



The Pursuit of Economic Growth: A Review



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Wealth creation Prologue

We at Americas Majority Foundation have used our research to gauge voters' view and help design policy recommendation as a result. This election is in the balance and the Coronavirus is the wild card since we don't know how this virus will progress throughout the country and impact the economy over the next year.

Coronavirus impact on the economy is Democrat only shot at winning as their leading candidate, Joe Biden, is weak. Joe Biden has never been the best of candidates in his heyday and now there are times that he never seem to know where he is at and gaffes are a daily part of his day nor will the Biden's corruption of using his office to benefit his family be forgotten by Republicans in ads.

Bernie Sanders efforts to transform America scares even many Democrats including many on the left. In Sanders's worldview, there is no mention of creating wealth or expanding opportunity for the middle class or the poor. As *National Review's* Kevin Williamson noted, "*Sanders worldview begins with the idea there are just too few people, the 1percent, who have far too much wealth and this wealth has allowed the Rich the tilt the economy in their favor. Sanders believes in a zero-sum economics in which wealth is not created but needs to be shared equally.*"

Biden is considered a moderate, but any politician would look moderate compared to Bernie Sanders. Sanders view on the economy deals not with growing the economy but dealing with the unfairness of stagnant economy. Tom Donelson wrote in the Rise of National Populism and Democratic Socialism of Bernie Sanders economic views, "Sanders stated during this election, 'You can't just continue growth for the sake of growth in a world in which we are struggling with climate change and all kinds of environmental problems. All right? You don't necessarily need a choice of 23 underarm spray deodorants or of 18 different pairs of sneakers when children are hungry in this country. I don't think the media appreciates the kind of stress that ordinary Americans are working on.' For Sanders, all of economics is a zero-sum game in which a producer of underarm deodorants are stealing food from hungry children and government must step in to guide businesses in the right direction while taking from the wealthy to share with the Middle Class and the poor... While Sanders talks mostly about class, the machinery of the Democratic Party is built on activists, public sector unions, along with upper income consultants who benefit from government largess and are funded by leftist oligarchs." Sanders goal is controlling the economy to ensure fairness. Biden wing of the Party is not much different in their goals, but the machinery of the Democratic Party is built on expanding government and the administrative state, but the result is the same, no emphasis on economic growth and growing the economic pie. Bernie Sanders views now dominate the Democratic Party and Joe Biden is running on his platform.

Biden version of the Green New Deal mirrors the "more radical version of the Green New Deal" promoted by Bernie Sanders and proposed by Alexandra Ocasio Cortez. When confronted by CNN'S Anderson Cooper, if Cortez proposal too radical and unrealistic, Biden not only stated it was not too radical, but *he also stated the plan didn't go far enough.*

In a debate, Biden didn't hesitate to state he would sacrifice Natural gas workers to save the planet and threaten to put fossil fuels executive in jail. Biden is not moderate, and his administration will not be moderate but will move to the left sharply as soon as he hits the oval office. Biden may not use the phrase "transforming America" but on most issue, there is very little different between Sanders and Biden. Even Biden health care proposal, Obamacare 2.0, is heavy on government control and will prove to be a quick steppingstone to Sanders' Medicare for All.

This report is an update on past reports dealing with the creation of wealth. Over the past three years, we have reviewed how the decline of the investor class has impacted wealth creation for minorities and Middle Class voters, the rise of minority entrepreneurship and how it gives Republicans openings to increase support and reviewing our own tax proposals including looking at handling the payroll taxes while reforming taxes in general to increase growth. We discussed the need to control spending in a second Trump administration along with regulation reform which means controlling the administrative state. While there is talk of reducing social security tax as part of a short-term stimulus, our view is that we can lower the social security tax for the middle class on a long-term basis, but it will also include lifting the cap on earnings being taxed.

The writings of Clara Del Villar are included in this report and data is updated as needed from past reports. Our goals are to do the following:

1. To talk about increasing wealth creation among minorities and the Middle Class, starting with increasing participation in the investor class. The investor class doubled from the early 1980's to 2007 but while the number of Americas participating in the investor class is higher than the 1980's, it significantly dropped from 2007.
2. The trend of minorities increasing business start-ups is a positive that should be encouraged and expanded.
3. Design economic plans that begin the process of helping the Middle Class while putting in future restrictions in spending and regulations.

The drop in participation in investor class has not only harmed the retirement prospects and the wealth creation of the Middle Class, but it has increased the inequality of the top 1% and the rest of America as those voters who earned 100,000 dollars increased their participation in the stock market and this has increased their overall wealth. Those in the Middle Class who dropped out of the stock market saw their overall wealth decline while those in the Upper Class increased. Inequality is part of any economic model, but the real key is whether those in the Middle Class and the poor have mobility in moving up the economic ladder. In the 1980's and 1990's, much of America moved up the economic ladder and while inequality increased in the 1980's and 1990's, it didn't stop those at the bottom sharing in the prosperity.

The market was approximately 1000 in 1980 but today, it is around 20,000 today, which means the market has increased twenty folds and if the coronavirus is finally controlled, the market may yet move forward back to close to 30,000. A twenty folds increase in the market benefit the upper class more in wealth creation since the Upper Class has more of its income in stocks, but an increase in the market also aids in enhancing the retirement plans of the Middle Class. The

recent changes in retirement laws has made it easier for the Middle Class and small companies increase their own wealth. As we noticed in recent studies many of the Trump coalition are not prepared for retirement and we need to set up policies to ensure the next generation is capable of providing for their retirement. In our report, *The Politics of Retirement, A reports of voters 50 plus*, we wrote, “Our own view is that many conservatives are blind to the potential disaster facing us politically. There is overwhelming data to show that many Americans are going into their golden age unprepared as our data shows that depending upon the pollsters, 40% to 50% of Americans have nest eggs less than 100,000 dollars and this is more pronounced among lower income and many black retirees... We also high numbers of workers who are being forced to retire early due to lay-offs, downsizing and health reason and this is most pronounced among those between age 50-59 and those earning 50,000 dollars or less.”

As for the trend toward socialism, we noted in our report on Nordic Capitalism, “The real problem is that Republicans must face a significant reality, many Americans, maybe even half of America view socialism as “Denmark/Sweden” Bernie Sanders, Alexandra Cortez or even Elizabeth Warren describes their policies as Denmark/Sweden when their policies are actually closer to Venezuela or, at best, Argentina... The economic history of the past seventy years favors Republicans and free market conservatives while the Venezuelan socialists running the Democratic Party are pushing for an agenda that is Marxist in reality and their goals are simply allow the government to control all aspect of lives. We are not *talking a debate about the extent of the safety net, we should have but a deeper discussion of what kind of society we should be, will we move toward Venezuela and other disastrous example of socialism or continue to be a free market country!* The Conservative Coalition needs a debate about the proven principles and how they are under attack. The Conservative Coalition needs to harness millennial voters’ affinity for pursuing their passions.”

Many Americas are looking for the expansion of the safety net, but they understand that free markets policies are required if they want to pursue their passion or start their own businesses. The majority of Democrats have moved toward socialism, but we need to understand the nuance that many who answer socialism is Denmark are really looking expanded safety net, in particular health care as oppose the Sanders version of Venezuela socialism.

This report begins and ends with one premise that we need to begin a discussion on how to expand the economic pie and allow those at the bottom move up. Minorities and the Middle Class are the main victim of the Biden/Sanders economic plans that is stripping the engine of growth that will allow the Middle Class, the poor and minorities to move up the economic ladder

The Decline of The Investor Class and How to Restore It

One of the biggest challenges we face is designing policy to create wealth. While much of the emphasis has been on inequality, lost in the present debate are strategies to create wealth. In our survey earlier this year, we found that 13% of those individuals between 18-34 had savings of 100,000 dollars or more with another 14% with savings of 50 to 100,000 dollars. 30% of those between the age of 35 to 44 have savings over 100,000 dollars and another 21% have savings between 50 to 100,000 dollars.

Bank of America noted that 25% of millennial between the age of 24 to 41 have investments worth 100,000 dollars or more. These numbers are close to what we found in our survey and shows that many millennials are beginning to save. (1)

As we noticed in our report, *The Politics of Retirement: A report on Voters 50 Plus*. Many Americans are facing a retirement crisis including 35% of working Republicans over the age of 50. A poll commissioned by the Transamerica Center for Retirement Studies and by Harris Poll found that 30% percent of Baby Boomers (age 55-73) have less than \$100,000 in retirement savings and 45% percent of Generation X (age 41- 54) have less than \$100,000 in retirement savings. There is rich data on emerging trends of retirement preparation however most polls about retirement savings and readiness do not ask questions about partisan political identification and ideological world view. This project was designed to illuminate how a retirement crisis could manifest and affect elections. We used three separate polling firms—Cygnal, Evolving Strategies, VCreek/AMG. Our pollsters found similar trends that match other public polling: 48% overall of people retired and those still working age 50+ had retirement nest eggs under \$100K. Nearly a third of workers retired due to factors outside of their control. This has an impact on their retirement nest eggs, if they were unable to continue working to reach their savings goals. Nearly half of people surveyed confirm they were living comfortably and only 14% viewed themselves as struggling but the real question centers on 39% of those “getting by.”

We detailed the potential political fallout, when we wrote, “The Liberals and Progressives are positioning themselves to take advantage of this crisis with proposals to increase Social Security Payments funded by a tax increases and allowing workers over the age of 50 to “buy in” to Medicare for health insurance. Both of these proposals are popular even with voters who identify as Republican. Across the three separate polling firms commissioned for this project there were several critical trends:

- Strong relationship between education and retirement preparation.
- Significant share of Republicans support increased Social Security benefits paid for by tax increases on the rich.
- Significant percentage of Republicans think individual workers should have less responsibility for their retirement than the current system.

Large share of Republicans supports expanded Medicare Benefits from “Buy In” to “No out of Pocket Expenses.” The growing “divide that explains American politics” also illuminates this retirement crisis. For many higher income college educated voters, there is no retirement crisis.

The Trump/Conservative coalition whose significant base of support are people who did not graduate from college --are open to Liberal/Progressive ideas to resolve the retirement crisis.

