

THE MOST IMMEDIATE WAY TO A MORE JUST SHARING OF PROSPERITY, WHILE INCREASING ECONOMIC ACTIVITY, REDUCING FULL-TIME WORK-HOURS, AND ELIMINATING UNEMPLOYMENT

A Summary of Policy 1 and 2 from the Book The New Enlightenment

The most immediate way to establish a far greater degree of shared prosperity is through a greatly expanded earned income tax credit (EITC) or subsidy. The New Enlightenment EITC will eliminate the problem of the “working poor”—tens of millions of employed Americans with insufficient income to meet basic needs—and nearly eliminate poverty by creating many millions of new jobs. The wages of people whose income is below \$50,000 per year will no longer pay income taxes; instead, the government will add money to their paychecks.

The expanded EITC system with a minimum wage increase to 11.10 per hour will result in a \$19.40 effective minimum wage. As part of the system is a full-time work hour reduction of 10% to 36 hours per week for everyone paid less than \$100,000 per year, which will eliminate unemployment and substantially increase the labor force participation rate. Fewer hours per worker will require more workers. Despite 10% fewer work hours, and so as much as 10% lower compensation from the workplace, people’s take-home income whose income now is under \$160,000 will rise, and rise proportionally more the lower the income due to lower taxes, the EITC or the higher minimum wage.

A 10% reduction in work hours is a well justified and conservative reduction. Dutch workers, for example, work over 400 fewer hours per year than American workers. This averages about 8 hours per week, so even when we institute the policy, Americans on average will work substantially more hours than the Dutch. The Dutch economy is very productive, with a positive trade balance, high personal savings, and low unemployment. Also, the federal workweek limit of 40 hours was instituted in 1940 and since then productivity has more than quadrupled, so the workweek could be 20 hours per week, while we enjoyed a standard of living double that in 1940 if we had an equitable distribution of national income.

Also, this policy would reduce unemployment by increasing demand for goods and services by giving tens of millions of people money that they would spend that they don’t now because they don’t have it.

Proposed EITC and income tax system

Income	Marginal tax rate
\$410,000+	55%
\$260,000 - \$410,000	50%
\$160,000 - \$260,000	40%
\$90,000 - \$160,000	20%
\$50,000 - \$90,000	10%
\$40,000 - \$50,000	0% Tax 0-\$5,000 Income supplement
\$30,000 - \$40,000	0% Tax \$5-\$10,000 Income supplement
\$20,000 - \$30,000	0% Tax \$10-\$15,000 Income supplement
\$10,000 - \$20,000	0% Tax \$15,000 Income supplement

The New Enlightenment wage subsidy and income tax proposals are modified versions of proposals by Robert Reich, PhD., Chancellor’s Professor of Public Policy, Univ. of Ca. at Berkeley, Former U.S. Secretary of Labor, from Aftershock pgs. 129-134

The policy treats capital gains no differently than labor income, and it eliminates the worker half of the payroll tax, which alone will increase take-home income by 7.65%. Also, currently employers pay a Social Security payroll tax for workers that is levied on incomes only up to \$128,700. The policy removes this limit, which also generates a lot of revenue.

The policy requires that only people reporting income over \$10,000 per year will qualify for the increased EITC. This requires at least 18 hours/week annual average work at the \$11.10 minimum wage and proportionately less work time for higher wage workers. Since New Enlightenment policy will create a full employment labor market, many opportunities for work will exist. For those unable to work, New Enlightenment policy will substantially increase Social Security disability payments, and for anyone earning less than \$10,000, the current EITC will apply.

The yearly cost to the federal government of the income supplements will be \$904 billion. This cost will be supplied by the higher taxes on top incomes and lower taxes on other incomes if the revenue increase resulting from the economic stimulus effect of this policy is included.

The \$904 billion expanded EITC cost is about 5% of GDP. Considering the enormous income inequalities existing, it is a moderate measure to use this proportion of GDP to create a more just income distribution.

**NOW IS THE TIME FOR A MAJOR ADVANCEMENT INTO
A NEW ENLIGHTENMENT.**