millionaires Tax initiative in an email blast to its members that included lies and deceptive half-truths. It claimed, for example, that the Millionaires Tax included as a provision — and it pretended to quote directly from the initiative — that "none of the funds can be used to support programs primarily funded by the state." This was a blatant lie that CTA later admitted was inaccurate. Moreover, the CTA email claimed that the initiative did not close the current budget deficit, although the initiative never pretended to do this. And it claimed falsely that the initiative would not restore program cuts to essential services.

Why were so many unions either passive or hostile towards the initiative? The answer lies with the arm-twisting tactics of Democratic Governor Jerry Brown, who is promoting a counter initiative and does not want any competing tax initiatives on the ballot, particularly the Millionaires Tax that has consistently polled much higher than his own proposal. He has put intense pressure on union leaders to stay away from the Millionaires Tax. His own measure would increase taxes on people who make more than $250,000 by a mere 1 percent and those making over $500,000 by 2 percent. But he also included a regressive sales tax of one-half cent on the dollar in his measure, and the entire tax package includes an expiration date of 2016. The money it would generate has not been earmarked for any specific purposes.

Since Brown's initiative raises taxes on both rich and poor, he has argued that it is a “balanced program,” or, as most people describe it, “shared sacrifice.” Not surprisingly, this argument overlooks the fact that during the past three decades the incomes of the wealthiest 1 percent of Californians grew by 81 percent while the income of the bottom 20 percent dropped by 11.5 percent (San Francisco Chronicle, April 1, 2011). A “balanced” program would require that taxes on the wealthiest 1 percent be raised 81 percent while the taxes of the bottom 20 percent be cut 11.5 percent.

Why did Brown devise a tax revenue proposal that would fail to significantly curb these socially destructive trends in inequality? We got a glimpse into the answer when CFT publicly responded to CTA’s unconscionable attack on the Millionaires Tax. CFT wrote:

> “The same day that the CTA leadership issued its flier, the California Business Roundtable, representing PG&E, Chevron and other large corporations, came out in opposition to the Millionaires Tax. It stopped short of endorsing Governor Brown’s proposal, however. The reason? According to the Sacramento Bee (March 9), ‘Roundtable spokesman Kirk Clark said the business group was waiting to see whether Brown would come through with pension reductions as well as changing environmental laws and business regulations to make it easier for firms to operate in California.’ The CTA leadership has now aligned itself with the most reactionary forces in California in opposition to the Millionaires Tax. CTA leaders are standing together with the 1%’sbusiness lobby, which is actively working to undermine the hard-earned pension benefits of CTA’s own members, and seeking the destruction of public employee pensions as a quid pro quo for their endorsement of the governor’s tax.”

In other words, Governor Brown tried to attract business support for his tax proposal by including a regressive sales tax. But the 1 percent wanted more: while firmly rejecting the Millionaires Tax, the 1 percent demanded that Brown agree to reduce public worker pensions before they would support his initiative. Under intense pressure from Brown, CTA and other unions such as SEIU, agreed to reject the Millionaires Tax and endorse Brown’s proposal, testifying to the inordinate power the 1 percent wields. The 99 percent, of course, are the losers. Poll after poll reported they overwhelmingly support the Millionaires Tax while offering only tenuous support to Brown’s proposal.

Buoyed by its polling, teachers and other supporters of the Millionaires Tax have been out gathering signatures with the hope that its success would reverse some of the crippling cuts to public education and social services. But just this week they suffered a stunning blow: CFT announced that it dropped its support for the initiative. In exchange, the union has endorsed a new “compromise” tax proposal brokered with Governor Brown.

The “compromise” includes the following provisions: the increase in sales tax – one-half a cent in Brown’soriginal proposal – has been reduced to one-quarter cent, and even this would expire after 4 years. Those individuals making over $250,000 would be taxed an additional 1 percent, over $300,000 an additional 2 percent, and over $500,000 an additional 3 percent. The money it would raise would go into the general fund, meaning it could be used for anything. And the entire package expires after seven years.

In defense of this abrupt about-face, Josh Pechthalt, CFT President, argued at an Occupation Education Northern California meeting (March 17, 2012) that CFT alone did not have the money to get the Millionaires Tax on the ballot. He pointed out that of the 300,000 signatures already gathered, only 10,000 were acquired by volunteers; paid signature gatherers got the rest. He further argued that this new “compromise” initiative was essentially progressive, since 8/9 of the revenue it would generate would come from raising taxes on the rich.

