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Trump's tax plan: The wish list of the American oligarchy

Eric London

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On Wednesday, the Trump administration outlined a tax “reform” proposal that would be one of the largest upward redistributions of wealth in human history. The plan would essentially establish in law what is increasingly apparent in fact: The United States is an oligarchy.

The proposal would reduce the top individual income tax rate from 39.6 percent to 35 percent, cut the corporate tax rate from 35 percent to 15 percent, eliminate the estate and gift tax, and allow wealthy individuals to establish “pass through entities” in which their own personal income, including from wages, would be taxed at just 25 percent.

The release of the tax plan comes at a time of desperate need for hundreds of millions of people in the US. The US territory of Puerto Rico remains submerged without electricity, food, water, fuel or medicine. Houston is devastated in the wake of Hurricane Irma, and Florida in the wake of Hurricane Harvey. The industrial Midwest faces an opioid epidemic that takes the lives of tens of thousands each year. Everywhere millions lack adequate health care, education and infrastructure.

While the ruling class makes trillions available for war, bank bailouts, quantitative easing and tax cuts for the rich, it ignores basic social needs with criminal indifference. Just yesterday, both the

House and Senate missed a deadline to fund the Children's Health Insurance Program, meaning that nine million poor children face having no health care in the coming weeks and months.

A flurry of activity is accompanying the announcement of Trump's tax plan, which the nonpartisan Tax Policy Center estimates will reduce federal revenue by \$2.4 trillion in the next decade and another \$3.2 trillion in the following decade. Corporate tax cuts will produce added corporate revenue of \$6.7 trillion by 2037.

On Sunday, Trump Treasury Secretary Steven Mnuchin made the rounds of the morning talk shows declaring, with a straight face, that "the objective of the president is that rich people don't get tax cuts."

Mnuchin, the administration and Wall Street play the population for suckers.

The abolition of the estate tax alone will net \$240 billion by 2027 to those worth over \$5 million, just 0.02 percent of the population. Beyond this massive sum, the elimination of any taxation on money passed between generations of aristocrats establishes the oligarchic principle of dynastic rule. Before long, the new nobility will take the logical next step in demanding the repeal of another progressive era reform, the Sixteenth Amendment, which granted congress the right to tax income.

In the 4th century BCE, Aristotle defined the term "oligarchy" to mean a form of government where the non-rich are "absolutely excluded" from social decision-making. Under capitalism, the ruling class has taken this definition to a new level. In the US today, the government exists solely as a vehicle for enriching the wealthy and carrying out its domestic and foreign policy goals.

The government's top personnel are themselves billionaires and millionaires. The media, universities, technology companies and trade unions function as subservient semi-official state institutions whose purpose is to suppress social opposition and stifle free speech. The Democrats and Republicans function like factions of the same party that agree on enforcing the interests of the oligarchy.

In response to Trump's tax plan, House Democratic leader Nancy Pelosi told the *New York Times* Saturday, "The president wants to work together. We have a responsibility to find common ground." Senate leader Charles Schumer told Face the Nation yesterday, "We want to work with them if they will change... You know, they have to consult us." Last month, the *Times* called for corporate tax cuts in an editorial titled, "Want to Make a Deal, Mr. Trump?"

As is the norm in American politics, the Republicans are setting the reactionary framework within which the Democrats will likely propose only minor changes before securing the bill's passage. Despite issuing official proclamations of opposition to Trump's plan, the Democrats' position is dictated by the demands of not only their corporate sponsors who are salivating over Trump's proposal, but also a significant portion of their base in the affluent 10 percent who stand to gain substantially under the plan.

The policies of the American financial oligarchy have already produced unprecedented levels of social inequality, represented in data from a recently released Federal Reserve report:

From 2004 to 2016, the income of the bottom 80 percent of the US declined, with the exception of a bare \$1,000 increase in the income of the poorest fifth. Meanwhile, the median annual family income of the top 10 percent increased by \$25,100.

Median family pre-tax income by percentile

	2004	2016	Change
<20 percentile	\$14,100	\$15,100	+\$1,000
20-39.9 percentile	\$32,700	\$31,400	-\$700
40-59.9 percentile	\$55,000	\$52,700	-\$2,300
60-79.9 percentile	\$86,800	\$86,100	-\$700
80-89.9 percentile	\$133,200	\$136,000	+\$2,800
90-100 percentile	\$235,100	\$260,200	+\$25,100

