

# The US tax bill: A massive handout to the financial elite

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**18 November 2017**

On Thursday, the US House of Representatives passed a sweeping bill that will slash taxes on the wealthy and hike taxes on millions of working class households, in a move that will further fuel social inequality in the world's most unequal developed country.

Since the 1960s, the slashing of top income and corporate tax rates has been a major driving force in the phenomenal growth of social inequality in the United States. Now, under the fascistic billionaire real estate mogul Donald Trump, this process is being kicked into overdrive.

The centerpiece of the bill is the reduction of corporate tax rates by almost half, from 35 to 20 percent, at an estimated public cost of \$1.5 trillion, making US corporate taxes the lowest since 1939. This will dramatically accelerate the fall in effective corporate taxes that has taken place since the 1950s, when the effective tax rate was 50 percent, to today, when it is less than 20 percent.

Next, the financial elite is salivating over the abolition of the estate tax, which the bill mandates by 2025, providing a massive windfall to the top 0.2 percent of households.

According to a report published last month by UBS, more than half of all billionaire wealth in the US is controlled by individuals older than 70, and the US financial elite has been waiting for the abolition of the estate tax to transfer its wealth to the next generation. The abolition of the estate tax would be a major step toward making the United States a hereditary oligarchy, in which wealth is passed down dynastically without any diminution.

According to the non-partisan Joint Committee on Taxation, under the Senate version of the bill, by 2027 every family earning below \$75,000 per year will see a

tax hike, and every family making above \$100,000 per year will see a tax cut.

The bill includes provisions that are little more than cruel and insulting. Alongside a tax break for the ownership and maintenance of private jets, it mandates the elimination of tax deductions for graduate student stipends and tuition reimbursement. The *Harvard Crimson* wrote that the result would be a 400 percent tax increase on graduate students, who are often massively underpaid.

Finally, by putting a \$1.5 trillion hole in the budget, the tax plan will accelerate demands for slashing Medicare, Medicaid and Social Security, together with other forms of social spending, to plug the gap.

While Democratic politicians mouthed criticisms of the Republican-sponsored bill, its most important measure, the corporate tax cut, has been a major element in the Democratic playbook. The Obama administration's 2016 budget, for example, called for lowering the corporate tax rate to between 28 and 25 percent.

The *New York Times*, a leading mouthpiece for the Democratic Party, wrote in an editorial this week, "The Right Way to Cut Corporate Taxes," that "Republicans are right about the corporate tax system being broken." The newspaper added, "If Republicans worked with Democrats... they could reach a compromise to lower the top corporate tax rate to between 25 percent and 28 percent."

On Thursday, the *Times* and leading Democratic politicians were far more concerned with whipping up a series of sex scandals, centered around Republican Alabama senate candidate Roy Moore and Democratic Senator Al Franken.

As expected, all three US stock indexes soared on Thursday following passage of the bill by the House of

Representatives. Since the election of Donald Trump, the Dow Jones Industrial Average has shot up by 17 percent, and it has more than tripled in value since the 2008 financial crash.

In an interview last month, US Treasury Secretary Steven Mnuchin made clear that a major driving force in the run-up in prices has been the expectation that the Trump administration is going to slash taxes on corporations and the super-rich.

“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,” said Mnuchin. “To the extent that we get the tax deal done, the stock market will go up higher.” He also made clear that Wall Street would not accept any slowdown in the upward redistribution of wealth. “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,” he said.

The comments by Mnuchin, the former Goldman Sachs banker worth nearly half a billion dollars, are just one expression of the stranglehold of the financial elite over political, social and economic life in the United States. The first and last priority of American society is the continuous enrichment of this financial oligarchy.

The United States is the most socially unequal developed country in the world. Just three men— Bill Gates, Warren Buffett and Jeff Bezos—have between them more wealth than the bottom half of the American population. The world’s billionaires have had their wealth shoot up by \$1 trillion over the past year, driven by central bank money creation, tax cuts and incentives, and the continuous assault on the social position of the working class.

The domination of the financial elite, in the United States and around the world, over human civilization is the root cause of every serious problem of modern society, from poverty, homelessness, and drug addiction, to war. The ending of these evils requires the radical transformation and reorganization of society in the interest of social needs, not private profit.



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