

Democrats embrace major cut in corporate taxes

By Patrick Martin
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Congressional Democratic leaders issued their policy proposals for the 2018 midterm election campaign Wednesday, effectively embracing the bulk of the tax cuts for big business and the wealthy enacted by the Republican-controlled Congress and signed into law by President Donald Trump in December.

None of the policy proposals will actually be submitted as legislation, since Republicans control the agenda of both the House and Senate. That means the Democrats were free to propose anything they pleased, not limiting their program to what could plausibly pass this year. Therefore it is all the more revealing that the Democrats are proposing to retain nearly all the tax breaks for the wealthy that they denounced verbally while they were being passed late last year.

In particular, the Democrats propose to set the corporate income tax rate at 25 percent, up slightly from the 21 percent set by the Republicans, but well below the 35 percent rate that prevailed until December. In effect, the Democrats are proposing to retain 10 percent of the 14 percent cut enacted by the Republicans, more than two-thirds of the bonanza for corporate America.

The Democrats would restore the estate tax to what it was before December, applying to estates over \$5.6 million rather than \$11.2 million, but there would be no increase in the tax rate. They would also restore the top rate for the highest income households to 39.6 percent rather than the current 37 percent.

Many other tax changes incorporated in the huge tax cut bill, largely written by corporate lobbyists, would not be repealed by a Democratic Congress, including the lower taxes for business partnerships and S corporations, as well as the tax holiday for giant companies like Apple, Google, Microsoft and General Electric, which can repatriate hundreds of billions in

profits held overseas to avoid taxes while paying only a nominal rate.

This olive branch to the wealthy follows the vote by a large number of Senate Democrats to loosen the weak regulations on major banks enacted after the 2008 Wall Street crash. The bill, drafted by Republicans with considerable input from Democrats, would raise the threshold for bank oversight provisions under the 2010 Dodd-Frank law from \$50 billion in assets to \$250 billion, effectively exempting several dozen banks from even limited supervision.

While press accounts describe these financial institutions as “midsize,” they include such giants as American Express, Ally Financial, Barclays, SunTrust and BB&T. These would now be exempted from annual “stress testing” by the Federal Reserve and regulation under the “too big to fail” provisions of Dodd-Frank.

A group of right-wing Democrats, including Mark Warner of Virginia (a tech multi-millionaire), Joe Donnelly of Indiana and Heidi Heitkamp of North Dakota, have been in protracted talks with Republican Senate Banking Committee Chairman Mike Crapo, culminating in an agreement Wednesday on 200 pages of detailed legislative text.

When Senate Majority Leader Mitch McConnell brought the bank deregulation bill to the Senate floor Tuesday for a procedural vote, 17 Democrats joined with all the Republicans to support it. The vote was 67-32, the first time that a contested measure has received unanimous Republican support and significant Democratic support since Trump entered the White House.

Senator Jon Tester of Montana, one of the right-wing Democrats who is up for re-election in November, denied that fear of Republican attacks was a factor:

“This election has nothing to do with this; we were working on this five years ago. ... This has everything to do with access to capital and making sure rural America remains strong moving forward.” He praised McConnell, saying: “I think everybody wins on this. I think Mitch McConnell can go back and say, ‘See, the Senate is functioning.’”

According to figures tabulated by the Center for Responsive Politics, Tester, Donnelly and Heitkamp are the top three Senate recipients of campaign contributions from commercial banks in this election cycle. While they moan and groan about the supposed privations of “community banks,” they are really doing the bidding of financial giants just below the level of the Wall Street super-banks like Citibank and JP Morgan Chase.

Only 15 financial institutions will remain subject to the most stringent of regulations under Dodd-Frank, although these regulations are more of an annoyance than a constraint to rampant speculation and financial manipulation.

Senate Minority Leader Charles Schumer voted against the bill but supported the Democrats who backed it, saying, “People will have to make their own judgment whether the community-bank-positive parts outweigh the others.”

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