# Report documents plundering of US wealth through tax cuts for the rich

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A report released last Wednesday by the Institute on Taxation and Economic Policy (ITEP) documents the plundering of US wealth to benefit the rich since 2001. Under presidents Bush, Obama and Trump—that is, under both Democratic and Republican administrations—US federal tax cuts have resulted in lost revenue of $5.1 trillion, with 65 percent of that money going to the top 20 percent of income earners. When interest on increased federal debt is calculated in, the cost in social wealth totals $5.9 trillion over the past 17 years.

The report provides statistical proof that the policies pursued by both major parties are deliberately designed to enrich the top 10 percent—and especially the top 5, 1, .1 and .01 percent—at the cost of increased social misery, poverty, disease and death for the masses of people.

When the cost of US imperialism's wars since 2001 is figured in, the result is an even more staggering $10 trillion-plus in additional federal debt. The total national debt is approximately $15.7 trillion. Its massive increase, the result of war and social plunder by the financial oligarchy, is then used as the justification for attacking basic benefits such as Social Security and Medicare.

The data provided in the report expose the lie promoted by the ruling elite and politicians in both big business parties that there is "no money" to fund basic social needs such as decent-paying jobs, health care, education and housing. The report also gives the lie to the claim that entitlement programs such as Medicare and Social Security are the main drivers of the country's growing indebtedness.

ITEP explains that its estimates of the growth of economic inequality and the national debt resulting from changes in tax policy are conservative, since they do not take into account tax "extenders," such as provisions giving companies tax benefits for accelerated equipment depreciation. Nonetheless, it concludes that the tax cuts enacted since 2001 will total $10.6 trillion by 2025, with nearly a fifth of those savings going to the top 1 percent of income earners.

The total cost of fixing America's crumbing transportation infrastructure, according to the American Society of Civil Engineers, comes to less than one third of lost tax revenues since 2001. The nearly $6 trillion in additional debt resulting from tax cuts for the rich would be sufficient to abolish hunger and homelessness and guarantee quality education and health care for the entire US population.

Americans with incomes in the bottom 40 percent have received only 10 percent of the benefit of federal tax cuts in the last 17 years. This minimal benefit has been more than eclipsed by the combined impact of inflation, wage suppression by employers, aided by the trade unions, and the increasing reliance of states on sales taxes and gambling revenues to fund social needs.

Another recent ITEP report found that among the 258 Fortune 500 companies that were profitable in 2014, the average corporate tax rate levied by US states was only 3 percent of profits.

The boon to the wealthy from the Bush-era cuts continued during Obama's first term, even after the 2008 economic crash. In 2007, those in the top 1 percent income bracket saved $79.2 billion from tax cuts—enough to wipe out world hunger for two years, according to figures from the Food and Agriculture Organization of the United Nations—while in 2012 the figure stood at $78.9 billion.

During Obama's second term, the tax savings of the wealthy dropped from 4.6 percent of income to 2.6 percent, in part because of an increase in Medicare

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payroll taxes legislated as part of the Affordable Care Act. However, the share of income saved by the poorest 20 percent during the same period dropped from 3.6 percent to 2.6 percent, and that of the next 20 percent from 3.9 percent to 2.5 percent. This blow to the working class occurred despite the expansion of the earned income tax credit and the child tax credit under Obama.

While the Obama administration pumped trillions of dollars into Wall Street through tax payer-funded bank bailouts, near-zero interest rates and "quantitative" easing after the 2008 crash, and trillions more into the wars in Afghanistan, Iraq, Libya and Syria, the American Taxpayer Relief Act of 2012 did restore some tax rates to their 2001 levels. The income tax rate on those earning more than $400,000 per year, for example, was returned to 39.6 percent from 35 percent, while the marginal rate on long-term capital gains was moved from 15 percent back to 20 percent.

Nonetheless, the tax cut benefits in 2016 for those in the top 5 percent of incomes totaled $89.5 billion, while those in the bottom 40 percent amounted to only $33.9 billion. The average income of the top 1 percent increased from $1.5 million in 2012 to more than $1.7 million in 2016.

According to research done by economists Alan Krueger and Lawrence Katz, 94 percent of net job growth between 2005 and 2015 consisted of "alternative work," defined as consulting, temporary employment and the like. Thus, despite small tax breaks from Bush- and Obama-era legislation, the position of the American working class deteriorated while the wealthy profited from Obama's policies.

ITEP's figures show that the average income of Americans in the bottom 20 percent stayed below $15,000 between 2012 and 2016. In many parts of the country, this wage would not even pay 12 months of rent. The average tax cut for these workers decreased from $480 to $390 per year between 2012 and 2017, while for the next quintile the amount went from $1,050 to $760. The higher 2012 amounts resulted mainly from a Social Security payroll tax "holiday." This measure was passed off as a benefit to workers, but in reality it was a weapon for weakening Social Security by reducing revenues to its trust fund.

In a companion study on the Trump tax cuts passed in December 2017, ITEP estimates that the share of the benefit enjoyed by the richest 20 percent will increase to 71 percent this year. In 2026, the top 1 percent of income earners will see savings of nearly $6,000 per year, while the bottom 20 percent will pay at least $200 more in taxes. In the current year, this bottom quintile will see a tax reduction of only 0.9 percent, while the top 1 percent will receive an average cut of 2.6 percent of its income.

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