Median family pre-tax income by percentile

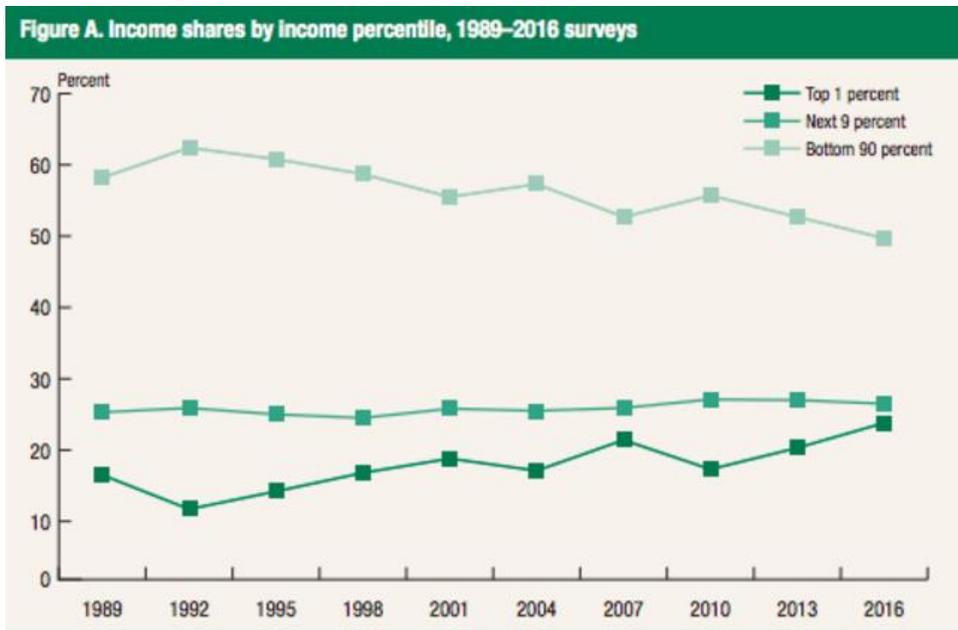
The growth in wealth inequality is even starker. Federal Reserve data shows the bottom 90 percent saw their wealth decline drastically from 2004 to 2016. The sharper fall in median family net worth compared to median family income indicates that the vast majority of the population is overwhelmed by the rising cost of living and that even modest income gains are erased by the added cost of health care, transportation, food, housing, education, etc.

Median family net worth by percentile

	2004	2016	Change
<20 percentile	\$9,500	\$6,700	-\$2,800
20-39.9 percentile	\$42,900	\$32,300	-\$10,600
40-59.9 percentile	\$91,500	\$81,600	-\$9,900
60-79.9 percentile	\$203,400	\$168,300	-\$35,100
80-89.9 percentile	\$398,900	\$393,600	-\$5,300
90-100 percentile	\$1,182,300	\$1,640,100	+\$457,800

Median family net worth by percentile

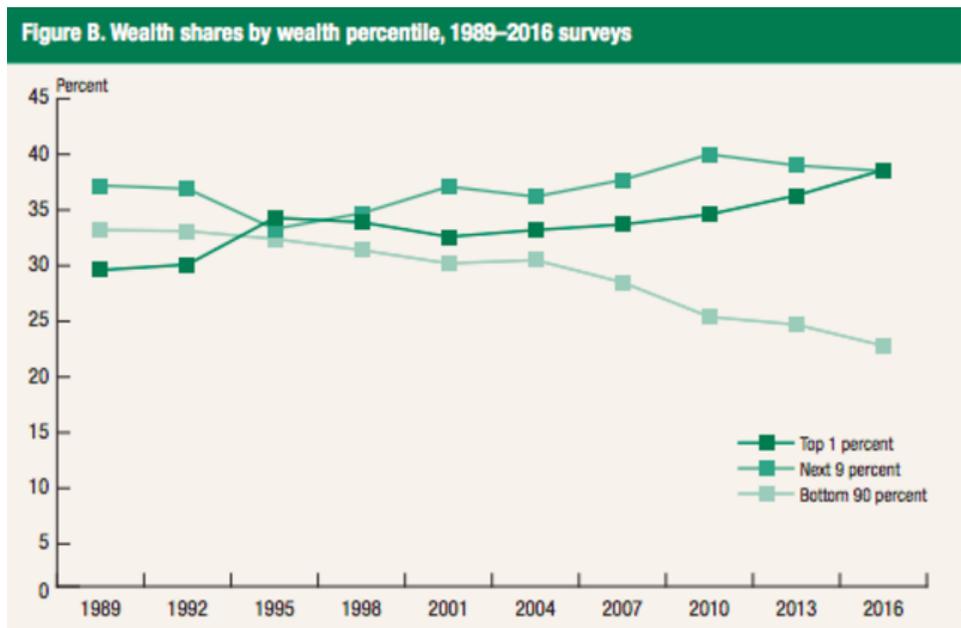
The Trump administration's tax proposal will greatly exacerbate social inequality. According to the Tax Policy Center's report, the top 1 percent will see their after-tax annual income rise by 8.5 percent, compared to an after-tax increase of those in the bottom 95 percent of between 0.5 and 1.2 percent.



Income shares by income percentile, 1989-2016 surveys

The tax cuts will increase the debt to over 50 percent of GDP by 2036 and will be used by both parties to demand massive cuts to social safety net programs as well as to Social Security and Medicare, thereby erasing the paltry tax cuts for hundreds of millions of Americans.

The massive growth in social inequality is the product of policies implemented by both parties over the last fifty years. There is every indication that another bipartisan arrangement is in the works, with Trump appearing at rallies with three Democratic Senators calling for tax reform.



wealth shares by wealth percentile, 1989-2016 surveys

Wealth shares by

The American oligarchy operates with a degree of domination over the government and official institutions that rivals that of the Bourbons and Romanovs. But the political establishment is deeply concerned over the growth of social opposition in the working class, a concern which underlies their campaign to censor and control the Internet. But through its tax plan, the Trump administration is fanning a growing social anger that will take the form of explosive social struggles in the period to come.