It may be counterproductive to talk about a strategy dealing with wealth creation. This becomes even more acute when the market drops significantly such as the drop due to the coronavirus in 2020 but investing is about the long term. It is also giving Americans a stake in our economic system.

For the GOP and conservatives to make more in-roads among minorities, we need to pivot out of the debate as it is currently framed by the Democrats and communicate directly to minorities who are entrepreneurs or members of the investor class. Based on past voting data, African American and Hispanic entrepreneurs are more likely to vote for the GOP than their peers and African Americans with investments vote for Republicans at triple the national average. The GOP's message of economic freedom and free market rights resonates with minorities who have taken control of their future by owning a business or investing.

It is time for conservatives to open up a new debate on free market rights, specifically the right of Hispanics and African Americans to take control of their economic future with minimal government interference. As this report shows, it is not just enough to appeal to this group but also to create more successful entrepreneurs and create a wider investment class.

Since 2007, the investor class among most American groups including minorities have declined and the importance of the investor and entrepreneur class can be seen by surveys. Surveys conducted by Americas Majority Foundation in 2011 during the high point of the Tea Party movement found that investors with \$25,000 or more in their retirement plans were more likely to be members or supporters of the Tea Party by significant margins. Black and Hispanic investor class members were twice more likely to support or be members of the Tea Party than non-investors.²

The late Richard Nadler, the founder of Americas Majority Foundation, observed in 2004, “By the end of the Clinton administration, most Republican politicians were happy to regard the investor class as a force that would work to their inevitable benefit. Few of them considered the matter more deeply or gave any thought to how to expand the investor class or make it more Republican.”³ Whether this correlation is associated strictly due to the amount of money a person has in a 401(k) or IRA, or that a person, becomes more business/free-market oriented because they want their portfolio to grow has been debated. As Americas Majority Foundation research associate JD Johannes noted, “The decisive variables are the personality traits that lead to a person having \$25,000 or more in retirement savings—the primary personality trait being conscientiousness.” Research by Angela Duckworth and David Weir for the Social Security Administration and the Michigan Retirement Research Center found that “individuals that are measured to have higher levels of conscientiousness are more likely to be economically prepared for retirement.”⁴

Conscientious people are known for planning, preparation, attention to detail, punctuality, industriousness, structure and reliability and these are traits are the same that would lead to a

person having steady employment and saving for retirement plus be correlated with political ideology.^{5,6}

Nadler's finding is valuable in that it shows people who are conscientious with their personal finances tend to be even more oriented toward conservative policies than people who are conscientious in other ways. It is not the specific amount of money that determines if an investor class supports conservative ideas but those traits that lead to saving to begin with. This was shown with minorities who had a high degree of financial discipline to save and who demonstrated a more willingness to vote for Republicans.

Since the beginning of this century, Republicans have thought even less on how to garner this force in particular among minorities much less the general population. With the rise of Populism movement, little thought is still being given to creating a new generation of investors and entrepreneurs.

After the Great Recession and the slow growing economy, the idea of designing a strategy that appeals to the investor class seemed foolish but the Tea Party movement that sprang up in 2009 showed the way as they pushed the deficit and domestic spending to the top of the electoral agenda. This allowed the Republicans to sweep the House and make significant inroads in the Senate and the Tea Party could be classified as the revenge of the investor class. The ideas behind the rise of the investor class in the last third of the twenty century still provide opportunity for Republicans to move the free market agenda forward.

Richard Nadler in his "Worker Capitalism" research found that African American members of the investor class voted Republican at a rate of 21% but still this is lower than what it should be.⁷ African-Americans who earned more than \$100,000 voted Republicans 19% compared to 44% of Hispanics and 58% of Whites. In the case of Blacks, this has represented nearly triple of what Republicans received since 2008 and Hispanics numbers significantly higher than what Republicans won since 2008.⁸ The only time that the GOP won 40% of Hispanic votes in a Presidential election was 2004 with George Bush, who emphasized bread and butter issues. (In Texas, Bush emphasized Republican issues of economic growth, better education and traditional values and many Texans followed his lead as Texas Republicans have done better among Hispanics than the Republicans did on a National level.)

In two separate surveys conducted after the 2010 election, America's Majority Foundation found that between 37-39% of Hispanics and 20-30% of African Americans had retirement plans \$25,000 or more.⁹ Pew's Study Wealth Gap Increase Between White, Blacks and Hispanics reviewed data among different demographics and found that among Hispanics, 26% had 401 K, 11% had IRA and 5% owned stock for total investment averaging \$42,000. 30% of Blacks had 401K, 11% had IRA and another 7% owned stocks for a net worth of \$34,000. While this represented a reduction from the five years previously, it does show that many minorities have significant investments, even in recessionary times.¹⁰ If holding \$25,000 or more in investments doubled the likelihood of an African American to support the Tea Party, there is significant potential to bring more African Americans and Hispanics into the GOP. Data mining and

specific channel advertising have made communicating a message of economic liberty with these minority investors and entrepreneurs feasible.

Though out this century, self -employment and businesses among minorities increased faster than the general population with African American business ownership increased by 60% from 2002 to 2007 before slowing down to 34% increase from 2007 to 2012, still a good rate. Hispanics grew by 45%, plus both demographics were involved in more startups than White. ¹¹ According to census bureau, there are nearly 4 million Hispanics business formations and there are 2.6 million Black business formations in this century, with Hispanics making up 20% of new entrepreneurs and Blacks make up 9% new entrepreneurs in 2016. ¹² Chauncey Alcorn in Fortune observed that 40% of new businesses are started by Blacks, Latino and Asian owners compared to 23% two decades ago. Alcorn observed, “African-American entrepreneurs look to new business opportunities out of necessity, because they have lower education levels than their white peers.” ¹³ For many minorities, forming new businesses is as much due to lack of opportunity where they live and they create their own opportunities.

Small business owners in urban areas know first-hand the effects of oppressive regulation, licenses, fees and taxation. Most major urban centers are controlled by Democrats and the biggest victims of their policies are minority business owners. Republicans should seize on the issue of Democrat over-regulation of business at every level of government and hold Democrats responsible for those policies at every level own their business stifling policies. Democrat class warfare rhetoric runs counter to the interests of many Hispanics and Blacks, whose own businesses and investments are threatened by taxes and regulations proposed by Democrat office holders from Alderman to President.

Richard Nadler noted, “In 2003, President Bush enacted two more pro-investor policies: reductions in the capital-gains tax and the dividend tax. The dividend tax was a new issue for most people, even in Washington, and was academic for many voters since dividend payments to 401(k) s aren't taxed. But it passed, which it probably would not have done ten years before.” Contrast this to the Obama strategy which increased both capital gain tax and dividend tax which hurt Black and Hispanics who saw their own income decline. With the number of Hispanics and Blacks who have a financial interest in reduced taxes, the Republicans have an important wedge issue to use within minority communities. Republicans strategist often detail how they will campaign among minorities every election, but as election-day draws closer, Republicans seem to forget minorities as they use GOTV programs to concentrate on their base. An Illinois statewide candidate in 2010 told a researcher from the Illinois Policy Institute that there was no need to have a minority outreach program since it was waste of time and expensive. But even in a Democratic stronghold like Chicago, there are more nonaffiliated Hispanic voters than registered Democratic Hispanics, representing a quarter of million voters. ¹⁴

Mark Kirk barely won his Senate seat in Illinois Senate race and Bill Brady lost his governor race in 2010 by 30,000 votes but if Brady would have matched what Scott Walker received among Black voters in Wisconsin and what Perry won among Hispanics in Texas that year, Brady would be governor and Illinois would have been spared a massive tax increase instituted by Pat Quinn that drove businesses away from Illinois. In 2004, received nearly 40% of

Hispanic voters in his 2014 election and was able to reduce Democratic that appealed to many Hispanics voters.¹⁵

Democratic policies in Illinois hurt many minority business owners throughout the State and Republican failure to court that vote in 2010 allowed those policies to go in effect. African American and Hispanic investors and entrepreneurs cannot be ignored in competitive states and districts.

Beyond the investor and entrepreneurial classes, Democrat policies constitute a wedge issue that Republicans could use to increase their share of minority votes. The conservative research group Resurgent Republic produced a study on Hispanic voters' attitudes in key battleground states and demonstrated a serious flaw in Republican and conservative strategy in dealing with minorities. The Resurgent Republic found that 40-45% of Hispanics consider themselves conservative¹⁵ but Hispanic conservatives in key battleground states Florida, Colorado and New Mexico only gave Republican candidates 45 to 61% their votes.¹⁶ Only 26% of Hispanics are registered Republicans in Florida and those numbers are even lower in New Mexico and Colorado, showing that Republicans have problems attracting minorities with sympathy for Republican issues.¹⁷ Thirty percent of African American voters view themselves¹⁸ as conservative but African American vote some 30% percentage points behind Hispanics and Republicans have not even attracted 20% of African American voters since 1960 when Richard Nixon received 35%. The American National Election Study found that 90% of black conservatives voted for John Kerry in 2004 and this has been the Republican high point in this century since Republicans were even worse in 2008, 2012, and 2016. If Bush received just 20% of the African American vote in 2000, he would have beaten Al Gore by 1.5% and would have doubled his winning margin over John Kerry in 2004.¹⁹ For Republican strategists, a key to winning Hispanics and African American voters begins with obtaining the support of those within the minority communities who should be natural allies of the GOP. Conservative voters have given the Republican Party their vote 82% of the time over the past three Presidential elections so is it a logical assumption that Republicans should attract a larger share conservatives Hispanics and African American voters?²⁰

There have been studies to show that wealthier Hispanics and even Blacks are more likely to vote Republican. As previously mentioned, Sean Trende noted that 44% of Hispanic and 19% of Blacks earning \$100,000 vote Republicans which exceeds the average of Hispanic and African Americans voters support the GOP. Republican campaigns should use specific channels to reach conservative Hispanics and African Americans with middle to upper middle-class incomes and investment portfolios while simultaneously using similar channels to reach minority business owners in urban areas. The biggest loss of net worth among Blacks and Hispanics occurred from declining home values. The housing crash caused 35% of Blacks and 31% Hispanics to have either no or negative net household worth.²¹ If anything, government housing program that encouraged more home ownership backfired as many Blacks and Hispanics found their American dream foreclosed. The investor class strategy will show that Republicans want minorities to regain their wealth. Minority voters will provide crucial margins in many battleground states and with the Senate in play along with the President and the House up for

grabs, every vote will count in 2020. To ignore minority voters in the future will be to concede many states to the Democrats. Battleground States like New Mexico, Missouri, Wisconsin, Florida, Ohio, Pennsylvania, Nevada, Colorado, Michigan and Virginia are states with heavy minority population and Republicans have an opportunity to increase their Senate plus keep the White House in 2020. One question is can the Republicans find the right strategy to win? In 2004, George Bush won nearly 40% of Hispanic voters and in the process won the 2004 elections and Donald Trump gain ground among blue collar white voters in 2016 plus added additional minority voters from 2012. If Bush had not done as well among Hispanics, John Kerry would have been elected and Trump’s ability to gain a few additional minority voters to go with increases in blue collar White votes in key Midwest battleground states lead to his victory.

