US Treasury Secretary Mnuchin to Congress: Pass tax cuts or markets will tank

Nick Beams
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US Treasury Secretary Steven Mnuchin has blurted out the dirty secret of the current Wall Street stock market boom—that it is based entirely on the funnelling of money to the corporations and the very wealthy.

In an extraordinary interview with *Politico* on Wednesday, published on the eve of a Senate vote aimed at pushing forward the Trump administration's tax cut agenda and also the 30th anniversary of the 1987 market plunge, Mnuchin warned that the stock market would likely tank if the tax "reform" was not passed.

"There is no question that the rally in the stock market has baked into it reasonably high expectations of us getting tax cuts and tax reform done," he said. "To the extent that we get the tax deal done, the stock market will go up higher. But there's no question in my mind that if we don't get it done, you're going to see a reversal of a significant amount of the gains."

Under conditions where the market has risen by about 25 percent since the election of Trump, Mnuchin's remarks amounted to an open threat to Congress to get the tax cuts through or be held responsible for a major market sell-off and all that could follow. His interview came as the Dow went over 23,000 to hit a new record closing. According to one financial analyst cited by the *Financial Times* the US stock market has been "drunk on hopes for tax reform."

The tax program comes in two parts. Under the proposal for a "competitive tax rate" it will slash corporate taxes to 20 percent from their present level of 35 percent and enable giant corporations such as Apple and Google, which have parked some $3 trillion overseas to evade tax payments, to bring their money back to the US.

Goldman Sachs has calculated that if the Trump measures are enacted, the S&P 500 index of earnings per share will rise by 12 percent.

The schedule of personal income tax cuts, packaged as a boon to the middle class, will overwhelmingly benefit the very wealthy, with estimates that as much as 80 percent of the cuts will go to the top one percent of society, providing them with additional income averaging $1.4 million.

On top of this, the plan seeks to eliminate all inheritance taxes, which begin at $5.5 million for an individual and $11 million for a couple. This open handout to the very wealthy is being touted by the administration as a question of "fairness"—a claim repeated by Mnuchin in his *Politico* interview.

Mnuchin somewhat departed from previous claims by the administration that the income tax cuts would be directed to middle-income earners and not to the rich, telling *Politico* it was inevitable that as the wealthy paid the most tax, they would get the greatest benefit from any across-the-board reduction.

Apart from making crystal clear the emptiness of the Trump administration's claims to defend the interests of working Americans, the interview underscored the parasitic character of the present stock market boom. It is not based on any real growth in the economy, but rather on measures that ensure that all economic gains flow into the coffers of the corporations and the super-wealthy elite.

In the lead-up to the presidential election, Trump described the rise in the stock market as a bubble, essentially based on "free money" resulting from the ultra-low interest rates set by the Fed. Since then he has posted more than 30 tweets claiming that the rise in the markets is a measure of the success of his policies.

The prospect of tax cuts is not the only factor that has fuelled by the markets since the inauguration. Another is the prospect of wholesale financial and economic

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deregulation to ensure increased profit-making.

But Trump cannot claim all the credit for the rise in the wealth of the corporate-financial elite. The rise in the markets goes back to 2009 and the coming to power of Obama.

After reaching its low point in March 2009 following the 2008 financial crisis, the market has risen by around 300 percent, boosted by the bailouts to the banks and financial corporations, the restructuring of labour markets, starting with the auto companies, to impose a low-wage regime, and the provision of trillions of dollars for financial speculation through the policies of the Fed.

The rise in the markets has benefited not only from the policies of the federal government and its agencies. A crucial role has been played by the trade union bureaucracy, stretching back over decades, in suppressing and betraying the struggles of workers, leading to a major decline in the labour share of national income and the stagnation and outright decline of real wage levels.

The “justification” for the Trump measures is provided by the invocation of the bankrupt theory of “supply side” economics, first put forward in the 1980s by the Reagan administration as the rationale for its tax cuts. Under this “theory”—the free market justification for corporate plundering of public resources—tax cuts boost the economy, leading to higher growth, which then pays for the initial reduction in tax revenues.

But independent analysis of the Trump tax plan during the election estimated that it would add an additional $7 trillion to the federal debt in the first decade and $21 trillion by 2036. In other words, in the midst of mounting health problems caused largely by poverty, decaying infrastructure, worsening social services and a myriad of other crises, vital areas of social need will be further starved of resources on the grounds that “there is no money.”

However, there is one area that will not suffer cuts—spending on the military, as the US seeks to maintain its global position against its rivals and to accelerate the build-up of a police state at home, in preparation for social convulsions that will result from another major economic and financial crisis.

While it is not possible for forecast when such a crisis will strike, all the objective conditions for its eruption are being put in place. The stock market is now at levels that rival only those before the 1929 crash and the collapse of the dotcom bubble at the beginning of this century.

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