# Tax cuts boost US bank profits to record highs

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On August 23, the Federal Deposit Insurance Corporation (FDIC) reported that US commercial banks and savings institutions brought in a record $60.1 billion in profits in the second quarter of this year. The sum easily surpassed the $56 billion in bank profits in the first quarter and was up $12.1 billion, or 25.1 percent, from the second quarter of 2017.

In a statement, the American Bankers Association said the “real driver of earnings” last quarter was strong lending, though the group also credited tax “reform,” deregulation and the strength of the economy.

The FDIC, however, acknowledged that the Trump administration’s $1.5 trillion tax cut, which dramatically lowered the corporate rate, was largely responsible for the increase in profits. A secondary factor, it said, was the rise in interest rates. The Federal Reserve has raised interest rates twice this year and is expected to raise them again once or twice before the end of the year.

The vast bulk of the profit increase is occurring at the larger banks rather than the so-called “community banks.” Of the 5,542 insured institutions, some 5,111 are currently counted as community banks. This much larger group saw its net income rise by about $1.1 billion from a year ago, or 21.1 percent, to $6.5 billion in the second quarter. This means that the larger banks, about 1 percent of the total, took in almost 90 percent of the total profit.

The profit surge was also propelled by stock buybacks and the weakening of rules on bank speculation. In June, the Federal Reserve loosened restrictions on high-risk trading conducted by the major banks after intensive pressure by Wall Street and the Trump administration. The change effectively released banks from restrictions on the kind of speculation that led to the 2008 financial crisis.

US corporations are on track to spend a record $1 trillion to buy back their own stock in 2018. This completely parasitic practice diverts capital from useful production and the provision of jobs to pushing up stock prices, which overwhelmingly benefits the richest 5 percent of the population, including corporate CEOs and big investors.

Banks and corporations are channeling the bulk of their savings from the tax cuts into stock buybacks, dividend increases and mergers and acquisitions. Second quarter share repurchases are up 57 percent from the same period a year earlier. In the tech sector, the year-over-year increase is 130 percent.

The parasitic growth on Wall Street is accompanied by the continuing decline in the social position of the working class. Even though the official unemployment rate, at 3.9 percent, is the lowest in nearly two decades, real wages remain stagnant and are beginning to decline due to rising inflation.

The suppression of wages is a conscious strategy that makes the vast inflation of stocks and other financial assets possible. The average compensation of American CEOs has grown by 71.7 percent since 2009, while compensation for the average worker has grown only 2.1 percent over the same period.

The trade unions have played a critical role in facilitating this vast redistribution of wealth from the bottom to the top. For decades they have suppressed strikes and other forms of working class resistance, stepping up their role as industrial police since the Wall Street crash of 2008. As a result, the level of strike activity in recent years has fallen to the lowest level since records began in 1947.

This year has seen a marked growth of strikes due to increased anger and militancy among workers, not because of any shift in the pro-corporate policies of the unions. The wave of teachers' strikes earlier this year was the result of rank-and-file initiatives carried out largely in defiance of the teachers' unions. The unions scrambled to gain control of the walkouts in West Virginia, Oklahoma and Arizona in order to isolate them and sell them out.

Labor's share of national wealth in the US has fallen from 66.4 percent in 2000 to 58.9 percent in 2018, a transfer of wealth worth $1.4 trillion this year alone.