22

Many Hispanics and Blacks are concerned about the budget deficits, higher taxes, higher food prices and the price of gas, issues that favor Republicans. There are many reasons for Republican failures with minorities. The 2020 election is an opportunity for Republicans to make inroads as many Hispanic and Black communities are benefitting from Trump’s policies. (Coronavirus may stop the progress made by minorities for a short period, but as of February 2020, minorities have seen unemployment numbers drop to historical lows and their labor participation rates exceeded what was seen January 2009. Not only were unemployment rates going down but there were new opportunities happening. Trump policies were working, and it will happen again after the worse of the Coronavirus is over if the policies that led to those successes will be allowed to happen.)

If you can convince at least 70% of conservative Hispanics and 50% of Black conservatives who are investors and business owners to vote Republican, Republicans can make significant inroads into minority communities and knockout one of the Democratic key linchpins for victory in 2020 and beyond. If Republicans follow the right strategy in highlighting these issues among others, we won’t be talking a close election but a rout similar to 2008 by only in reverse, with the Republicans on the winning end. Trump understand this strategy as he is embracing a three-pong attack, going after minority voters while increasing turnout among his base and try to recapture a few of the suburban voters lost in 2016 and 2018. The same strategy we pursued over the past few elections cycle since 2014, Trump and his team are now pursuing. A strategy that ties main Street, the urban centers and suburbs in a coalition that can dominate for the next generation.

Gallup showed the decline of the investor class since 2007. As the following chart shows, with the exception of those whose income over \$100,000; every other group saw decline. The Middle Class and upper Middle Class saw significant drops in participation in the investor class since the Great Recession. Two thirds of those with incomes between \$30,000 to \$74,999 were members of the investor class but this was reduced to 54% by 2017 for a drop of 13% and those earning between \$75,000 to \$99,999 declined from 85% to 75%.²³

Less than \$30,000	27	21	-6
\$30,000 to \$74,999	67	54	-13

\$75,000 to \$99,999	85	75	-10
\$100,000+	88	89	1

The Stock market lost half of their values during the Great recession and many investors removed their money from the market or they took money out to survive periods of economic difficulty. The rise in the stock market has made up the difference in what was lost, many of the Middle class did not reinvest and did not participate in the market's rise. This has helped in the decline in income and wealth of many within the Middle Class during the Obama's recovery. It also led to even more inequality as the Middle Class lost ground in wealth as upper Middle class and the wealth saw their overall wealth go up even higher.

Both College graduates and those without college degrees saw reduction in investor class participation but those without a college degree saw bigger drop in participation as members of the Middle Class and many blue collar workers not only saw themselves without jobs but they also saw their nest egg disappear. 83% of College graduates were member of the investor class before the Great Recession but after only 78% of College graduates were member of the investor class. Those without college degree went from 53% to 43%. Many of these workers became Trump Republicans during the last election as Trump made significant inroads among blue collar and no college graduates' voters.

Yes	83	78	-5
No	53	43	-10

Whites saw a decline from 66% to 60% from the Great Recession and Blacks dropped from 40% to 36% but Hispanics saw the biggest drop from slightly over half to only 37% which represent a drop of 14%. As we will see later in this report, Hispanics are starting new business and creating new wealth either by self-employment or small businesses that rebuilding communities.

Non-Hispanic whites	66	60	-6
Non-Hispanic blacks	40	36	-4
Hispanics	51	37	-14

While the stock market is performing well in early 2020 before the Coronavirus drops, fewer Americans have benefited from this bull market compared to bull markets before the 2009

financial crisis. (Even with the drop in the market, the over market is still nearly triple of what the market was in 2009). Many have not returned to the market, but part of the reason is the change in the job market. Labor participation among men in those prime age (25-54), in particular the less educated, declined falling from 96% in 1967 to only 88% in 2016 and men with high school degree or less than education fell to 83%. Seven million or more working age men are outside the labor force and this has hurt many of the communities they live in. And if they are not working, they are unable to save or participate in the investor class. We are looking at constraints on our productive capacity that could lead to labor shortages. The construction industry will require 500,000 to 600,000 construction workers over the next several years.²⁴ With these workers who are out of the labor force, the ability to save for the future will be crippled and worse, they will have to be dependent upon a social security system that is starting to implode financially as more workers are retiring with fewer workers supporting the system.

The past century has seen economic and wage growth and in a report for Americas Majority Foundation on Forces affecting future coalitions, JD Johannes polled voters in Kansas votes in the General elections and 48% of his respondent answer that they were just treading water and 38% stated they were falling behind. 47% of people United States walk a tight financial tightrope with very little to cover unexpected expenses.²⁵ JD Johannes observed, "Voters are disillusioned by the current slow economic growth because their reference point is the Post World War II economic boom. Failure of the prevailing economic agreement to increase economic growth and wage growth could cause voters to look for a different solution and even reject the underlying tradeoff. The Post War expansion was an anomaly within a larger historical anomaly. WWII devastated the industrial capacity of Europe and Soviet expansion along with other countries tipping socialist/communist limited their economic competitiveness. The US and Canada were among the few major market economies ready to resume business in 1946. Thirty years later, Europe and Japan caught up."²⁶ The recent slowdown has made it more difficult for many Americans to save for the future and the impact of this will be seen within the next three decades as our social security system become overburdened as many Americans will depend upon social security and less on their investments and savings.

There are competing theories about the current low-growth era, with George Mason Economist Donald Boudreaux seeing small incremental changes in innovation that lead to steady but slower growth, resulting in improved quality of life. Northwestern University Economist Robert Gordon is more negative, as he views the past growth of the industrial revolution and unlikely to be replicated. His pessimistic view is starting to take hold as we are constantly told to accept of the new norm of slow growth. The past administration was the first administration since the Hoover's administration to have no year with growth exceeding 3%. The third theory is from John Tamny who sees continued growth through classical market economic solutions as tax reduction, reduced regulations and a stable dollar. The big debate is where we go and right now, we are living in a world of Keynesian theories on steroids with an administrative state controlling much of the economy and slowing growth down. The EU in Europe and our own administrative state has been instrumental in slowing growth but there are forces outside of the state that is prospering in spite of government policies. The Fracking revolution in the United States has released fossil fuels thought untouchable in the past due to cost making the United

States a leading energy producer. This threatens OPEC domination but as the Obama administration showed, the administrative state is equally determined to end the Fracking and there is a major political party dedicated to end Fracking revolution and make it more difficult for fossil fuels companies to be profitable. The fate of this battle of entrepreneurs versus the bureaucracy will determine whether we continue on the path of slow growth or enter into the world of John Tamny or even Donald Boudreaux world of sustain growth that improves our daily lives.

The Great Recession and the slow recovery afterwards saw many Americas going month to month and 61% of eligible workers dipped into their 401 K and one third of Americans have no savings.²⁷ With the rise of the investor class, Americans took control of their retirement savings and everyone knows that Social Security and Medicare are unsustainable and insolvent. With the decline of many workers no longer in the work force during their prime years will ensure that Social Security and Medicare become broke even quicker. JD Johannes noted, “The voters who are not so keen on accepting the consequences of bad decisions will gladly have the government solve it for them. Even people who were somewhat prudent, but still short will be susceptible to having government solve the problem. The progressives have already made some moves in this arena with the DOL issuing regulations that make it more difficult for Financial Advisors to provide services to savers just starting out. Other regulations that would allow states to create and mandate participation by small businesses in state managed retirement plans. By making it more difficult for Advisors to work with small clients, people will default into using the State administered programs.”²⁸

The result will be a government-controlled plan similar to what many states have for their employees and the track record of many States retirement plans should give one pause in going into this direction. If conservatives and Republicans don't have a strategy to rebuild the investor class, the left will design an alternative plan that will relieve workers of investing and do it for them. As Richard Nadler observed, when voters have skin in the game, they are more likely to vote Republican but what happens if government is the final guarantor of savings? JD Johannes wrote, “Retirement savers don't care much about quarterly returns, they care about growth over 15, 20 or 30 years. The market cap of the NYSE and NASDAQ is \$25.8 Trillion. According to the Federal Reserve, \$7 Trillion in equities are held by mutual funds and \$13 Trillion is held by Households and Not for-Profits.” For many in the investor class, the long term is what matters and while there has been a significant reduction in the investor class, 52% of Americans are still part of the investor class.

JD Johannes added this threat, “Voters see executive compensation increase and upper management rewarded while voter's wages and portfolio's muddle along, they may be more willing to accept the position of the Progressive Populists or the stagnant corporatism of Democrat Party because it will appear like they are addressing a problem to be solved. It may take only one more serious bear market where savers watch their accounts decline while executives escape unscathed for a new Progressive Prevailing Economic agreement to take hold.”²⁹

Republicans need to advance programs that move economic growths and re-energized the American dream of workers. If the Trump administration fails, many of his supporters will move left toward Bernie Sanders populist socialism and that will include many Trump Republicans. 37% of Hispanics and Blacks are part of the investor class and economic policies and they have interest in a functioning market economy that raises their income will increase the number of investor class. In the case of Hispanics, over half were already members of the investor class before the Great Recession but the 14% drop in Hispanics as members of investor class may prove an additional obstacle in Republican efforts to attract Hispanic voters.

