The significance of Trump’s awarding of the Freedom Medal to Arthur Laffer

By Nick Beams
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For almost the past four decades the central policy of successive US administrations, starting with Reagan, has been the transfer of untold wealth to the heights of society, raising social inequality to levels never seen in economic history.

Last week, the present incarnation of this program, President Donald Trump, conferred the highest US civilian honour, the Presidential Medal of Freedom, on its ideological godfather, the originator of so-called supply-side economics, Arthur Laffer.

The birth of the theory is reputed to be a meeting over dinner in 1974 between Laffer, White House Chief of Staff Donald Rumsfeld, his deputy Dick Cheney, a former classmate of Laffer at Yale, and *Wall Street Journal* writer Jude Wanniski. Outlining his new theory, Laffer drew on a napkin what became known as the Laffer curve.

The curve purported to show that if taxes on the ultra-wealthy and corporations were reduced this would unleash economic growth that would then bring increased revenue to the government and pay for itself. This late 20th century version of economic snake oil became the basis for the tax cuts initiated under Reagan and forms a key ideological foundation for the massive corporate and personal income tax cuts enacted by the Trump administration at the end of 2017.

Accordingly, Trump paid tribute to Laffer in presenting the medal declaring that he had studied the curve “for many years” and that “few people have revolutionized economic thought and policy” as he did.

Responding to the book entitled “Trumponomics,” published by Laffer late last year, co-authored with Stephen Moore, whom Trump had intended should take a position on the Fed’s governing council, Trump tweeted that the authors had “done a really great job in capturing my long-held views and ideas.”

However, they were not only Trump’s ideas. Despite the fact that Laffer’s theories were exposed as economic nonsense from the outset, this did not in any way lessen their influence. This is because they encapsulated the unrelenting drive for increased wealth that has dominated financial circles.

One of the most egregious expressions of this outlook was the electricity giant Enron which, before its collapse in 2001, fixed its profit figures in accordance with what was considered necessary to enhance its share values and then “backed in” the other figures in its balance sheet to give the desired result.

But Enron was only a foretaste of what was to come. In 2008, the entire financial system, based on the same kind of fictions that formed the basis of the Laffer curve, came to the point of collapse as countless billions of dollars of financial assets were found to be essentially worthless. This did not, however, bring about any kind of “course correction” but has seen the pumping of trillions of dollars into the financial system in the period since.

Laffer’s curve was denounced as economic nonsense from the outset–a verdict that has been verified by the course of economic history. The tax cuts carried out by Reagan did not bring about increases in revenue as a result in economic growth and so pay for themselves but led to massive budget deficits.

In 2014 the Congressional Research Office published a report which concluded that “slower growth periods have generally been associated with lower, not high, tax rates” and a preliminary report on the Trump tax cuts has found that they have not led to the promised economic growth.

But economic facts have never been allowed to stand as obstacle between the insatiable appetites of the ruling elites and a pile of money, no matter what the cost.

Long ago Karl Marx explained that bourgeois economics had abandoned any interest in scientific analysis and that there had stepped forward “hired prizefighters” who had replaced any genuine research with “bad conscience and evil intent of apologetics.”

But it is perhaps doubtful that even Marx, for all the depths of his insights, could have imagined the levels to which this process had sunk by the time Laffer and his curve came in the scene.

Its essential role as one of the chief ideological mechanisms for the transfer of massive wealth up the income scale was revealed by Reagan's first Director of the Office of Management and Budget David Stockman.

In a series of interviews with William Greider that formed the basis for his article "The Education of David Stockman," published in the *Atlantic Monthly* in December 1981, he outlined the crucial role of so-called supply-side economics.

Referring to the Reagan tax cuts, that were to bring down the top income tax rate from 70 percent in 1981 to hit 28 percent by 1986, he said: "I mean Kemp-Roth [Reagan's initial tax reduction] was always a Trojan horse to bring down the top rate.… It's kind of hard to sell 'trickle down.' So the supply-side formula was the only way to get a tax policy that was really trickle down."

According to Stockman: "None of us really understands what's going on with all these numbers." He was reportedly "taken to the woodshed" by Reagan because of the candor of his comments to Greider.

But none of this prevented the Laffer curve and its claim that tax cuts would unleash economic growth from becoming the basis for the policy agenda of governments in the US and other major capitalist economies.

In Britain, the Thatcher government in 1979 cut the top rate from 83 percent to 60 percent, with a further reduction to 40 percent in 1988. Social democratic governments followed suit with the Hawke-Keating Labor government (1983-96) in Australia likewise reducing both income and corporate tax rates as well as carrying out the privatisation of state-owned enterprises. In the recently concluded Australian election, the Morrison Liberal-National coalition government went to the polls with the sole policy of initiating tax cuts with the claim they would promote growth.

In France, the Macron government has made tax cuts for the wealthy and super-rich the centre of its economic agenda.

In the US, a report published last year by the Institute on Taxation and Economic Policy found that since 2001, under presidents Bush, Obama and Trump, federal tax cuts had resulted in a total revenue loss of $5.1 trillion, most of which, some 65 percent, went to the top 20 percent of income earners. When interest on the increased federal debt is added in, the loss of revenue is $5.9 trillion over the past 17 years.

The fact that the Laffer curve did not bring about an increase in revenue but rather resulted in increasing budget deficits did not mean that it was dispensed with. On the contrary, the rise in budget deficits produced by the tax cuts, for which it had provided the ideological justification in the name of "unleashing" growth, became the basis for a new series of attacks.

Now it was maintained that the growth of deficits meant that health, education and other vital social services had to be cut on the grounds that there was "no money" to pay for them.

But the lack of resources and the starving of social facilities of vitally needed funds were a result of the vast redistribution of the wealth, created by the labour of millions of working people, to the heights of society.

In awarding the Freedom Medal to Laffer, Trump was not only speaking for himself but for the entire financial elite out of which he has emerged.

Back in the days of colonial rule there was a saying in Sri Lanka that British imperialism practised "perjury by day and forgery by night" as it carried out the suppression of the masses and plundered the wealth of its island colony.

But even the British colonial rulers' actions pale into relative insignificance compared to the criminality practised by the ruling US financial oligarchy for which Laffer was a spokesman.

Trump's honouring of Laffer is not simply a matter of history but has a vital significance for contemporary politics. It demonstrates that the ruling elites will stop at nothing to ensure that the siphoning up of wealth to the heights of society that he played a key ideological role in initiating will continue.

It underscores that they will not be deflected by the measures advanced by left sections of the Democratic Party such as Alexandria Ocasio-Cortez, Bernie Sanders and others as they try to divert the mounting anger over ever rising social inequality into safe channels.

Social inequality is not going to be ended by a tweak to the taxation system here or a minor cosmetic reform there.

It is embedded in the very structure of the US financial system and economy. It can only be ended through the fight for a genuine socialist program starting with the taking of the entire financial system into public ownership under democratic control as the basis for the establishment of a planned economy to meet human need and not the dictates of the profit system.