

Financial parasitism and the American oligarchy

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The report of plans by the Trump administration to push through yet another \$100 billion rip-off for the super-rich underscores the urgent reality facing the working class: American society can no longer afford the endless demands of the ruling elite for the accumulation of ever-greater personal wealth.

This is, of course, a global problem. As an Oxfam study found last year, eight billionaires control more wealth than the poorer half of humanity, some 3.6 billion people. Six of those eight are Americans, and nowhere is the conflict between the needs of working people and the insatiable appetite of the financial aristocracy so great as in the United States.

One mega-billionaire alone, Jeff Bezos of Amazon, the world's richest man, has seen his fortune rise nearly \$50 billion in 2018—enough to pay a bonus of \$100,000 to each of the company's more than half a million workers.

The proposal for another massive tax handout is the latest expression of a bipartisan agenda of wealth redistribution, which has proceeded over the course of the past several decades under both Democrats and Republicans. Indeed, the greatest transfer occurred under the Obama administration in the wake of the 2008 economic collapse, with trillions allocated to inflate the financial markets—the principal mechanism for engineering the bailout of the rich.

A recent report by the Roosevelt Institute and the National Employment Law Project reveals the staggering level of financial parasitism that characterizes the American economy. The report examined stock buybacks overall, and in detail for three major industries: restaurants, retail sales and food manufacturing.

Under the financial deregulation pushed by both Democratic and Republican administrations over the

past 25 years, stock buybacks have soared from less than 5 percent of earnings in the early 1980s to 54 percent of earnings in 2012, and nearly 60 percent today.

Such figures put paid to the pro-capitalist mythology suggesting that high corporate profits will “trickle down” to the masses because companies will invest those profits in new machinery and hiring new workers. Actually, they spent *well over half of their profits* enriching big shareholders and top management, who hold the lion's share of stock.

Remarkably, the restaurant industry spent far more on stock buybacks than it made in profits, 136.5 percent. That means that companies in this sector went into debt, borrowing money to give payouts to investors. The top five restaurant chains for buybacks included McDonald's, YUM Brands (Taco Bell, KFC, Pizza Hut), Starbucks, Restaurant Brands International (Burger King, Tim Horton's) and Domino's Pizza. If the same money had been divided among the workers, it would have raised wages by 25 percent.

The retail industry spent 79.2 percent of net profit on stock buybacks, and companies like Walmart, CVS, Target, Lowe's and Home Depot could have given workers across-the-board raises of 63 percent instead. For food manufacturing (Pepsico, KraftHeinz, Tyson Foods, and Archer Daniels Midland, among others), the comparable figures are 58 percent of net profit going to stock buybacks, but the profits were larger and could have financed raises of 79 percent to workers.

Stock buybacks particularly enrich CEOs, who generally take the bulk of their income in stock, and thus benefit when the buyback drives up the price. CEOs reaping the most spectacular returns, named in a report this week by *Politico*, included Safra Katz of Oracle (\$250 million), Thomas Kurian, also of Oracle

(\$85 million) and Ajay Banga of Mastercard (\$44.4 million).

Another fact exposes the enormous sums being looted by the corporate and financial aristocracy. Earlier this week, the *Wall Street Journal* reported that 350 Goldman Sachs executives and board members who received stock options in 2008, at the height of the global financial crash, will have accumulated \$3 billion dollars by the time these options expire this year.

The flood of stock buybacks has been triggered by the mammoth \$1.5 trillion tax cut pushed through by Trump and the Republican Congress last December with the complicity of the Democrats. Corporate America is funneling \$2.5 trillion into the pockets of shareholders through buybacks, dividends, mergers and acquisitions, and other financial manipulations.

There was evidently some resentment in sections of the super-rich that the tax cut applied mainly to corporate and personal income taxes, and left the capital gains tax rate unchanged. In response, the Trump administration has indicated that it is preparing to reverse previous precedent and is considering an executive action to change the rules for taxing capital gains—the profits made from the buying and selling of stocks, bonds and other financial assets—so that the wealthy can deduct the effects of price inflation.

This will cut the capital gains tax by one-third, or \$102 billion over ten years. Two-thirds of this sum, or \$66 billion, would accrue to the top 0.1 percent of Americans.

Previous administrations had determined that adjusting for inflation would require authorization by Congress, meaning that a change by executive fiat would be illegal. But Mnuchin said, “If it can’t get done through a legislation process, we will look at what tools at Treasury we have to do it on our own and we’ll consider that.”

This is an administration that demonizes millions of working people who come to the United States seeking safety and a better life, calling them “illegal aliens” because they are undocumented. But when it comes to the interests of the billionaires, there’s no concern over what is legal, only over how best to fatten their portfolios.

What sustains the Trump administration, in the face of mounting popular hostility to its retrograde social policies, flagrant attacks on democratic rights and

unbridled militarism, is the character of the nominal opposition. The Democratic Party is a party of Wall Street and the military-intelligence apparatus, no less dedicated than Trump to defending the interests of the corporate and financial elite.

There is not a single social problem that can be resolved so long as the corporate and financial elite rules over American and world economy. An end to the domination of these social parasites means an end to the economic system, capitalism, that exists to maintain and expand their wealth and power.



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