One year since Trump's tax cuts: a balance sheet

Stock buybacks reach $1 trillion

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December marked one year since the passage of Trump's corporate tax windfall legislation, cutting the corporate tax rate from 35 percent down to just 21 percent. Officially known as the "Tax Cuts and Jobs Act of 2017," the legislation handed some $1.5 trillion to the major corporations and the super-rich while leaving the working class to shoulder the burden.

As the *World Socialist Web Site* rightly predicted in its December 21, 2017 perspective, the bill "marks a new stage in the decades-long social counterrevolution in the United States. It will make America, already the most unequal advanced economy in the world, far more unequal, entrenching the rule of an unaccountable financial oligarchy." One year later, a balance sheet of the legislation's effects on American society confirms this analysis.

In October, the United States Treasury announced that the federal budget deficit has risen to $779 billion, up 17 percent from the previous fiscal year. The Congressional Budget Office (CBO) issued a report in April projecting the national debt will now increase by $1.9 trillion over the next decade. The spike in the deficit will precipitate a new round off assaults on the few remaining social programs in the US—above all, Social Security, Medicare, and Medicaid.

After-tax profits rose nearly 20 percent in the third quarter from the previous year as a result of the cuts, while wage growth remained static. After-tax corporate profits are now growing nearly 10 percent faster than pre-tax profits, a phenomenon which usually only occurs around recessions. The first three quarters of this year saw enormous tax savings for some of America's largest corporations. Walmart saved $1.6 billion, with Bank of America saving $2.4 billion. AT&T and Verizon saved $2.2 billion and $1.75 billion, respectively. Apple alone has collected a whopping $4.5 billion.

Corporate spokesmen and media pundits at the time had made promises of raising wages, handing out bonuses and creating new jobs. In reality, the handouts in the form of bonuses and raises for workers amounted to a small fraction of the $200 billion in savings on income tax. A recent report by the Economic Policy Institute estimated that bonuses gave workers only 2 cents more per hour over the past year. Wages overall have increased only 3.1 percent over the course of the year, barely keeping up with the rate of inflation. By comparison, dividend payouts to corporate shareholders have set a new annual record of $420 billion. The majority of the payouts went to the wealthiest 10 percent of the US population, which owns 84 percent of all stock holdings.

Capital investment—intended to fund research and development and create jobs—rose at the beginning of the year only to fall sharply in the third quarter. Conversely, stock buybacks—a method by which a corporation repurchases shares in order to artificially inflate their value without creating anything or hiring employees—surged to previously unseen heights.

The total amount of S&P 500 company buybacks alone neared $200 billion in the third quarter, with a total buybacks reaching $579 billion for the first nine months of 2018. The total amount of buybacks is expected to top $1 trillion by the end of the year, according to Goldman Sachs analysts. This is almost double the amount of the previous annual buyback record of $589 billion in 2007—the year that began the financial meltdown that triggered the worst recession since the Great Depression.

It is now clear the vast majority of corporate spending from the tax cut has gone to the further enrichment of a tiny parasitic layer of investors and CEOs. Whatever expenditures made on paltry handouts to workers have been dwarfed by buybacks and dividends, a financial orgy that once again threatens another and even greater financial meltdown. The events of the past year once again underscore the deeply intractable crisis of capitalism, marked by a degree of financialization of the world economy that has long ago surpassed the point of no return. Profit is now primarily made not through the growth of the productive forces, but rather, through their destruction.

In fact, many corporations have instead carried out layoffs in spite of their surge in profits. General Motors (GM) has announced plans to lay off 15,000 workers and shut down five plants in the United States and Canada, along with two unspecified plants internationally. While GM is planning to cut $6.5 billion in costs, it has squandered over $10 billion in stock buybacks and dividend payouts for its richest investors since 2017, and $25 billion since 2012.

Bank of America has cut 5,000 jobs this year alone. Bank of America CEO Brian Moynihan has cited the growth of automation and online banking as the impetus for the layoffs. According to Moynihan himself, the corporation has cut 100,000 jobs since 2010 when he took over the company. Wells Fargo, another bank that has made billions from the cuts, followed suit in an announcement that it plans to downsize its work force by up to 10 percent. This came shortly after an announcement of $40 billion in stock buybacks since the law passed.

AT&T slashed more than 10,000 union jobs this year in an acceleration of layoffs from last year. Verizon has laid off 3,100 employees this year, while announcing a buyout offer cutting an additional 10,000 workers. The company recently made the decision to outsource 2,500 jobs to Infosys, a large Indian technology firm.

The trade unions representing many of the affected workers, such as the United Auto Workers (UAW) and Communications Workers of America (CWA), have directly collaborated in imposing the layoffs and plant closures.

The Democratic Party offered only nominal opposition to the tax cuts. While voting against the legislation last year in a party-line vote in both the House and Senate, the Democrats are not proposing to introduce legislation to repeal the cuts once they regain control of the House of Representatives January 3—neither partially nor as a whole. The Republican Party introduced legislation to repeal, deauthorize, defund, or otherwise do away with Affordable Care Act (ACA) 83 times during Obama’s presidency. The Democrats are opposed to even a symbolic gesture against the tax cuts, as doing so would risk alienating the party from its corporate base.