The corporate plundering of America: Major companies spend more on executive pay than on federal taxes

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A new report published March 13 documents two interconnected processes: A steep decline in federal tax payments by top US corporations and an explosive rise in executive compensation. Taken together, these processes shed light on the systematic plundering of the economy by the corporate-financial oligarchy at the expense of the working class, enabled over successive administrations by both the Democratic and Republican parties.

The report, titled “More for Them, Less for US: Corporations that Pay their Executives More than Uncle Sam,” is jointly authored by Americans for Tax Fairness (ATF) and the Institute for Policy Studies (IPS), two liberal think tanks. It is based on an analysis of tax and executive compensation data of major US corporations that posted cumulative profits from 2018 through 2022.

The report focuses on 64 leading US corporations that paid out less in federal taxes than in total compensation for their top five officers in at least two of those years, and a subset of 35 corporations whose cumulative tax bills were less than their compensation packages for their highest-ranking officers over the entire five-year span.

Corporations in the broader group of 64 tax dodgers but not in the subset of 35 include such household names as AT&T, General Motors, Chevron, Marathon, Honeywell, Fed Ex, Exelon, Consolidated Edison, Archer Daniels Midland, Whirlpool, Owens Corning and Dow.

The smaller group of firms that cumulatively paid zero in federal taxes, or actually received net tax refunds from the government over the five-year period, includes companies such as Netflix, Tesla, T-Mobile, Dish Network, Ford, DTE Energy, Duke Energy, MetLife and U.S. Steel.

Key findings

The report’s “key findings” include:

• Among the 35 corporations that cumulatively paid no taxes, total compensation reported for the top five executive officers over the five-year period was $9.5 billion. This means that the average annual pay for the 175 executives involved was $10.9 million. Over the entire five-year span, these corporations combined actually paid *less than zero* in federal taxes, because they received $1.8 billion in net tax refunds.

• Of the 64 companies in the study, 18 paid no federal income taxes. In fact, all but one of these 18 received tax refunds from the government. They gave their top executives a combined $5.3 billion in pay packages, yielding an average annual pay of $10.8 million.

• The 64 firms in the study posted cumulative pre-tax domestic profits of $657 billion from 2018 through 2022, yet they paid an average effective federal tax rate of a mere 2.8 percent (the statutory rate is 21 percent). At the same time, they paid their top executives more than $15 billion.

This plundering of society for the enrichment of a parasitic elite has been the centerpiece of US domestic economic policy for more than four decades. It has gone hand in hand with a massive increase in military spending and more than 30 years of US imperialist wars and interventions around the world, combined with relentless attacks on the jobs, wages and living standards of the working class at home.

In this reactionary process, the trade union bureaucracy, aligned primarily with the Democratic Party, has played a crucial role, functioning as an agency of the corporations to suppress, undermine and betray the struggles of the working class, and an instrument of the government to prosecute US capitalism’s bloody drive for global hegemony.

The ATF/IPS report provides comparative indices that show the results of this process. For example:

• In the middle of the last century, US corporations provided between a quarter and a third of all federal tax receipts. For the past 40 years, however, since the administration of Ronald Reagan, who presided over the breaking of the 1981 air traffic controllers’ strike and smashing of the PATCO union, the corporate share of federal tax revenue has never exceeded 15 percent. From 1986 to the present, the top statutory corporate tax rate has been slashed from 51 percent to 21 percent.

• The gap between rising US corporate profits and stagnant or falling corporate taxes, both measured as a share of the gross domestic product, doubled between 1980 and 2022, according to data from the US Bureau of Economic Analysis.

• In 1965, corporate taxes made up 21.8 percent of all federal revenue and average CEO-to-median worker pay was 21 to 1. By 2022, corporate tax receipts had fallen to only 8.7 percent of federal revenue and the average pay ratio had risen to 344 to 1.

The report features case studies of what it calls "The Terrible Ten," i.e., the most brazen tax evaders among the 35 corporations that cumulatively paid more to their top executives from 2018 through 2022 than they paid to the US government in taxes.

The Terrible Ten

These include:

Tesla, the electric car maker headed by the pro-Trump fascist Elon Musk. It allocated a staggering $2.5 billion for top executive pay over the five-year period, made $4.4 billion in profit and received a cumulative $1 million in tax refunds. At the end of 2023, Musk had a personal fortune of $251 billion, based largely on the stock market value of the company, the eighth most valued company in the world, with a market capitalization of nearly $800 billion.

Darden Restaurants, the world's largest full-service restaurant corporation, including Olive Garden, Capital Grille and seven other chains. The company is among the restaurant chains opposing an increase in the federal subminimum wage for servers and other tipped employees, which is currently $2.13 an hour. It made a five-year profit of $3.6 billion, paid its top executives $120 million, and paid federal income tax of $28 million (0.8 percent). In 2020, Darden paid CEO Eugene Lee $8.7 million, 538 times Darden's median pay of $16,200.

American International Group (AIG), an insurance and investment firm that made $17.7 billion in profit and paid its executives $406 million, some $21 million less than it paid in federal taxes. In 2022, AIG CEO Peter Zaffino received a compensation package worth more than $75 million.

The presence of AIG in the report's "Terrible Ten" is particularly significant because the insurance giant was at the center of the 2008 financial meltdown that brought down the investment banks Bear Stearns, Lehman Brothers and Merrill Lynch and nearly triggered a world depression.

AIG was the biggest seller of "credit default swap" contracts, an unregulated market in which the firm sold insurance to banks and financial firms invested in speculative instruments based on sub-prime home mortgage loans. When the massive bubble based on dubious and worthless home loans came crashing down, AIG was unable to back up its guarantees to investors, including some of the biggest banks in the world.

The government and Federal Reserve loaned AIG $85 billion in taxpayer funds to keep it afloat, while they organized a $700 billion fund to prop up the US banking system. In the end, the government bailed out AIG to the tune of $185 billion, part of a multi-trillion-dollar handout to Wall Street.

While the cash spigots were opened for the financial speculators and plunderers, millions of workers lost their jobs and their homes. In 2009, Democratic President Barack Obama oversaw the forced bankruptcy of General Motors and Chrysler, in which the UAW worked with the companies and the government to close dozens of plants, slash tens of thousands of jobs, cut autoworkers' wages, and gut retiree health benefits.

AIG, in the meantime, announced plans to award $165 million in bonuses to the same executives responsible for pushing the company and the entire economy to the brink of collapse the previous year.

This is the context in which Biden, in his State of the Union address, declared: "Look, I'm a capitalist. If you want to make a million bucks—great!"

This was followed by his fiscal 2025 budget that proposes to raise the corporate tax rate to 28 percent, restoring only half of the cut carried out in Trump's 2017 tax law, knowing that even this miserable proposal will not be implemented. At the same time, he demanded hundreds of billions more in military spending.

What the *World Socialist Web Site* wrote in 2009 applies with increased urgency today. The working class confronts "the domination of social and political life by a financial oligarchy, whose leading representatives partake in the revolving door between the corporate suite and the highest levels of the state. This Augean stable of reaction and corruption can be cleaned out only through the independent mobilization of the working class on the basis of a revolutionary socialist program."