But, as one person at the meeting pointed out, many supporters of the Millionaires Tax are not simply focused on the money to save their own position; they are intent on creating a movement. And people will hardly want to join a movement led by teachers who pursue raising money for schools with a sales tax that includes in its scope taking money from the poorest people in the state. Teachers do not inspire when they support self-serving proposals that divide rather than unite working people. Moreover, the argument that the “compromise” proposal is progressive since it takes more from the rich than the poor fails to take into consideration the surrounding context where inequalities in wealth have been soaring. Although the measure might take a higher percentage from the rich than the poor, the rich have so much money to spare they won’t feel the bite. The poor already don’t have enough money, and this will leave them with even less.

Despite Pechthalt’s pleas, those assembled at this meeting voted to reject the concept of shared sacrifice, reject regressive taxes, and reject the ploy of the “compromise.” They bravely plan to soldier on in their support of the Millionaires Tax.

One cannot help but wonder what CFT’s top leadership was thinking. While it has agreed to stop promoting the Millionaires Tax, Governor Brown is still actively trying to get his original regressive tax initiative on the ballot. And with only a month left to gather signatures for the new “compromise” proposal, the prospects of getting enough signatures are slim. In all likelihood, the new measure will fail to get on the ballot while Brown’s original proposal might well succeed, leaving CFT completely empty-handed, since it has now dropped the Millionaires Tax.

Why, after resisting Brown’s unrelenting pressure, did the CFT leadership capitulate? Why did it switch camps in order to stand with the 1 percent when it had previously condemned CTA for doing just that? In essence, it tried to pursue a radical policy by taking conservative steps, so its efforts were doomed to failure at the outset.

Today, unions are notoriously top-down (and that is why there is an uncomfortable and unstable alliance between the unions and Occupy). Top union officials, for example, make it a studied practice to keep their members in the dark about their political maneuvering. They give huge sums of money to politicians —mostly Democrats — without providing the rank and file a full accounting, let alone a balance sheet on how the politicians performed after receiving the money. If no one knows what union officials are doing, there can be no objections.

CFT leaders proceeded along similar top-down lines in pursuing the Millionaires Tax. They did not try to create a real grassroots movement. They could have collected email addresses of all the volunteers who participated in the signature-gathering campaign so that everyone could be kept informed on a regular basis about how the campaign was progressing. Using email blasts, CFT leaders could have inspired their volunteers by providing them with frequent encouraging reports. The leaders could have provided a means for volunteers to communicate among themselves about successful approaches to attracting signatures. CFT leaders could have created regional organizing centers so that efforts could have been better coordinated. And union leaders could have provided its volunteers with an in-depth analysis of why the top leaders of other unions were avoiding the Millionaires Tax. In this way CFT could have thrown a spotlight on the influence and power of the 1 percent and provided volunteers with possibly their first serious political education. Had all these tactics been employed, many more signatures could have been gathered.

Instead, CFT officials basically let the volunteers struggle on their own. Symbolically, when the CFTleadership decided to drop its support of the Millionaires Tax, the volunteers only found out by reading newspaper reports. And according to one CFT local president, top CFT leaders did not even consult with their local leadership, resulting in his blistering attack: "Locally, your AFT Guild leadership is sickened to learn of this back room deal."

To make matters worse, when trying to justify his decision at the Occupy Education meeting, CFT President Josh Pechthalt admitted that from the very beginning he was trying to broker a deal with Governor Jerry Brown, giving the audience he was addressing — who had been vigorously promoting the Millionaires Tax —the impression they were simply pawns in a game that was playing out behind their backs: their efforts in support of the Millionaires Tax were really bargaining chips to be used to pressure Jerry Brown to adopt a slightly more progressive alternative to his original tax proposal.

It should go without saying that massively mobilizing union members to fight for their own interests runs dead against the current union policy of trying to win modest demands by supporting Democrats, who receive most of their campaign contributions from the 1 percent. But the accelerating growth in the inequalities in wealth during the past three decades highlights how disastrous the strategy of depending on the Democrats has been. Operating in this framework, unions are forced to accept only what is deemed permissible by the 1 percent. That has consistently meant lower wages and reduced pensions. And union officials' defense of this approach as the only realistic alternative merely creates a self-fulfilling prophecy: as long as the membership is not inspired and mobilized, of course they do not represent another option to the reliance on Democrats.

Students, teachers, and social service workers in the Occupy Education movement are not wavering in their commitment to the Millionaires Tax. They have already succeeded in mobilizing thousands on March 1 and 5 in support of this measure. They are courageously shining a light on the way forward for the labor movement. It is only a matter of time that organized labor itself will have to follow their lead.

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