



New tax law is welfare for the wealthy

BY JOEL A. MINTZ, OPINION CONTRIBUTOR — 12/23/17 12:00 PM EST 253
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In 1948, Harry S. Truman successfully campaigned for president by repeatedly referring to the 80th Congress as a “do-nothing Congress.” Until recently, the same moniker might have been attached to our current Congress. However, with the recent enactment of its tax cut law, our present national legislature might better be referred to as the “do-the-wrong-thing Congress.” This deeply flawed legislation, crafted in secret by lawmakers and lobbyists without a single public hearing, focuses its benefits on a small, already privileged fraction of our population while creating entirely avoidable risks for our national economy.

Notwithstanding proponents’ rhetoric about tax relief for middle-class and lower-income families, the new law is grotesquely tilted toward large corporations and the very rich. Though the new

law includes relatively small middle-income tax cuts through expanded standard deductions and tax benefits for parents who pay for child care, the lion's share of the benefits goes to corporations (whose tax rate is cut from 35 percent to 21 percent) and high-income individuals. Some of the latter will actually pay millions of dollars less in taxes each year than they did previously. While the tax cuts for businesses are permanent, the modest gains that will accrue to middle class and low-income people have an expiration date.

Moreover, the tax law seriously undercuts the Affordable Care Act – a law that's been a major assist to many middle- and lower-income citizens – by ending the mandate that uninsured individuals obtain health insurance coverage. This change has already created vast confusion and uncertainty in the insurance market, and it seems certain to cause substantial increases in health insurance premiums for millions of Americans.

At the same time, the new tax law seems unlikely to result in the creation of many new jobs. Following nearly every past corporate tax cut, significant corporate investments in plant expansions and other employment generators – where it has taken place at all – has largely been an afterthought. Instead, the majority of publicly traded companies have used their newfound cash to buy back their own stock shares, increase shareholder dividends, acquire other existing businesses, and/or raise the incomes of top-level executives. There is little reason to think that the enormous benefits to corporations that the tax law will deliver will be used any differently.

Beyond this, the new tax law will add more than \$1.5 trillion to the national debt. While the law's sponsors insist that its tax cuts will trigger rapid economic growth that will more than compensate for the government's revenue losses, this claim is merely wishful thinking. The strength of America's economy is largely dependent on consumer spending, most of which comes from middle-class people. In reality, tax cuts for wealthy individuals and corporations do very little to boost overall economic prosperity.

Although the dangers of government budget deficits can certainly be (and often are) overstated, immense budget deficits do carry economic risks. Especially during times of relatively low national unemployment – like the present period – runaway budget deficits can lead to inflation, a particular hardship for elderly people on fixed incomes along with many others. If and when deficit-created inflation occurs, moreover, it seems likely that the Federal Reserve will respond by significantly increasing interest rates, which could slow growth and possibly lead to another recession.

Moreover, next year, you can count on the sponsors of this horrendous new tax law using the additional red ink they're now creating to justify deep cuts to Medicare, Social Security and other entitlement programs that are key supports for the very people the new tax law leaves behind. The law will surely also lead to new budgetary pressures on the already resource-starved federal agencies responsible for protecting human health, the environment, worker safety, consumer rights and other vital societal interests.

All in all, the recently passed tax law benefits the wealthy few, shortchanges ordinary Americans, and contains significant economic risks. Perhaps we would be better off with a do-nothing Congress than the one that fashioned this reckless, misguided piece of legislation.

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