On the political aspect of increasing the investor class, Richard Nadler concluded, “Portfolio ownership is associated with higher margins of support for a capital-gains tax cut among blacks and whites; among retirees, private-sector workers, and government employees; among men and women, both married and unmarried; and among Democrats and Republicans, rich and poor.”

Communication and policy efforts directed at minority investors and entrepreneurs who support conservative economic policies could shift a meaningful percentage of them to back Republican candidates.

The new SECURE ACT (Setting Every Community Up for Retirement Enhancement) signed into law by President Trump is the most important retirement legislation in years. It offers critically important tools for retirement readiness and a tool to expand the investor class.

For example, this law now enables small business employers who don't currently provide 401Ks the opportunity to offer employees participation through multiple employer plans. Small business employees will be eligible for employer sponsored retirement plans next year and this change could potentially **add \$1 trillion to the market** over the next five years. But while the Trump administration acts, retirement issues are not getting top billing in the Democratic debates. CNBC's Jim Cramer **accurately observed** that Democratic candidates do not seem to care about American's retirement savings accounts.

The Democratic debates have failed to raise senior issues to any prominence. This offers conservatives an opportunity to zero in on retirement challenges and practical solutions. The political depiction of seniors has long been portrayed as older folks worried about Social Security. This presidential election is an ideal time for conservatives to make it clear how their ideas are enabling Americans to better *save* for a productive and longer-life future.

Only **52%** of Americans own a 401K. The SECURE act allows us to highlight this valuable vehicle, so a larger majority of Americans understand solid retirement options. If you are a soon to be senior or in retirement, there are key items in the SECURE act that **will impact** your nest egg.

1. The Minimum Distribution age for IRAs and 401Ks has been increased. You no longer have to face mandatory withdrawal of your funds until age 70 1/2. You can wait until 72. That's more time to grow your savings by staying invested in tax advantaged vehicles.
2. Retirees or those who continue work into their 60s and early 70s can now contribute into their IRA until age 72. People who are lacking in retirement savings have additional funding flexibility for a few more years.

3. You now have an additional opportunity to execute a Roth IRA conversion. Unlike traditional IRAs, Roth IRAs are tax-free at withdrawal, which is a sensible plan if one expects higher tax rates in the future.
4. Employees will soon have the option to select guaranteed lifetime income products or annuities in their retirement plans. Employers will be exempt from lawsuits (called safe harbor) if the insurer does not pay future claims.
5. The SECURE Act eliminated the “stretch” provision for IRA or 401K beneficiaries. Previously, a traditional IRA beneficiary had a lifetime to “stretch” the tax advantaged benefits of a bequeathed fund. Now that time frame to distribute the entire inherited retirement account has been reduced to 10 years after the death of the owner. Special exemptions still exist for the surviving spouse and minor children.
6. The workforce participation of Americans over 65 is rising. Whether they work out of choice or necessity, senior employment is at an all-time high of 20.2%.

Trends like these require more political visibility. The Left has its own strategy. AARP has made its presence felt at many Democratic candidate town halls by focusing on the price of prescription drugs. But conservatives can counter that by sharing details about the advantages of the SECURE Act as well as private-sector opportunities for retirement readiness. These prospects offer much more to Americans than government handouts.³⁰ This act goes a long way to increase the opportunities to increase participation of the investor class. In the 1980's, only 30% were part of the investor class but in 2007, this peaked at 63%.

While fears about the Corona virus pandemic and global trade disruption are a major factor, investors are facing up to uneasy realities of the Bernie Sanders impact on the Democratic Party. Even liberals like Fareed Zakaria assessment of Sanders' multi-trillion-dollar socialism plans shows they fear it will be wrecking our economic system but his influence on many issues like Medicare for All and support for the Democratic Party has moved the Party toward a socialistic path.

He called it fantasy to claim success of transformational Scandinavian government programs. Zakaria detailed how Sweden, Denmark and Norway now admit major flaws in this decades long program from lagging economic growth to the unfair tax burden on middle class. It's no exaggeration to contend that if Sanders was elected the retirement savings of every American would be at risk.

Not only are Sanders multi-trillion-dollar spending proposals on Medicare for All, Green New Deal, student debt forgiveness, universal childcare widely unrealistic, he lacks ideas promoting growth and employment but this is true for all Democratic candidates including Joe Biden.

Though hardly mentioned, the next president will also have to begin to grapple with Social Security issues. Trustees administering the program warn the reserves will be tapped out in 14 years due to longer lifespans and much lower "worker-to-retiree" ratios.

This would trigger an across the board 15 to 20 percent cut in payouts. Sanders proposes stabilizing Social Security and increasing benefit payments by raising payroll tax or "FICA" caps beyond the current \$137,700 income limit. Wage earners between \$138,000 and \$250,000 would

be exempt. However, payroll taxation would resume on income earners \$250,000 and up. Permanently.

Raising U.S. payroll taxes abruptly would slow economic growth, impacting fragile markets. Not only making it harder for the program to remain stable over the long run but reducing the value of \$29 trillion in private retirement accounts, public and corporate pensions that people are counting on for later years.

But, in truth, the only way to protect Social Security is to keep our economic engine running. Spending items like Social Security and Medicare remain on automatic pilot and account for some 70% of the federal budget. That's one reason Trump's new budget plans seeks to reduce fraud and double payments in areas like Social Security **disability** benefits. It's clear Trump isn't going to impose actual cuts in those popular programs and one reason is that many in his coalition would be negatively affected.

One can expect Trump to push for reforms that would both improve retirement options and keep Social Security solvent — safe for future generations. The period just after the 2020 election may be the perfect time to make strides to protect Social Security.

The need for **reform** is obvious. According to the Congressional Budget Office, Social Security's core old-age and survivor benefit program spent \$894 billion in 2019. That number will almost *double* to over \$1.5 trillion in 2028. The good news is that there are practical ways to deal with this looming crisis that can sustain the program *without* tax increases that would cripple the economy.

Below are just a few ideas that many could agree would help address retirement savings gaps: The first is to minimize risk of elder poverty, increase benefits for those with lower earnings by using a different approach to calculating Cost of Living Adjustments. Lower Income households would receive a *higher* adjustment therefore increasing benefits to ensure they stay above the poverty line and wealthy households would get a lower COLA adjustment. Higher income earners are not dependent on Social Security as a meaningful part of their retirement income. Conservatives could profile this plan as a way to address concerns over rising income inequality.

Second part of this strategy would be to eliminate the "penalty on senior work" that's known as the Retirement Earnings Test (RET). By taking a bite out of a social security check if you still have a job, it impacts lower- or middle-income workers who may claim Social Security early but still need or want to keep working to build up retirement resources.

The third part of the strategy is to create a new, portable, automatic enrollment plan for all earners to have more savings and income available at retirement.

Similar to a 401(k), employers would match small weekly employee contributions that are automatically deducted from an employee's paycheck. These new plans fine tune investment choices and optimal timeframe. Approximately 80% of savings would be invested in stock, bond or conservative index funds and savings would *not* be available for withdrawal before the age of 62.

A board of independent investment experts would oversee approved investments to assure quality.

All this would ensure money grows steadily for retirement needs so employees fully benefit from the long term returns of their investments. There is a saying in the financial industry that the time to raise money for a growing business is when you don't need it. The same wisdom is appropriate for a plan to bolster retirement security for Americans.

One thing is certain: Relying on Sen. Bernie Sanders to fix our retirement future would be akin to trusting a fox with the nest eggs of America's retirees. Sanders strategy is becoming the main position of the Democratic Administration and a Biden Presidency would institute similar strategy.³¹

As Tom Donelson noted in his book, *The Rise of National Populism and Democratic Socialism, What Our Response Should Be*, "In the journal *Democracy: Journal of Ideas*, a seminar featured, "Middle Out Middle," discusses on how the left view the economy today. Eric Liu and Nick Hanauer note, "*Middle-out economics argues that national prosperity does not trickle down from wealthy businesspeople or corporations; rather, it flows in a virtuous cycle that starts with a thriving middle class. Middle-out economics demands a systemic policy focus on the skills, capacities, and income of the middle class.*" Investment and capital formation are not mentioned, but for Elizabeth Warren, Barack Obama and Hillary Clinton, give money to the middle class and magically wealth is created. The question of where we get the money before giving it to the middle class is never discussed. As Liu and Hanauer write, "*Demand from the middle class- not tax cuts for the wealthy- is what drives a virtuous cycle and job growth and prosperity... Rich businesspeople are not the primary job creators, middle-class customers are; the more the middle class can buy, the more jobs we'll create...Middle-out economics means investing in the health, education, infrastructure, and purchasing power of the middle class.*" This is the essential aspect of democratic socialism--provide the Middle Class with benefits and money from the government and multipliers will kick in with the growing economy...What is missing from this formula is the *creation* of wealth. How often during the 2012 election did we hear from Obama or Senator Warren that entrepreneurs didn't build their business, but government did through the creation of roads and schools; entrepreneurs and business merely were inventions of government policies as oppose to being created by entrepreneurs themselves. Businesses, say the democratic socialists, are to be servant of the government, contributing to what the government deems necessary."³² The modern day of Democratic Party does not talk of creation of wealth but splitting up an economic pie that is stagnant or declining.

Minorities and young workers need a growing economic pie to move up the economic ladder and the Democrats war on economic producers will only cause the economic pie to shrink and leaving those at the bottom and in much of the Middle Class behind. Inequality between the rich and the those in the 99 percent will only grow.

