

Bush's tax cut plan: big lies and a little truth

Patrick Martin
8 February 2001

According to President George W. Bush, a tax cut plan which provides nearly \$600 billion for the wealthiest 1 percent of Americans and nothing for the poorest 20 percent is “tax relief for everyone.” In reality, Bush's tax plan should be dubbed welfare for the rich, since it will provide the wealthiest Americans more than the combined amount spent on all programs for the poor.

The Bush administration officially unveiled its tax cut plan in the course of a series of media events that began with Bush's nationally broadcast radio speech February 3. The message of each event was that the tax cut was aimed at helping average, working class families and small businesses. A central purpose was to enlist the media in selling a gigantic lie to the American people.

Bush set the tone for this campaign in his radio speech, where he voiced sympathy for the plight of working people: “Today, many Americans are feeling squeezed. They work 40, 50, 60 hours a week, and still have trouble paying the electric bills and the grocery bill at the same time.” The president did not elaborate on the reason for this economic squeeze—that real wages for the vast majority of working people have stagnated or declined for a generation.

Even when it comes to the burden of taxation, the federal income tax is not the main factor. According to the Congressional Budget Office, 80 percent of working Americans pay more in payroll taxes than they do in income taxes. The bulk of the income tax is paid by the rich and upper middle class—which is precisely why Bush's program calls for a reduction of income tax rates but proposes no change in payroll taxes. Most working people also pay a disproportionate amount in excise taxes, such as state sales taxes.

Bush gave the following example of the current working of the tax system: “Picture a dinner in one of our cities. At the table is a lawyer with two children. She earns \$250,000 a year. Carrying her coffee and

toast is a waitress who has two children of her own. She earns \$25,000 a year. If both the lawyer and the waitress get a raise, it is the waitress who winds up paying a higher marginal tax rate. She will give back almost half of every extra dollar she earns to the government.”

This anecdote in the style of Ronald Reagan—i.e., plausibly delivered but utterly false—only confirms Mark Twain's dictum about lies, damn lies and statistics. The marginal tax rate for the waitress is higher because, in Bush's example, her \$25,000 income is exactly at the point where the tax bracket shifts from 15 percent to 28 percent under current law. Her overall tax rate is substantially lower than that of the lawyer, because the income tax, despite 20 years of right-wing attack, remains graduated and therefore retains to some degree a progressive character. Bush's tax cut would provide a measly \$300 for this hypothetical working woman. The benefit for the six-figure lawyer would be nearly 100 times as great.

The actual provisions of the \$1.6 trillion tax plan are a mix of petty benefits for the broad masses—used to sell the plan—and huge benefits for the privileged few. Thus the child tax credit would be gradually increased from \$500 per child to \$1,000 over five years, and some lower income working families would see their tax rate cut from 15 percent to 10 percent. On the other end of the scale, the tax rate for the wealthiest would drop from 39.6 percent to 33 percent—a greater reduction, in both percentage and dollar terms—and the estate tax, which falls almost entirely on the rich, would be abolished.

The estate tax repeal is an especially egregious piece of class legislation. Only 2 percent of all taxpayers possess enough wealth to pay an estate tax, and more than half the tax is paid by a minuscule 4,000 families a year. This richest fraction of the population will save \$236 billion over the next eight years, and upwards of

\$50 billion a year thereafter.

Bush claimed last week that private charities, especially religious-based institutions, should replace the federal government as the main provider of aid to the poor. But by giving the super-rich, for the first time in a century, a completely tax-free means of hoarding and passing on their wealth, the abolition of the estate tax will eliminate the major incentive for charitable donations.

The president's claims may be transparently false. But Bush has an indispensable ally—the Democratic Party politicians who are trailing in his wake, embracing the tax cut in principle while quibbling over the amount, and avoiding any but the mildest reference to the gross plundering of the public treasury to enrich the corporate elite. As one pundit pointed out, when Al Gore began his presidential campaign, he proposed a \$250 billion tax cut over 10 years. By last summer he was up to \$500 billion, and congressional Democrats have now declared their willingness to discuss a tax cut of \$750 billion to \$1 trillion, with provisions making it retroactive to the current year.

Bush may seek to disguise the class character of the tax cut plan, but the editorial page of the *Wall Street Journal*, the most brazen organ of the extreme right, makes no bones about it. An editorial published Tuesday carried the headline: “How America's tax system abuses the rich.”

The newspaper complained that the top 1 percent of taxpayers paid 34.8 percent of federal income taxes and the top 5 percent paid 54 percent. It did not bother to note that this top 1 percent possessed more than 40 percent of the national wealth and the top 5 percent more than two-thirds.

While the *Journal* fulminates about the evils of a progressive income tax system—what it calls “progressive plunder”—the fact is that the top marginal tax rate paid by the wealthiest Americans has fallen from 90 percent (under Truman and Eisenhower) to 70 percent (under Kennedy and Johnson) to only 36 percent under Reagan, before rising back to the supposedly confiscatory level of 39.6 percent under Clinton.

Bush's Monday media event was staged in front of a giant check for \$1,600 made out to “US Taxpayer,” with three middle-income families recruited for the occasion to represent the three new and lower tax

brackets created under the plan. After Bush introduced these families as “typical” taxpayers, one reporter asked why there was no representative of the wealthy, who will reap the lion's share of the tax cut bonanza.

Bush chuckled and replied, with his usual smirk, “Beg your pardon. I'm representing them—I got a little pay raise coming to Washington from Austin. I'll be in the top bracket.” Bush's salary rose from \$115,345 a year as governor of Texas to \$400,000 as president, on top of the six-figure income he already enjoys from his investments in the oil industry and baseball.

There is an unintentional truth in this cynical remark. In putting forward the tax cut for the rich as the centerpiece of his program, Bush is indeed spelling out the social interests he represents—the corporate and financial oligarchy and the most privileged layers of the middle class.



To contact the WSWs and the Socialist Equality Party visit:

wsws.org/contact