



Discussions with Wolff

“Trump’s Budget: Fiddling as Capitalism Burns”

Originally published in [Truthout](#)

The following discussion prompts were written by Professor Wolff to create a discussion based around his piece *“Trump’s Budget: Fiddling as Capitalism Burns”* Please note, this article was written by Prof. Wolff on March 5, 2017. Keep the date in mind as it offers relevant historical context.

1. GOP/Trump cut taxes on corporations and the rich which allows them to use the money they no longer have to pay in taxes to lend to the government at interest instead. How are deficits like these good for the rich and bad for average Americans.
2. Why do big corporations and groups of wealthy professionals (such as doctors, lawyers, etc.) spend huge sums on lobbyists to shape federal and state budgets?
3. The burden of federal taxes since 1945 has shifted off of business and onto individuals and, among individuals, off of the rich and onto the middle and lower income people. Yet GOP/Trump got masses of Americans to back their recent massive, further tax cuts to corporations and the rich. How would explain this?
4. The US federal income tax is progressive: the higher your income the larger the percentage of it you must pay in taxes. This is the principle of taxing according to the payers ability to pay. The social security or payroll tax is NOT progressive, nor are state sales taxes and many other taxes that charge the same percentage to all regardless of their ability to pay. Which kind of tax system do you prefer? Which do you think big business and the rich prefer?

Trump's Budget: Fiddling as Capitalism Burns

Monday, March 05, 2018

By [Richard D. Wolff](#),
[Truthout](#)

The Trump budget proposal now before Congress mostly consists of the classic GOP wish list accompanying the usual heavily ideological silences. Logically and consistently, it follows December's massive tax cuts, which will chiefly benefit corporations and the rich (with small cuts for middle and working-class people to provide political cover). It stresses increased military spending. It proposes cuts to various social services, especially those geared toward the most needy people, and includes direct attacks on the Social Security, Medicare and Medicaid programs. While the final budget will differ from Trump's proposal, the initial proposal marks another step in shifting the costs of capitalism's profit-driven global move to new centers (China, India, etc.) onto the mass of people in the old centers such as the US.

This reaffirmation of traditional GOP priorities continues Trump's drive to position himself as the one Republican who can achieve the party's goals, while minimizing compromises with Democrats (except on deficit spending). The budget and the December tax cut have solidified his support among corporations and the rich who might otherwise have reacted negatively to his exaggerated appeals to white supremacists, evangelicals, super patriots and other less mainstream groups.

The Trump/GOP budget will result in huge deficits of the sort the GOP has usually used to attack Democrats.

The fact that his policies will continue to deepen the inequality of US capitalism does not seem to matter to Trump and his supporters, including both religious fundamentalists and corporate leaders. Then again, it did not matter much to the Obama, Bush or Clinton administrations either. Trump does not bother to express condemnation of inequality, as Obama did, but both administrations enabled the intensification of this inequality. Ironically, worsening inequality provided the Trump campaign with crucial electoral support from some of its angry victims. He must now worry about attracting to himself the same blame for inequality that dogged his predecessors and Hilary Clinton. Among the top presidential contenders of 2016, only Bernie Sanders wielded sustained outrage at deepening inequality, with that outrage functioning as a key pillar of his ongoing popularity.

Meanwhile, the Trump/GOP budget will result in huge deficits of the sort the GOP has usually used to attack Democrats. This political role reversal underscores the basic irrelevance of the substance of deficit debates. These debates' ostensible objects -- the costs versus benefits of governmental budget deficits -- were not their primary purpose. Their purpose was, rather, to keep attention, criticism and political action away from capitalism's intrinsic instability and to prevent challenges to the system itself.

Capitalism's irrational and destructive business cycle downturns, coming at four- to seven-year intervals on average, have wasted vast resources and typically hurt millions. For example, downturns such as those of 1974 and 1987 might well have provoked accumulating systemic criticisms. To preclude that, cyclical downturns have operated as triggers for the GOP and Dems to rehash their policy differences. This rehashing has amounted to an endlessly repeated debate over larger or smaller budget deficits versus greater or lesser austerities as the alternative ways to respond to cyclical downturns. More radical policy responses -- socialization of the means of production or transition from

hierarchical to democratic (worker coop) enterprise organizations -- are almost never considered or debated in mainstream policy spheres.

Capitalism's instability has never been overcome. It has only ever been "managed."

Managing instability has proved to be very profitable to corporations and the rich, as it will be once again as a result of whatever form of the Trump budget passes through Congress. This management process will consist of four steps. Step one was the massive tax cuts doled out to corporations and the rich. Step two is underway: GOP military spending increases, plus compromises with Democrats to enable at least some state social programs to be sustained or even allowed to grow. Step three will likely be a shortfall between (reduced) tax revenues and government expenditures: the deficit that requires government borrowing. Finally, we have step four: Washington borrows to fund its deficit.

The federal government draws loans heavily from corporations and the rich since the mass of people lack the funds to lend. Thus, corporations and the rich take the money they no longer have to pay in taxes to Washington and instead lend it to Washington. Those privileged social groups have thus successfully substituted interest-earning loans to the government for the taxes they formerly paid. How very nice for them. Capitalists impose the intrinsic instability of their system on the entire population, and then get the government to respond with deficits that benefit and reward the capitalists. The absurdity of such an economic "policy" is exceeded only by its gross injustice.