Footnotes

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The Rise of Minority Entrepreneurs

While many minorities have retreated from being members of the investor class, they are becoming business owners or self-employed. The Kauffman Foundation recorded in their 2017 surveys that 24% of new entrepreneurs were Hispanic, 9% were blacks and 7.5% Asians and slightly over 40% of new business formations were started by minorities. Twenty years ago, only 22% of new businesses were formed by minorities. We are witnessing an entrepreneurship revolution invisible to many Americans but Black, Hispanics and Asians are now becoming capitalists. While Hispanics and Blacks have seen their overall wealth decline due to the housing crisis and reduction of the investor class, many Blacks and Hispanics are taking their own fate in their hands, much of it due to necessity. As the Kaufmann Foundation report on entrepreneurs noted, “The Rate of New Entrepreneurs coming from individuals who are not unemployed and not looking for a job (i.e., “opportunity” entrepreneurship) was substantially higher than at the end of the Great Recession.” Throughout much of the Obama administration and following the Great Recession, necessity became the mother of entrepreneurship but as the recovery proceeded, business creation waned. The Kaufmann Foundation observed, “The largest share of “opportunity” entrepreneurship occurred at the height of the “Roaring Nineties,” and the smallest share was in 2009 at the end of the Great Recession. The share of opportunity business creation also decreased in the recession of the early 2000s and increased in the following growth period in the mid-2000s. It is important to note, however, that, although the motivation for starting businesses when economic conditions are weak and unemployment rates are high may differ from the motivations behind those created in stronger economic conditions, many of these businesses eventually may be very successful.” For many minorities, it is necessity that is driving startups.¹

Hispanic owned businesses hit the 4 million mark nationally in 2015 which represent 23 percent increase over the last official census release, and this represent a growth rate of 15 times the national average.

Since 2012, 750,000 new Hispanic businesses have been formed and this represent 661 billion dollars in revenues. This growth occurred in Midwestern states and Western states including Minnesota, Iowa, Missouri, Nebraska, North Dakota and South Dakota as result of Hispanics moving into the Midwest due to many factors including lower cost of living relative to other regions just such as California. The West Coast still continues to have the largest number of Hispanic business with over 1 million but Hispanic growth in business startups are up over 20% across the country.²

Javier Palomarez, President and CEO of the U.S. Hispanic Chamber of Commerce observed, “Hispanic businesses are the future of our nation's entrepreneurial activity... The remarkable gains our Hispanic business community has made in the past year are both inspiring and encouraging — our members are proud to be the future builders of the American economy.”

Cesar M Melgoza founder of Geoscape added, “The more you do the math, the more you realize that Hispanic businesses are not just part of the future, they're also a huge component of our present economy. Our leaders need to understand their importance in driving the American economy, and they will only grow in importance in the future.”³

While the majority of businesses run by men, women owned businesses grew four times the rate of male owned business. Nearly 90% of women owned business were sole proprietors, the only employee was the owner and these businesses produced \$1.6 trillion dollars and many of these increases came from Black and Hispanic women. One reason was that many Hispanics and Black women are the sole financial head of household compared to Asian and White women, necessity is a significant reason for these trend as Black and Hispanic women start their own business just to have a job.

From 2002 to 2007, black businesses grew 60% but this slowed down to 35% due to the impact of the Great Recession, but Black entrepreneurs still are growing and there are over 2.6 million black businesses and self-employed.

Census bureau data shows that Black entrepreneurs are 75% more likely to be younger than age of 35 than non-minorities. This is a trend across all minorities and minority firms are younger and more likely to have been in business for less than five years. 13% of Black businesses have been operating for less than five years. As minority firms grow and mature, they provide wealth to the community. Minority firm that existed over 22 years earns then times more than those less than five years old.

9% of Black companies are family owned and firms with multiple owner or are family owned outperform the single owner businesses in sales and employment. Firms with multiple owners have five times the employees and revenues than single owner firms. 25% of minorities don't use financing and nearly 60% uses either family or personal savings, and minorities depend less on startup financings than non-minorities.

Minorities were twice as likely to be unwilling to seek private financing and this does hamper business expansion since businesses that receive private loans have higher sales and employment.

Black and other minority firms are important aspect of the economy. At least 40% of businesses in the following states are minority owned: Hawaii, District of Columbia, Texas, Florida, New Mexico, California and Georgia. ⁵

Babson Global Entrepreneurship Monitor research showed that Blacks look to forming new businesses out of necessity due to lower education levels than their white peers along with limited access to employment opportunities and financial resources. ⁶

38% of black businesses are in health care and social assistance, repair and maintenance, laundry services plus blacks are moving into advertising firms, auto dealership, barbershops and beauty salons.

While Black businesses lagged behind the growth of other groups, black businesses are growing. Economics professor Thomas Boston at Georgia Institute of Technology attributed this deficit to the fact that Black entrepreneurs start out with less money and were hurt more by the recession.

Malcolm Crawford, founder of a minority business association in Chicago stated, "Entrepreneurship is just not pushed in our community. We teach our children to go to college so

they can get a good job. We don't have any place for them to come back and use what they learned at college inside the family business.”⁷

Connie Evans, President of head of Association for Enterprise Opportunity observed, “Business ownership is the greatest equalizer in wealth disparity. In our study, which took more than a year to complete, researchers found that the gap in average wealth between Black and White adults decreases from a multiplier of 13 to 3 when you compare the wealth of business owners by race.” This growth can begin an economic renaissance within the black community and begin the process of recreating wealth among Blacks, allowing them to rediscover capitalism.

Evans point is that Black ownership will lead to wealth creation for blacks and she added, “Most Black-owned businesses are small businesses, which often hire from the communities they serve...Assuming these firms hired mostly Black people from those communities, it could reduce the rate of Black unemployment to about 5 percent. That would give even more people the chance to provide financial stability for their families, positioning them for success in life, while strengthening areas that need an economic boost the most. Entrepreneurship mustn't be stifled, but rather nurtured and supported. It's the pathway to the kind of change that can transform entire communities.” If Black owned firms matched what other privately held firms, Ms. Evans stated this would create additional 600,000 new jobs and 55 billion dollars to the U.S. economy and as she paraphrases the famous John F Kennedy quote, ‘A rising tide lifts all boats.’ Evans point is that what many leftist declare trickle-down economics is what the black community needs as Evans noted, “It's the perfect time to remind people that entrepreneurship is a powerful vehicle for economic change, one that can and does make a difference for many communities— including the Black community.”⁸

Evans mentioned that many black companies suffer from what she called, “The Wealth Gap, Credit Gap and Trust Gap.” The Wealth Gap translate into less income and assets from friends and family to invest in business where Credit gap is decreased access to formal credit or high rejection rates from banks. You add Trust gap that many blacks do feel when approaching traditional financial institutions but many blacks are overcoming these obstacles as Evans discusses the case of Ardina Pierre who started her own herb shop and found help through a nonprofit Access to Capital for Entrepreneurs when she obtain loans to help grow the business.⁹

The ranks of minority entrepreneurs are increasing due to economic necessity and opportunity. The Conservative movement can make common cause with minority business owners by challenging the regulations and licenses that stifle business in Democrat controlled states and cities. Further, Conservatives can align themselves with the values of minority entrepreneurs— hard work, conscientiousness—against the values of the progressive left.

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Tax and Social Security in the New Paradigm

SUMMARY

The current base of the Conservative Coalition is the hard-working Middle class and many of them are facing a retirement crisis including 35% of working Republicans over the age of 50 who are likely to face an income shortfall in retirement. These are the people most likely to have to stop working younger due to health reasons and most likely to depend on Social Security for retirement income. Cutting Social Security or delaying payment of full retirement benefits hits the base of the Conservative Coalition very hard. In our survey among Senior voters, a third of Republicans along with two thirds of independents supported taxing the wealthy to ensure Social Security solvency and even add additional benefits.¹ To understand the retirement crisis, it helps to look at how it plays out at the individual level. A 55-year-old currently making \$50,000 year could expect to receive \$1,090 a month if they started taking Social Security at age 62 or \$1,600 a month if they waited to age 67. If this person has \$100,000 saved by age 67 and expects to live to 80, they can reasonably plan to draw \$8773 in monthly income from their retirement savings for an annual income of about \$30,000 (before taxes) if they can wait till age 67 to draw Social Security. If this same person has to retire at due to a health problem at 62 and has \$85,000 saved, their monthly income from Social Security and savings drops to \$1,678 a month or \$20,000 a year. Polling by VCreek/AMG has found that more than 40% of retirees with savings of less than \$100,000 retired because of a health problem or downsizing. These illustrations could easily apply to 35% of Republicans over the age of 50. The impact of the retirement crisis could dramatically realign the electorate as a significant share of those who would be hit the hardest are members of the current Trump/Conservative coalition. The Social Security Trustees currently estimate the Trust Fund will be depleted in 2035 which will likely necessitate a cut in benefits. The Democrats have already proposed their plan the Social Security 2100 act which includes phrasing out the \$132,000 cap on Social Security taxes and increased rates to fund increased payments to retirees. The Republican Study Committee has advocated a plan that would not raise taxes and extend the life of Social Security by realigning “full retirement age to account for increases in life expectancy since the program’s creation” by gradually increasing “the normal retirement age at a rate of three months per year until it reaches 69 for those reaching age 62 in 2030.” The Republican plan would also adjust encourage Seniors to stay in the workforce longer and increase payments for workers who had lower life-time earnings. Both the Democrat and Republican plans are actuarially sound.

The Republican plan, though accurate in terms of life expectancy, does not account for working longevity. People may be living longer, but their productive working years have not increased at the same rate of life expectancy. The people most likely to need Social Security earlier because health problems reduce their capacity for work are more likely to have lower savings, lower life-time earnings and have engaged in blue collar or skilled trades work—the types of workers who are currently forming the base of the Conservative Coalition. The Democrat plan with its tax increases does not take into the account the secondary effect that taxes have on the economy by reducing monetary elasticity. Historically, higher tax rates coincide with more frequent recessions. Recessions and their associated drops in the stock market wipe out the retirement

savings of the middle and working classes and in terms of jobs tend hit the working classes that form the base of Conservative Coalition the hardest. Over the years, a short term cut in the payroll tax has been proposed as a stimulus to get the economy going while helping the Middle Class, but our view is that this is short sighted and very little benefit to the economy. However, we looked at a longer-term reform of our tax system that includes lower the tax rates that can only benefit the economy but also sustain the social security system over the long period.

