White House economic report calls for cutting corporate taxes

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On Thursday, the White House released its "2015 Economic Report of the President," presenting it as an argument for "middle-class economics."

The document seeks to justify Obama's scheme, spelled out in his most recent budget proposal, to slash corporate taxes by up to ten percentage points. The report attempts to obscure the fact that such a windfall for the corporate-financial elite will dramatically increase social inequality, claiming instead that it will "increase productivity, output and living standards."

The document falsifies both present economic reality and the development of the US economy in the post-World War II period in order to argue for further pro-corporate "reforms."

It declares that, in the aftermath of the 2008 Wall Street crash, "a successful multifaceted policy response, including actions by the President, Congress, and the Federal Reserve, combined with the determination of the American people, has enabled the US economy to dig out of that deep hole, putting more people back to work, reducing the unemployment rate, and creating a virtuous cycle in which higher consumer purchasing power supports greater economic activity and job creation."

In reality, the majority of new jobs have been low-wage, including a large percentage of part-time and temporary positions. Wages have stagnated or declined, and benefits have been slashed. Millions remain unemployed and millions more have dropped out of the labor market.

Combined with virtually unlimited cash handouts to the banks, the lowering of working class living standards has provided the basis for the so-called "recovery"—a recovery for the rich and the super-rich, not the working class.

In his introduction to the report, Obama declares, "Since the crisis, we've seen our deficits cut by two-thirds, our stock market double, and health care inflation at its lowest rate in 50 years."

Here, Obama praises the fruits of his own right-wing policies, including the pumping of trillions of dollars into the banks, the slashing of funding for social programs, and the use of the Affordable Care Act to slash corporate and government health care costs.

The report includes damning acknowledgments of the decades-long redistribution of wealth in America from the bottom to the top, carried out by Democratic and Republican administrations alike. It notes, "In the United States, the top 1 percent has garnered a larger share of income than in any other G-7 country in each year since 1987," a process that has accelerated under the Obama administration.

The report shows that, since 1973, the income share of the top 1 percent in the US has ballooned from 7.7 percent of the total to 17.5 percent, while the income share of the bottom 90 percent has fallen from 68.1 percent to 53.0. The document also notes that the labor force participation rate, particularly for males, has plunged in recent decades.

However, it presents the growth of social inequality as though it were an entirely impersonal process, the result of cosmic forces divorced from the struggle of social classes and the policies of governments and politicians.

This is deliberate. The aim is to grant the American ruling class and its two corporate-controlled parties a political amnesty for the ruthless offensive they have carried out against the vast majority of the American people. This, in turn, facilitates the attempt to dress up right-wing, pro-corporate proposals for future action in "progressive" and even "egalitarian" trappings.

The growth of social inequality is directly bound up with a decades-long assault on the American working class. The president's report purports to review the economic history of the US since World War II, but fails to mention any of the key events in the escalating ruling class offensive.

There is no mention of the near-bankruptcy of New York City in 1975, which was used to impose a de facto banker's dictatorship and sweeping cuts in municipal workers' jobs and compensation. Similarly passed over in silence are the 1979–1980 bailout of Chrysler, which was used to begin the wave of wage and benefit concessions that have continued ever since, the 1981 smashing of the PATCO air controller's strike and ensuing decade of strike-breaking and union-busting, and Obama's forced bankruptcy of GM and Chrysler in 2009, which included the halving of the wages of all newly hired workers. Nor is there any mention of the relentless attack on social programs at the federal, state and local levels.

In a report whose main proposal is a drastic lowering of corporate taxes, there is no examination of the relationship of taxation to inequality—for example, the fact that inequality has soared in parallel with the repeated cutting of the top personal income tax rate from 90 percent in the early 1960s to the present level of 35 percent.

While the more than 400-page document is full of generalities and amorphous proposals, it gets right down to business when arguing that taxes for US corporations should be slashed. The report declares that "business tax reform offers the potential to boost productivity by improving the quantity and quality of investment in the United States."

This is the standard free market pabulum that was once the province of the Republican Party. In Reagan's day, it was known as "supply side" economics. It has since been fully embraced by the Democrats.

The basic conceit is the assumption that the corporate ruling elite will use its increased wealth from lower taxes to invest in new production, hire more workers, raise productivity and, with it, wages. But the White House Council on Economic Advisers, which drafted the report, acknowledges therein that productivity has been rising in the US since 1995 while wages have stagnated, and that the current "recovery" has seen a level of corporate investment far below that of previous recoveries.

The authors write, "Investment spending has grown more slowly than usual for a business?cycle expansion." They note that instead of investing, "corporations used a good part of those funds to buy back shares from their stockholders," pushing up stock prices.

In other words, the ruling elite has used the windfalls provided from virtually free cash from the Federal Reserve, falling wages and benefits, and increased exploitation of workers—compliments of its political servants in Washington—to further enrich itself. It has taken advantage of the largesse of the Fed and the White House to expand its parasitic activities at the expense of the productive forces and the working class.

There is not the slightest reason to doubt it will continue to do so after its taxes have been reduced further, something of which the Obama administration is fully aware.

Meanwhile, the reduction in government revenues will be used as an argument for further cuts in social programs and workers' wages and pensions.