

# The American oligarchy prepares a new tax windfall for the rich

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The drive to enact the most massive tax cut for the rich in US history accelerated Tuesday as Donald Trump met behind closed doors with Senate Republicans to finalize the plan.

The House of Representatives is set to approve Thursday the Senate budget resolution passed last week, a parliamentary maneuver that will allow the Republicans, under expedited rules, to pass the tax plan by a simple majority in the Senate rather than a filibuster-proof three-fifths vote. The actual proposal will be released on November 1, setting the stage for the final push to secure passage by the end of the year.

Wall Street celebrated the stepped-up push for the plan with a 167-point surge in the Dow, bringing the index closer to 24,000. Since Trump was elected last November, the Dow has risen by more than 25 percent. It has quadrupled since 2009, thanks to the multitrillion-dollar bank bailout and other handouts to the corporations and banks under Obama.

The Trump tax measure, however, will raise to a new level the plundering of society's resources by the ruling class.

Its provisions read like a Christmas wish list for the rich: slashing the corporate tax rate from 35 percent to 20 percent, generating additional corporate revenues of \$6.7 trillion by 2037; reducing the top personal income tax rate from 39.6 percent to 35 percent; abolishing the alternative minimum tax, which applies only to the wealthy; and slashing to 25 percent the rate at which business owners are taxed on money recorded as "pass through" income.

It also abolishes the estate tax, which affects those worth over \$5 million, just 0.02 percent of the population. This measure has long been desired by the corporate oligarchy, allowing its members to pass on to their children all the wealth accumulated through fraud

and speculation, effectively establishing a form of dynastic rule.

The top 1 percent will see their after-tax income rise by 8.5 percent if all these measures are adopted. The Center for Budget and Policy Priorities estimates that half of the tax cuts will go to the top 1 percent of households, those making more than \$700,000 per year. Within this group, the top 0.1 percent will receive 30 percent of the tax cuts, for an average cut of \$800,000 a year.

The bottom 90 percent of the population, the working class and lower-middle class, will get little or nothing. A married couple with one child that earns less than \$24,850 a year will receive no tax cut, while a similar family earning \$48,700 will see a cut of just \$180. At the same time, the budget deficits produced by the tax cuts will be used by both parties to demand massive cuts in social programs, including Social Security and Medicare.

As is to be expected, Trump and the Republicans are promoting the plan with shameless lying, denying that their plan is designed to benefit the rich and insisting it is aimed at cutting taxes for "hard-working Americans" and creating jobs.

The Democrats, for their part, support a huge cut in corporate taxes and are offering only token opposition to the other handouts to the rich. Following the Republican meeting on Tuesday, Senate Minority Leader Charles Schumer and other Democratic senators held a press conference. Schumer, the senator from Wall Street, accused Trump of lying about the plan but said nothing about corporate taxes. Other Democrats attacked the plan for being fiscally irresponsible.

As always, the Republicans set the reactionary framework for policy and the Democrats ensure that it is enacted virtually intact. The Democrats' main

function is to disarm the working class by creating an illusory smokescreen of democratic debate and opposition.

The Trump tax plan is the outcome of a decades-long social counterrevolution that has produced a colossal transfer of wealth from the working class to the rich and the super-rich, creating levels of social inequality unseen since the 1920s and transforming the United States into an oligarchy.

The Sixteenth Amendment to the US Constitution, granting Congress the power to tax people's income, was passed in 1913, as part of the progressive movement's efforts to rein in the robber barons. The estate tax was enacted at the same time.

During the Great Depression, the Roosevelt administration raised the top rate from 25 percent to 63 percent as part of the New Deal reforms aimed at heading off a socialist revolution. During World War II, the top rate peaked at 94 percent. Over the next three decades, the top rate never fell below 70 percent.

The first postwar reduction was carried out by John F. Kennedy, but this was only a foretaste of what was to come, as the ruling class adopted a policy of social counterrevolution under Ronald Reagan. The Democrats, who controlled Congress, capitulated to Reagan in 1981 and slashed the top rate from 70 percent first to 50 percent and then to 28 percent. This gradually rose back to the current rate of 39.6 percent.

At the same time, taxes on capital gains from stock and bond speculation were slashed to 25 percent as part of the inflation of the stock market that has proceeded since the 1980s. Tax cuts for the wealthy have played an essential role in fueling the stock market and other forms of financial speculation, which have become the primary mechanism for wealth accumulation by the financial aristocracy.

The consequences are clear. Since the 1980s, the share of national income going to the top 1 percent has risen from 12 percent to 20 percent, while that of the bottom 50 percent has fallen from 20 percent to 12 percent.

The most recent Survey of Consumer Finances from the US Federal Reserve shows that the top 10 percent of Americans now own 77 percent of all wealth. The top 1 percent owns 38.5 percent, an increase even since 2013. The share going to the bottom 90 percent has declined by more than two percentage points, to 22.9

percent.

The impact of these shifts in wealth and income on the conditions of life of millions of people can be seen in myriad forms: declining life expectancy, rising infant and maternal mortality, rampant drug addiction and a rising suicide rate.

This growth of parasitism has coincided with the destruction of large swathes of industry, the devastation of former industrial centers all over the country, and the impoverishment of broad sections of the working class. Now, with the Trump tax cut—authored by the Goldman Sachs alumni Treasury Secretary Steven Mnuchin (net worth \$500 million) and economic adviser Gary Cohn (net worth \$610 million)—a new level of enrichment of the oligarchy is being launched that will make current levels of inequality seem quaint by comparison.

The conditions are being created for a social upheaval. The emerging working class opposition must take up the demand for a fundamental revision of tax policy to break the stranglehold of the financial oligarchy and radically redistribute the wealth in favor of working people. The top rate for both personal income and corporate wealth must be raised once again to what it was in the 1940s and 1950s, to end the theft of social resources and provide for the social needs of the broad masses of people.

These are in themselves democratic demands. They cannot be achieved, however, without a frontal assault on the source of the power of the corporate and financial elite: its control of economic life, and with that, the entire political system. The redistribution of wealth to the working class must be connected to the fight for workers' power, the transformation of the giant corporations and banks into publicly owned utilities, and the socialist reorganization of economic life.



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