The main tax paid by working Americans earning less than \$200,000 a year is the Social Security Payroll Tax. Among all the taxes, Social Security is the most accepted by the voting public because they understand the direct benefit they will receive. Everyone pays into the program and everyone knows several people who benefit from it which is why it is regarded as a fair tax. The goal is this research project to start a conversation among conservatives about the framework of a plan that is actuarially sound, accounts for the realities of work expectancy and the rates at which older workers retire due to health reasons, reduces taxes on the middle class, extends the life of the Social Security Trust Fund into the next century and does not drag on the economy by increasing the overall tax burden and its associated effects on monetary elasticity and uses supply side economics to expand multifactor productivity. We believe we have found a middle ground to start the conversation. If you lower social security tax by 1 percentage point, the break-even point to be revenue neutral is raising the cap to \$168,000 and if you eliminate the cap totally, you will add \$88 billion dollar per year and close to \$1.7 trillion dollars of revenue to Social Security over 20 years. The Trump economy begins with reducing tax rates across the board, reducing regulations and reducing the impact of the administrative state. It is not just the amount of money sloshing around in the economy that creates growth, but the freedom to do something productive with the money free from regulations. Our proposal is simple, reduce the tax burdens upon the Middle Class by cutting the payroll tax rate while extending its reach and allowing for more production in the economy through other income tax and corporate tax reforms, cutting regulations and reducing unnecessary spending on agencies and programs that have outlived their usefulness. The goal is to provide a stable safety net for those in need while allowing for opportunities to succeed. Our plan is a small first step toward the policy deliberations needed to build coalition to extend Social Security and expand economic productivity.

HIGH TAXES, FREQUENT RECESSIONS

In the United States, since World War II, as tax rates have gone down, recessions have become less frequent. Many on the left have no problem with tax rates as high as 70% or even 90% and view the 1950's and 60's as a golden era in which the top rate ranged from 70% to 90%. While the 1950's were a decade of prosperity, there were four recessions from 1949 through 1960, when the tax rates at 90% and overall growth was only 2.3% through the decade, which was one half of the Reagan decade.² The 1960's boom was as much due to supply side economics on the tax side as Kennedy economic team dropped tax rates down to 70% and at the end of the decade, Lyndon Johnson added a 10% surcharge combined with increased spending for both beginning of the Great Society and funding the Vietnam War led to a recession in 1970. The Kennedy Tax Plans provided a model for the Reagan tax cuts in 1980's. The decades of the 70's saw both rise

of inflation and three recessions before the Reagan policies took full effect at the end of 1982, leading to nearly quarter of century of growth.³ From 1969 to 1982, we saw three recessions including the 1974 recession which saw unemployment peak at 9% and the 1982 recession which unemployment peaked at 10.8% (which exceeded the recession of 2007 to 2009 unemployment peak of 10.1%).⁴

The Reagan years saw prosperity that lasted nearly a quarter of century, but the world has changed since then. In 1979, the highest tax rate was at 70% and many in the Middle Class were forced into higher tax brackets and seeing much of their gains disappearing due to high tax rates. Today, the top rate is 37% and many Middle Class don't even pay income tax or very little income tax but as we will see, the biggest tax for the Middle Class is the payroll tax. From 1988 to the present, the top tax rates ranged from 28% to 39% and through the 1980's through the 1990's policies included stable monetary policies, lower tax rates to go with lower capital gain taxes and restraining budget growth including Rudman-Gramm-Hollings passed in 1985 and the Newt Gingrich-Bill Clinton budget deal in 1997. This led to widespread prosperity with all major groups seeing major improvement in their income. Families, minorities, high school graduates and college graduates all saw major improvement in their income and reforms led to increase in the investor class as new saving vehicles allowed the middle class to save for their future and increase their retirement nest egg. The impact of recessions on retirement savings is devastating which makes sustained growth in productivity paramount. A recession that comes anywhere close to overlapping with the 2035 Social Security shortfall would be a double hit retirees and workers over 50 could never recover from.

THE CURRENT ECONOMIC PARADIGM

A large blind spot for conservatives is not understanding how the economy and thus demographics of the country have changed. Many conservatives are operating under the Reagan era paradigm of when tax rates were higher, broad-based domestic manufacturing still employed large percentages of the population and there was less pressure from international economic competition. Until very recently, for the past few decades working class and Middle-Class wages have been flat due in part because productivity has been flat. Only recently in the last year has multi-factor productivity increased.⁵

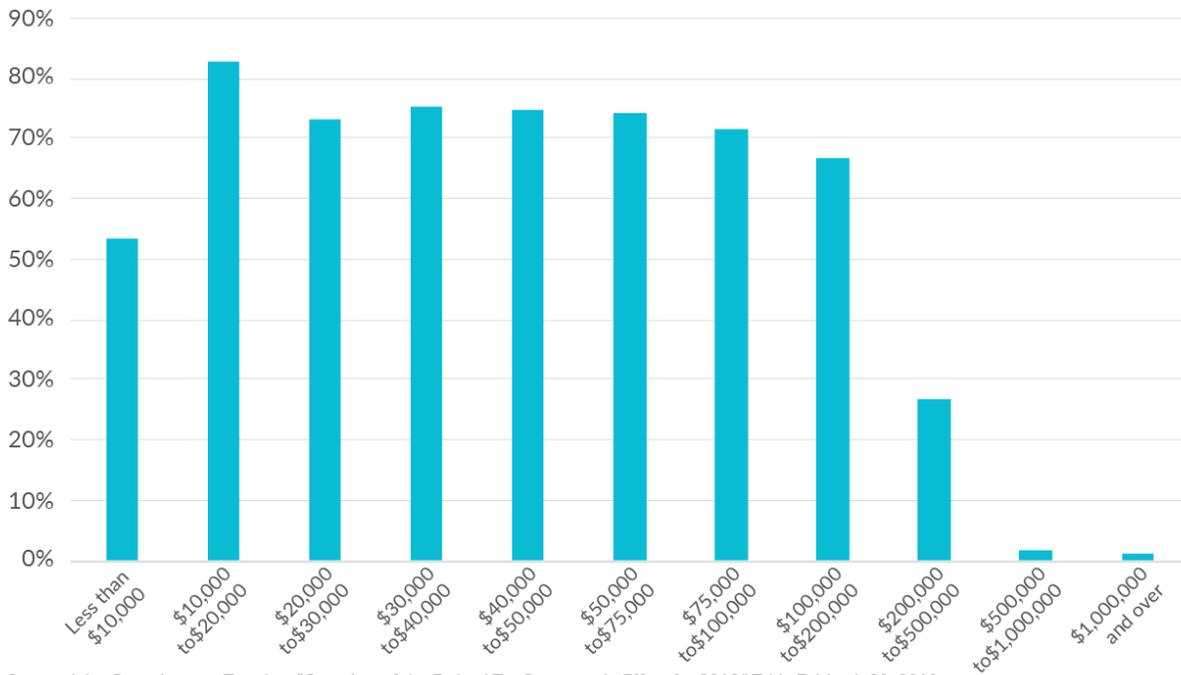
A growing share of U.S. exports are software, patent licenses, platforms and consulting services. The scaling and investment of these companies does not necessarily create more jobs. A tax cut for owners of these companies may not lead to investments and expansion of their businesses that improve productivity and create rising wages for the middle and working classes. As Harvard Business Professor Thales Teixeira has noted, many of fastest growing companies are not disrupting market segments by creating new products but by disrupting the customer value chain, creating a more seamless service through a scalable platform. Middle skill jobs and lower skill blue collar jobs that create enough value to produce high wages have been decreasing. The skilled trades that do pay well require skill levels and conscientiousness that are often above the

range of the traditional factory worker. The manufacturing conducted in the U.S. is large, durable, highly precise, expensive equipment, energy or highly customized consumer goods. Pressuring manufacturing productivity further is the Collegization of Education. By directing more and more Middle-Class students to college, industry and trades are being deprived of a pool of conscientious workers who can perform at a high level of skill producing large, durable, highly precise equipment. These young people who in past decades would not have gone to college then often start careers with student loan debt and low value creating white collar jobs, giving life to the economic phenomenon of “Bullshit Jobs.”

These people don't want an income tax cut, they want a pay raise and meaningful work. To understand this in action, let's look at a married couple with \$80,000 in W-2 income using the 2016 1040-EZ. After the standard deduction they have \$59,300 in taxable income. According to the 2016 tax tables they pay \$7,964 in tax. An effective rate of 9.95% of gross. Cutting their effective rate by 1 point to 8.95% reduces their tax burden to \$7,160 a year or \$804 dollars. They experience that as \$16.75 per individual paycheck if the payroll reductions are properly adjusted. Which is a BIG IF. The variable nature of income taxes with deductions, exemptions and credits means a small tax cut may not provide any fiscal benefit to a worker paying a low effective tax rate. As discussed, we have not seen tax rates exceed 39% and many Americans biggest federal tax is the payroll tax and not the Federal income tax. For Americans earning up to \$200,000 dollars the number one tax is the payroll tax.⁶

Most Americans Pay More in Payroll Taxes Than in Income Taxes

Percentage of Taxpayers with Greater Payroll Taxes than Income Taxes, 2019 (Projected)



Source: Joint Committee on Taxation, "Overview of the Federal Tax System as in Effect for 2019," Table 7, March 20, 2019.

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For the same workers in the example above, their Social Security Tax is \$9,920. Most companies are sophisticated enough to build the “employer’s half” into total compensation accounting. The employer paying half is a fiction. The employee pays it all. Reducing the Social Security rate by 1-point cuts this couple’s payroll taxes to \$9,120 saving them \$800 which they will experience as \$16.66 per individual paycheck. Because the Social Security payroll tax is not subject to variation, it is a near certainty that the worker will have extra money in their regular paycheck. What workers really want are regular pay increases created by rising productivity. If their pay increases by 2% they are up \$1,600. If it increases year over year at 2% for 10 years their joint income is \$97,000. A gain of \$17,000.