The budget assaults the standard of living for the 99% now and in the future. It stifles children's futures.

Silence about systemic injustice is a hallmark of modern capitalist budgets, and Trump's is no exception. Consider the property tax, a seriously unfair institution about which Trump offers nothing but silence. Taxes on the value of property owned in the US are levied almost exclusively on "real" or "tangible" property. This includes land, buildings, business inventories, vehicles, and so on. Property taxes fall on the value of property, whereas income taxes fall on whatever income may be generated by that property. Such tangible property taxes are levied mostly by local governments in the US. In stark contrast, intangible property -- stocks and bonds, for example -- is utterly free of any property tax in the US. How very nice for the richest among us who, of course, own the bulk of wealth held in such intangible forms. A federal intangible property tax would be an easy, quick way to reduce economic inequality: no wonder neither Trump nor either party leadership said one word about it.

The tax side of the Trump/GOP budget is no less crude and provocative than are Trump's tweets and unscripted asides. The budget unabashedly serves the corporations and the rich while offering lip service or trivial crumbs for the mass of people. It is thus vulnerable to a serious, public campaign against it. Yet, as remarkable as any other aspect of the Trump/GOP budget is its lack of a strong, serious opposition. Why hasn't there been a large-scale attack against so unjust and biased a budget?

In opposing the GOP's unjust economic policy, the Democrats limit themselves to words. Some are contained in longish policy documents few will read or understand. Others take the form of sound bites about one or another detail, without addressing the larger injustices.

What is needed is vast street action, in which masses of the public confront the corporate leaders and superrich who would reap the benefits of what the Trump/GOP budget proposes. Such confrontations would need to emphasize that the Trump/GOP budget is committed to deepen inequality. It is the 1% putting more distance between them and the rest of us. The budget assaults the standard of living for the 99% now and in the future. It stifles children's futures. It follows four decades of growing inequality with measures that will exacerbate that inequality. And it represents the successful use of the 1%'s money to buy and corrupt the political parties, so that a politics of the streets needs to

supplement or supplant the traditional party politics. Strikes, demonstrations and disruptions could make these points count politically.

The Democratic Party would confront an existential crisis in the face of such a street-based, budget-focused politics. It would have to choose between two different strategies. It could join and help to lead a politics of real opposition to the budget. Or it could continue on its current path and risk the kind of irrelevance and plunging electoral support experienced by the social democratic parties of Europe over recent years (especially in Greece, France, Italy and Germany). The Democratic Party lost voters to Reagan, the Bushes and now Trump. A substantial number of those voters switched at least in part over what the Democrats -- self-proclaimed friends of working people -- promised but decreasingly delivered.

Saving capitalism from itself was less than what we needed in the 1930s and is much more inadequate now.

The Party leadership is not currently mounting a strong opposition to the Trump/GOP assault on workers' standards of living. Failure to do that risks further exposure of its incapacity to protect -- let alone advance -- those standards. A Democratic Party presenting itself as "at least not as bad as the GOP" is the weakest possible basis for its future. Even the Bernie Sanders insurgency will not offer escape from this crisis, if Sanders continues to combine a critique of inequality that avoids linking it to capitalism with loyalty to a party that insists on celebrating capitalism at every turn.

The Trump/GOP budget proposal teaches yet another important lesson to those willing to learn. It delivers billions (in tax cuts, deregulations and subsidies) to the major shareholders and the top executives whose donated millions fund the politicians who vote that budget into law. Capitalism's political economy is now robotically focused on turning the US into a parallel of its 1870-1929 dimensions: vast accumulating wealth overseeing a vast army of impoverished workers and farmers. That project ended badly in the Great Depression, and the New Deal went a long way toward undoing the accumulated inequality. That set the stage for a renewal of capitalist dynamism after the war.

However, this time, the crash ("Great Recession") of 2008 did not undo the accumulated inequality; quite the opposite. The Trump/GOP budget proposal exemplifies that opposite. Hence the historical irony: It was a strong, mass, public opposition in the 1930s, built on the CIO [Congress of Industrial Organizations] labor movement, plus the socialists and the communists, that forced FDR and the Democrats to save capitalism by undoing its self-destructive accumulated inequality. After 1945, big business and the rich used primarily the GOP and, secondarily, the Democrats to destroy the New Deal coalition while resuming the drive to ever-deepening inequality.

The 2008 crash generated no strong, mass, sustained public opposition. Courageous beginnings in the Occupy Wall Street movement were repressed by prominent representatives of both parties: President Obama nationally and Mayor Bloomberg in New York City. No New Deal-type coalition has arisen to reverse the deepening inequality and thereby save capitalism from its self-delegitimation. The absence of such a coalition reflects a growing recognition that saving capitalism from itself was less than what we needed in the 1930s and is much more inadequate now. Increasingly, we know that going beyond capitalism is the lesson of our history and that a program for constructing a very different next system is central to assembling the coalition to get us there.

RICHARD D. WOLFF is professor of economics emeritus at the University of Massachusetts, Amherst, where he taught economics from 1973 to 2008. He is currently a visiting professor in the Graduate Program in International Affairs of the New School University, New York City. He also teaches classes regularly at the Brecht Forum in Manhattan. Earlier he taught economics at Yale University (1967-1969) and at the City College of the City University of New York (1969-1973). In 1994, he was a visiting professor of economics at the University of Paris (France), I (Sorbonne). His work is available at rdwolff.com and at democracyatwork.info.