

Seattle City Council and Kshama Sawant capitulate to Amazon, pass watered-down head tax

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Following a weeks-long campaign of economic blackmail waged by Amazon and other large corporations, the Seattle City Council unanimously passed a watered-down version of the head tax on big business last Monday. The tax will fund housing construction and services for Seattle's large and growing homeless population. The bill will cost the company just \$10 million annually, which represents less than the amount Amazon CEO Jeff Bezos makes in an hour.

Under the legislation passed Monday and signed into law on Wednesday, for-profit businesses with annual gross revenue of at least \$20 million in Seattle—representing the top 3 percent of businesses—will be taxed at a rate of \$0.14 per employee for every hour worked in the city, or roughly \$275 annually for a full-time employee beginning in 2019. The measure will produce an estimated \$47 million in revenue that will be used to build low-income housing and provide hygiene and other vital services to a fraction of Seattle's roughly 12,000 homeless residents. The measure also contains a “sunset clause” that effectively ends the tax after five years unless renewed by a vote of the city council.

This represents just half the revenue that would have resulted from the original version of the bill proposed by Democratic Party councilmembers Teresa Mosqueda, Mike O'Brien, Lorena Gonzalez, and Lisa Herbold on April 20. This version of the bill would have placed a tax of \$0.26 per employee hour worked—or \$500 annually per employee—on large businesses. This employee hours tax (EHT) would then have been phased out in favor of a 0.7 percent payroll tax in 2021.

Almost immediately after its introduction, a coordinated campaign of threats and propaganda by large corporations, led by Amazon, was mounted against the first head tax proposal. In numerous editorials, opinion

pieces, and open letters to the city council, the measure was denounced as a “tax on jobs” and many of Seattle's largest employers threatened to leave the city or wind down operations if it were passed, even though the city actually had a head tax until it was repealed in 2009.

This campaign reached a crescendo on May 2, when Amazon announced in a statement that it had halted construction on its Block 18 office building in Seattle pending the city council's decision on the head tax, potentially costing the city 7,000 jobs. At the same time, the company began publicizing increased staffing levels in several other cities, including Boston, Chicago, and Vancouver, British Columbia.

Amazon's announcement caused great concern within the Seattle political establishment, which over recent months has responded to Amazon's search for a second headquarters (or “HQ2”) with an effort to “reset” relations with the e-commerce giant by offering further incentives for the company to base its operations in the city. With 45,000 employees, Amazon is Seattle's largest employer.

The next day at a press conference outside Amazon's new headquarters complex, Socialist Alternative City Councilmember Kshama Sawant, who backed the tax plan, was confronted by a group of men dressed like construction workers from the United Brotherhood of Carpenters. As Sawant began to speak, the men began chanting “No head tax!” to drown her out.

Sawant made no effort to defend the head tax or draw attention to the rising cost of living for workers in the city. Instead she handed over her microphone to a trade union bureaucrat, who used the opportunity to praise Amazon for the “thousands of family-wage jobs” it has brought to the area and to deflect anger away from the corporation, which is directly responsible for rising rents

and homelessness in the city.

The union bureaucrat made no mention of Amazon's reliance upon thousands of super-exploited warehouse workers laboring in sweatshop conditions around the world, nor of its dubious distinction as one of the most dangerous companies to work for in the United States.

On May 11, after remaining silent on the head tax for months, Seattle's Democratic Party Mayor Jenny Durkan announced her opposition to the first version of the head tax and threatened to veto the measure.

Following a weekend of negotiations, a deal was reached between the Mayor's office and the city council to reduce the tax from \$500 annually per employee to \$275, or just over half of the original amount.

The city council approved the new measure unanimously after buckling to Amazon's pressure campaign. Sawant also supported the capitulation, defending it from a pro-corporate standpoint in a speech last week: "There is no way this tax will be a burden on big business in Seattle."

Sawant postured throughout the heated debate as an anti-establishment advocate for low-income workers and the homeless, denouncing "billionaires and big business" and at one point proposing a higher tax. But her role in the capitulation proves that Sawant serves the interests of the corporations and the Democratic Party by presenting their rotten backroom deals as "victories" for the working class.

In a tweet on May 14 shortly after the second bill passed, Sawant wrote: "Given extortion from @JeffBezos & Goliath-like clout of @amazon, even a smaller tax is huge victory & pushback on corporate bullying. BUT imagine what our movement could've won with council members who fought with us rather than limiting themselves to what's acceptable to big biz & establishment."

A May 15 article posted on the Socialist Alternative website proclaimed: "TAX AMAZON MOVEMENT WINS IN SEATTLE!" The article praises the "victory" of SA's "Tax Amazon" campaign and compares passage of the head tax to the \$15 minimum wage ordinance enacted in 2014.

This comparison is indeed fitting. Under Sawant's leadership, Socialist Alternative, other pseudo-left groups, and various trade unions mounted a yearlong campaign for an immediate increase in the city's minimum wage to \$15 under the "\$15 Now" campaign. That effort culminated in another "compromise" that incrementally increased minimum wage to \$15 over several years and

ensured that the real minimum wage would never reach \$15 an hour, which is still far less than is actually needed live in Seattle.

While expressing "disappointment" with the outcome, Amazon announced Monday that it has resumed work on Block 18, underscoring the fact that its threats were nothing more than a cynical political maneuver to achieve its desired policy outcome. The bill will have practically no impact on its bottom line. To a massive company like Amazon, even the \$20 million originally proposed is chump change—the equivalent of \$30 in a year to a worker who makes \$15 an hour. The head tax signed into law this week will cost the company \$12 million per year, a mere rounding error for a company that grossed \$178 billion in revenue last year.

However, the difference between the \$500 and \$275 EHT amounts to a reduction in the number of housing units to be constructed from 1,780 to 591 in a city with a homeless population that is third-highest in the nation behind only New York and Los Angeles, leaving thousands more people on the street for the sake of preserving a miniscule slice of the Amazon's profits.

In reality, none of the head tax proposals represent a serious effort to address the housing crisis in Seattle, which saw a record number of homeless people die on the streets last year. The resources exist to provide everyone with a home and decent standard of living. But as the head tax capitulation demonstrates, this can only be achieved through an independent struggle of the working class against the capitalist politicians and the corporate interests they serve, and for the socialist reorganization of society.



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