The tax cuts only saved them \$8,000 over the same period. With the ability of 401k plans to step up savings rates with pay raises, the income gain puts this couple on a stronger footing for a secure retirement. By 2007, 63% of Americans had investment savings but a decade after the 2007-2009 recession, that number dropped to 53%. That showed that not only did income stagnate, but also overall wealth declined.⁶ As unemployment dropped in the past few years and more companies offered 401k plans, participation in investment savings has climbed. Polling by

VCreek/AMG finds that 57% of people in the private economy have some type of retirement savings plan. These people's retirement savings have been buoyed by record high stock market valuations. A reduction in the Social Security Payroll tax for workers is the most direct way to deliver direct, visible, tax relief. The per paycheck amount is not large, but across tens of millions of workers the economic effect on the economy could be massive. All business activity is ultimately about something an individual consumer purchase. A payroll tax cut is the most direct way to inject purchasing power into the economy. And supply side economics is more than just increasing the amount of money in the system, it is about creating dynamism in the system. Tom Donelson wrote in his book, *The Rise of National Populism and Democratic Socialism what Our Response should be*, "We are affected by a shrinking private sector compared to an ever-expanding federal government. In the past Republicans have talked about tax cuts, but it is time for a review of what supply side economics means in a nation with \$20 trillion dollars in debts and where a half trillion dollar deficit in a fiscal year is considered a minor miracle...It is time to rediscover the supply side of economics and expand upon it. In the past, economic conservatives have concentrated on taxes but not on spending. The Heritage Foundation over the past two decades has rated countries by economic freedom. The foundation concluded that countries with the highest rating for overall economic freedom were often the most prosperous and equally important, most were politically free. The Heritage ratings didn't just include taxes but also national budgets, regulations, how easy it was to start a business, and how open these countries were to trade."⁷

A reduction in the Social Security Payroll tax for workers needs to be seen as part of a larger economic strategy that reduces regulatory friction and government debt service drag on the economy. Today the economic environment has changed, and many conservative coalition voters no longer view tax cuts by themselves as the magic bullet. Our own research has shown that many Republicans support higher taxes to fund expansion of social security. In our survey among Senior voters, a third of Republicans along with two thirds of independents supported taxing the wealthy to ensure Social Security solvency and even add additional benefits.⁸ The Democratic left has already made it clear that they are prepared to expand government services from health care to Social Security and to pay for it, they will raise taxes on the Middle Class. Their model is supposedly the Nordic countries where the Middle Class pay a substantially higher taxes either through VATS or payroll taxes. (Nordic countries have retreated from their more leftist policies over the past two decades and it was only last year doing the United States finally reduce their corporate tax rates to be competitive with the Nordic countries.)⁹ The Democrat's Social Security 2100 act would raise the payroll tax from the present 12.4% to 14.8% plus eliminate the cap, which adds to the tax burden on the wealthy. The Democrat's plan appeals to broad portions of the electorate. Part of this is due to many seniors retiring with nest eggs of \$100,000 dollars or less, not being fully prepared for their retirement and that many seniors are forced to retire either due to health reasons or downsizing, thus not be able to add to their nest eggs.¹⁰ The Conservative Coalition needs a plan that considers the new paradigm and political realities.

Foundation Study on Impact on Lowering Payroll Tax

The long-term goal of our research is to begin a conversation among conservatives about a tax policy and spending policy that features of supply side economics, a tax break for the middle Class and creates conditions for multi-factor productivity to increase. Americas Majority Foundation worked with the Center of the American Experiment researchers John Phelan and Mitch Rolling to review options on tax policies. The biggest tax burden today among those with income \$200,000 dollars or lower is the payroll tax but the biggest challenge is cutting the payroll tax as one of the basis of a conservative tax reform package while maintaining the sustainability of the social security system. Due to adjustments and inflation, the cap has been rising and is now presently \$132,000 dollars, an increase of \$14,000 dollars over the past three years. The issue of removing the cap is now on the table and the cap has been slowly moving up. We asked the researchers to address two main questions:

- A. how much revenue would be lost from social security revenues if the tax rate was cut by 1 or 2 percentage points?
- B. how much would the earnings limit have to increase by in order to be revenue neutral, caused by lowering the tax rate?

Methods incorporated included using the top 15% as a base for the earnings limit, so they could determine how many tax returns would have had to pay more for social security had the earnings limit been raised – for example, an additional 10% of tax returns would have had to pay more if the earnings limit matched the top 5%, and an additional 5% when matching the top 10%.

Results

1. As the chart below shows, lowering the social security tax rate by 1 or 2 percent would have left revenue deficiencies from years 2015 to 2017 of \$201.3 billion and \$402.61 billion, respectively, unless the taxable earnings base was eliminated entirely in both scenarios.
2. Raising the taxable earnings limit to cover 90% of all earnings would have almost entirely recovered the losses of lowering the tax rate by 1 percent, leaving a deficiency of only \$11.16 billion from 2015 to 2017. For a 2 percent decrease, a 90% coverage would have still left a deficiency of \$229 billion from 2015 to 2017. Eliminating the base 1 percentage points would have created an excess of \$265.9 billion from 2015 to 2017. For a 2 percent decrease, eliminating the base completely would have created an excess of \$23.76 billion from 2015 to 2017.

(All Values In Billions)	2017	2016	2015
Total Earnings	\$8,375.55	\$8,020.50	\$7,817.70
Total Taxable Earnings	\$6,983.38	\$6,662.80	\$6,484.10
Effective Earnings Covered	83.4%	83.1%	82.9%
Actual Tax Revenue	\$873.60	\$836.20	\$794.89
Set Tax Rate	12.40%	12.40%	12.40%
Effective Tax Rate	12.51%	12.55%	12.26%

(All Values In

(IF 1% LOWER)				
(All Values In Billions)	2017	2016	2015	Total
Effective Tax Rate	11.51%	11.55%	11.26%	
Tax Revenue	\$803.77	\$769.57	\$730.05	\$2,303.39
EXCESS/DEFICIENCY	(\$69.83)	(\$66.63)	(\$64.84)	(\$201.30)
Raise CAP To 90%				
Total Taxable Earnings	\$7,538.00	\$7,218.45	\$7,035.93	
Tax Revenue	\$867.60	\$833.75	\$792.18	\$2,493.53
EXCESS/DEFICIENCY	(\$6.00)	(\$2.45)	(\$2.71)	(\$11.16)
Eliminate CAP				
Total Taxable Earnings	\$8,375.55	\$8,020.50	\$7,817.70	
Tax Revenue	\$964.00	\$926.39	\$880.20	\$2,770.59
EXCESS/DEFICIENCY	\$90.40	\$90.19	\$85.31	\$265.90

(IF 2% LOWER)				
(All Values In Billions)	2017	2016	2015	Total
Effective Tax Rate	10.51%	10.55%	10.26%	
Tax Revenue	\$733.93	\$702.94	\$665.21	\$2,102.09
EXCESS/DEFICIENCY	(\$139.67)	(\$133.26)	(\$129.68)	(\$402.61)
Raise CAP To 90%				
Total Taxable Earnings	\$7,538.00	\$7,218.45	\$7,035.93	
Tax Revenue	\$792.22	\$761.57	\$721.82	\$2,275.61
EXCESS/DEFICIENCY	(\$81.38)	(\$74.63)	(\$73.07)	(\$229.08)
Eliminate CAP				
Total Taxable Earnings	\$8,375.55	\$8,020.50	\$7,817.70	
Tax Revenue	\$880.25	\$846.19	\$802.03	\$2,528.46
EXCESS/DEFICIENCY	\$6.65	\$9.99	\$7.13	\$23.76

Because a 2% decrease would require the elimination of the earnings limit altogether, the research addressed only a 1% decrease, which would require the limit to cover at least 90% of taxable earnings. In order to reach 90% coverage, the limit in 2015 and 2016 should have been

somewhere around \$166,000 and \$168,000, respectively – in between the top 5 and 10 percent of earners – instead of the \$118,500 for an increase of more than 42 percent. (the \$118,500 represented the cap during the tax period reviewed. Today that number is \$132,900.)

	Tax Returns	Top 1%	Top 3%	Top 5%	Top 10%	Top 20%	Top 25%	Earnings Limit	In Between 20% & 10%
2015	141,204,625	\$480,930.00	\$253,979.00	\$195,778.00	\$138,031.00	\$93,212.00	\$79,655.00	\$118,500	\$115,621.50
2016	140,888,785	\$480,804.00	\$256,673.00	\$197,651.00	\$139,713.00	\$94,620.00	\$80,921.00	\$118,500	\$117,166.50

Since \$168,000 dollars represent the break-even point for the cap to match up with the revenues presently raised at the lower tax rates, we can assume that any cap beyond \$168,000 will raise more revenues than the present tax collected at the lower cap. The first debate would be how far out do you remove the cap, or do you remove the cap altogether? Removing the cap altogether would have raised an average of \$88 billion dollars for the three years researched and that represent nearly \$1.8 trillion dollars of additional revenues to ensure sustainability of the social security system over a 20-year period. (Note we didn't ask the researchers to address how many more years this would add to social security sustainability, that is still a question for other researchers to answer.) The overall tax reduction for the middle class would represent approximately \$500 dollars for those earning \$50,000 dollars to close \$2,000 dollars at \$200,000 dollars. This would add to the nearly \$1,400 dollars that the average American already earned from Trump first wave of tax cuts.¹⁰ The question remains what about the substantial tax increase imposed on the wealthy, eliminating the cap? That is a question that needs to be answered for if the burden is too high, it could lower the overall growth. We didn't examine what other taxes would need to be reduce but that can be reviewed in a future study. Since Social Security Payroll Taxes are dedicated to the program, those tax increases could be offset by lower marginal income tax rates on higher earners or adjustments to capital gains, investment income or pass-through business income. The goal of the reductions on higher earners would be to spur capital reinvestment in productivity.

Conclusion

The current Republican Social Security plan though actuarially sound does not match the reality of older workers and is unlikely to be politically feasible. The current base of the Conservative Coalition is made up of workers who are the least prepared for retirement and most likely to need Social Security for retirement income due to being unable to continue working due to a health problem.

Large shares of Republican and independent voters are very open to an increase in Social Security taxes and the program is extremely popular.

This project is a start to developing a conversation around how to treat Social Security Payroll taxes as part of larger conservative plan for economic growth that addresses regulation, discretionary spending, business taxes and income taxes.

Tax Foundation John Olson concluded, “Payroll taxes are a highly effective way to raise revenue, for three main reasons: First of all, the payroll tax base is very broad. Payroll taxes apply to all wages and salaries up to a cap of \$118,500, which nearly 83% of wages and salaries fall under. Furthermore, unlike the personal income tax, payroll taxes do not include dozens of deductions, exemptions, and credits that narrow the tax base. This means that payroll taxes can raise a large amount of revenue at a relatively low rate, to the tune of over \$1 trillion a year...Second, due to the inelasticity of the supply of labor, payroll taxes generate a comparatively small amount of deadweight loss compared to other forms of taxation. This means that payroll taxes lead to a relatively small amount of economic inefficiency, since the quantity of labor in the market does not dramatically decline as a result. Overall, payroll taxes do much less economic harm than taxes on capital. This is evidenced by our analysis of Senator Bernie Sanders’ tax proposals, whose payroll tax rate increase raised nearly four times as much revenue as his proposed increases on capital gains and dividends, but with a fourth less of the impact on GDP...Finally, payroll taxes are very hard to evade. According to the IRS’ criminal enforcement data, investigations into payroll tax abuse make up less than 3 percent of all tax investigations, despite payroll taxes generating about a third of all federal tax revenue.”¹²

Olson view is that overall burden of eliminating the tax cap would have less of damaging impact upon the economy but there is still an impact to consider. The benefit of lower the tax rate would be a Middle-Class tax cut that can be seen by the average voters and present an alternative to the Democrat plan that would include raising the payroll tax.

Republicans can now not only present a fair tax that would be no longer regressive but also as Olson noted, “Furthermore, this additional revenue could be used to lower marginal rates on corporate and personal income, growing both wages and GDP by 2.2%, while still raising revenue.”¹³ Republicans can present a plan that is growth oriented while lower taxes upon all Americans. There would be win- win.

The other part is what we already mention that we need to review both spending and regulations. Trump administration efforts to deregulate the economy is showing some benefit and is pro-growth by reducing the government impact upon the economy. On the budget side, no one can disagree that spending has substantially increased and there is very little stomach at this point to reform the entitlement program. Democrats are not only looking to expand entitlements including Medicare for all that would expand the entitlement program to almost all Americans so first battle may just be keeping the welfare state from exploding. The best strategy may be to review spending either by repeating what Republicans forced Obama to accept sequester to reduce the growth of spending or simply start reviewing departments and look for either elimination or cut back just as Department of Energy, especially since the fracking revolution has made the Department obsolete.

As for the entitlement, no reform will come until there is a bipartisan agreement and many Republicans are no more willing to cut entitlements than Independents or Democrats. The battle over tariffs can still have a negative impact on the economy and will Trump use them to liberalize trade or will he lead to and protectionist regime? The former will lead to a more liberalized trading system, but the latter can have some negative impact.

Tom Donelson wrote about past trade policies, “Throughout our history, it was not uncommon for American presidents to seek temporary economic rehabilitation against other countries to open up trade opportunities for American goods and services. Both President Reagan and President George H.W. Bush did this, putting “tariffs” on selected goods and industries from other countries. But their goal was to liberalize trade not to restrict it, and both presidents made sure these steps were temporary, and used as a means to open up trade and reduce barriers to American goods.”¹⁴ Free trade Presidents have been willing to use tariffs to open up trade.

Republicans are the Party of main street and Republicans without a college degree account for 73% of Republican workers age 50+ who have saved less than \$100,000.¹⁵ These Republicans will not support any reductions in social security and with 25% of Americans retire due to health reason and another 8% retired due to downsizing, it will be difficult to convince Americans to support an increase in retirement age to collect benefits even if it is over decades. Lowering the social security by 1 percentage point will give middle class taxpayers an additional tax cuts and contrast to the Democrat plans which means a massive tax increase for the middle class. Social Security Act of 2100 has already plugged in 2.4% additional percentage points for the Middle Class. When Colorado and Vermont calculated the cost of a statewide Medicare for All, the cost to the middle class was an additional 10% to 11.5% additional payroll tax on top what they are already paying. It was estimated that sales tax would increase from 6% to 39% to cover a proposed Medicare for All in Florida.¹⁶

Democrats expansion of social security and Medicare for All means a massive tax increase for the Middle Class, a point that Bernie Sanders acknowledged in the Democratic debate held June 27, 2019. Republicans can base an economic reform on the following principles:

1. Lower the social security tax by 1% point and increasing the cap beyond 168,000. Eliminating the cap totally would add an additional 88 billion dollars per year of extra revenues.
2. Lower corporation and marginal tax rates to encourage economic growth.
3. Continue to reform regulations to reduce the cost upon individual and businesses.
4. Review each department for cuts and consider a sequester on the Federal budget to begin controlling spending This proposal allows for the Middle Class to receive a tax cuts while maintaining the sustainability of the social security system. A growth-oriented tax plans and combining it with Regulations reforms and budget restraints will allow growth to continue and redefine Supply side growth to continue and redefine Supply side economics to encompass more than just taxes.

Footnotes

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Final Words

The final question may be how to reduce the damage that the stimulus and expansive monetary policy could play in the future. Hundred years ago, the Spanish flu went through the world and killed 650,000 Americans in a country with one third less population. This would represent two million dead today on a per capita basis.

In 1919, the War ended, and the economic boom enhanced by the War started to slow down. Federal spending declined back to peacetime levels and America saw commodity prices going up along with wages due to Federal Reserve money-printing. Recently three Federal reserve economists noted that manufacturing output dropped 18% and incapacitated Woodrow Wilson failed to do much to stop the recession and Harding allowed the market to adjust itself. It should be pointed that recession cause was rooted in expansive monetary policy and United States instituted all matter of economic intervention including price controls as well as both nationalization and centralized control of industry during World War I. These government interventions contributed to the 1920 turn down.

There are differences between 2020 and 1920, beginning with United States is not presently involved in any major World War but United States is involved throughout the world including combat troops in harms' way even those troop numbers less than 20,000. In February 2020, America economy was surging but the economic shutdown due to the virus spread stop the surging economy. Federal reserve has lowered interest rates to zero, expanded monetary supply and temporary checks plus expanded unemployment benefit along with plenty of pork.

The present economic downturn began with the virus and has spread throughout the world. With world trade at a standstill, travel bans in effect and many people staying inside, there is no real economic activity going on.

The strategy listed are designed to bring our economy to recovering as quickly as possible. Democrats during this crisis has used any opportunity to expand the power of government, designed to stay in place long after the crisis is over. Those ideas included Green New Deal with proposal that would suffocate the economy beyond this crisis.

Our proposals are designed to go beyond this crisis to rebuild the economy and have a second roaring 20's a century later. Our proposal begins with wealth creation and creating a new class of investor class to give younger Americans an investment in our system. We noted that many young are Nordic Capitalist who may view socialism akin to Nordic states, but they also support a free market system that allows them to pursue their passion. They are looking for a society with a safety net, but they want to pursue their dreams. Rediscovering the investor class will go a long way to give a younger generation.

Trump has pursued the Opportunity zones to open up opportunities for minorities to begin new businesses. As part of Trump tax reform law created the Opportunity Zone in which investors put capital gains into an Opportunity zone with defer tax payments until the interest are sold or the end of 2026.

Till 2020 crash, minority saw significant increases in business formations and studies show that many of these businesses create jobs in communities they are formed and helps in reducing wealth inequality between Hispanics and Blacks compared to Whites.

Our economic plan is designed with the following goals. The first goal is to preserve the safety net, while lowering the tax burden upon the middle class and extending or eliminating the cap. The latter represent a tax increase for the wealthy, but we made the case for lowering other taxes to make up the difference for the increase as result for extending or eliminating the cap. What we did not do was to set specific rates.

We added plans to begin to get our budget under control beginning with the possible revising sequester to reduce the growth of budget and use our trade negotiations to liberalize trade. While Trump is a protectionist, his Mexican-Canada-United States update on NAFTA includes many side deals to help American workers, the overall treaty did have the goal to liberalize and increase trade. Any deal that opens up trades will help American workers and consumers.

The virus has shown the weakness of globalization, the problems of rogue nations who use the system to benefit themselves while putting obstacles to trade and put other nations at risk. China is the leading rogue nation and they are responsible for the virus spread by lying about their role in the virus spreading. A nation that is willing to put millions of people lives in jeopardy and the world economy on the brink for their own benefit, is a nation that can't be trusted. A world trading system depends upon trusting your trading partner, but China's behavior showed that they can't be trusted. One has to question if any trade deals can be sustained with China without the Chinese willing to cheat or steal other nations businesses secrets.

The political left doesn't care for increasing the economic pie but as we have noted, they are strictly about dividing a stagnant or declining economic pie. Our goal is to not just grow the economic pie, but to create an economic system in which one can pursue their dream as prosperity allows us to pursue our dreams and share our bounties. Our system is imperiled and those proven principles that undergird our system from hard work, delayed gratification and free market economics are under siege. Our plan is designed to rebuild our economic system after this pandemic. The Pandemic will pass but the damage to our economy will remain, but economies can be rebuilt and in a free market system, the economy can be rebuilt quickly.

Acknowledgements and concluding remarks.

The foundation wants to thank John Hinderaker, John Phelan, and Mitch Rolling from the Center of American Experiment for their help with our study dealing with tax and social security paradigm. Clara Del Villar added several contributions and she gave us permission to incorporate what she wrote for Newsmax and some readers may recognize what she contributed. Her work originally appeared in Newsmax on social security reforms and the Bernie impact on the long-term health on social security are included in this report and adds to both conservative solutions to increase the investor class numbers. Her goal is to improve Americans ability to save for their future and reduce the pressure on the social security system.

JD Johannes and I have been studying these issues for the past decade in an effort to recreate a new conservative majority for the 21st century that expands upon the old Reagan coalition and unite the urban entrepreneur and the blue-collar Midwest worker under one banner. This report lays out a Republican plan to talk wealth creation and growing the economic pie as oppose to splitting a stagnant or declining economic pie.

In the past, both Parties talked about growing the economic pie but differed on how but since 2016, the Democrat Party has ceased to talk about economic growth but more concern on dealing with dealing with inequality without boosting the economic prospects of the those at the bottom of the economic ladder, and the Middle Class.

Our goal is to go beyond short-term solutions and design an economic plan that not only boost the Middle-Class prospects but also minorities.