The Imperialist Logic of Trump's Tax Bill. The Economic-Military Agenda

Three Key Points

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The new tax law is NOT principally a handout, motivated by corporate greed—although greedy hands are seeking to maximize and game its benefits, which are utterly skewed to the wealthy. This tax bill is a conscious and strategic move to deal with economic contradictions and imperialist great-power needs.

Yes, the tax bill will accelerate the upward redistribution and concentration of income and wealth. The Tax Policy Center has calculated that by 2025, the top one percent of households would receive nearly 85 percent of the total tax reduction.

This upward redistribution and concentration of wealth is a phenomenon, a pattern, of the last few decades. Countless studies on inequality (most famously Thomas Piketty's work) have demonstrated this trend in the imperialist countries, with the U.S. the leader in inequality.

But the tax bill is not in essence a con game to rob the poor and large sections of the middle class, although people will suffer greatly. There are larger economic pressures and compulsions at work. And there are imperialist great-power needs, specifically the Trump/Pence regime's global agenda.

The companion piece to this article deals with some of the fascist political and ideological implications of the Trump/Pence tax law, and the truly vicious economic attacks on the masses. These are indeed critical. But there is a deeper logic setting the context for all that.

The article "The New Tax Law: Cementing Policies and Politics of Cruelty" addresses some of the fascist political and ideological implications of the Trump-Pence tax law, and the truly vicious economic attacks on the masses. These are indeed critical. But there is a deeper logic setting the context for all that.

1. There is a "logic," a capitalist-imperialist geostrategic logic, to the Trump agenda.

The Trump economic strategy has four main elements:

a) rewriting regulations and the tax code;

b) further slashing social spending;

c) expanding energy (fossil fuel) production, both to spur profits and to enhance U.S. global economic strength, competitiveness, and leverage (over world oil prices and over oil-producing regimes the U.S. deems as enemies, like

Iran); and

d) remaking global trade rules and agreements to give greater immediate advantage to certain sections of U.S. capital, to further subordinate "partners" like Mexico.

The world capitalist economy has been undergoing major changes in the balance of strength of rival imperialists. In particular, capitalist China has emerged as a global rival to U.S. imperialism, and China has over the last 20 years been growing rapidly and extending its global reach and influence.

There is a view on the part of advisers in the Trump regime that the U.S. has more economic leverage… to leverage. As they seem to see it, other countries are more dependent on the U.S. for export markets (to sell their goods) than the U.S. is on their markets. And so, in this view, the U.S. can create obstacles to these countries' ability to sell their goods in the U.S. (like imposing tariffs, a kind of tax, on products coming into the U.S.) and the U.S. can absorb retaliatory economic measures that these countries might take against the U.S.—and can also bully other countries into submitting to U.S. economic dictate.

This is a dangerous game to play, especially with China, where U.S. capital has huge investments. And China is actually financing much of the U.S. government deficit through its purchase of debt (bonds) issued by the U.S. Treasury.

But more than economics is involved. *China in particular is expanding its military capabilities and Trump is pushing for a massive military buildup and military modernization, including and especially nuclear weapons.*

The new U.S. national security document issued by the Trump/Pence regime on December 18 should be taken very seriously. It was apparently drawn up by the so-called "adults in the room," notably National Security Advisor Gen. H.R. McMaster (at least in reports circulating).

The document is highly militaristic and full of threatening rhetoric—describing China and Russia as "revisionist powers" and "hostile competitors" seeking to "shape a world antithetical to U.S. values and interests." It calls for the U.S. to prepare to militarily "overmatch" its rivals. The U.S. already has enormous military advantage, but this document is arguing for even greater advantage, buildup, and readiness. The Trump regime has been calling for the U.S. to be oriented to wage far larger wars than those of the last few decades.

The Trump economic program is aimed at *shoring up and bolstering the domestic economic base* of the U.S. empire—energy, sectors of manufacturing, the industrial base for the military. This economic program is in the service of an aggressive, hyper-nationalist economic and strategic agenda that is "chauvinist globalist" (America First).

2. A structural problem of the U.S. economy has been low rates of capital investment. The new tax law aims in part to deal with that—but whether it can is far from certain.

The competitive drive to invest, to expand, to exploit labor on an ever more technologically advanced foundation for profit and more profit is taking place in a more intensely competitive global environment. But *capital investment* in the U.S. in recent years has been low by historical standards. This is so despite the fact that the U.S. economy has been growing and business spending has picked up some in the last year. “Capital investment” (or capital formation) refers to business spending on new factories and structures, equipment, technology, etc., to boost productivity and expand and cheapen production.

One of the goals of the tax cut is to stimulate capital investment. Job creation is neither the goal nor the necessary result of capital investment: on the one hand, much capital investment has been and will continue to be labor-replacing technology; and, on the other, U.S. multinational corporations depend for the profitability on overseas cheap-labor investment, outsourcing, global supply chains, etc.

Could such a tax cut stimulate investment? Yes, but not necessarily. There is no established connection between low taxes and high investment, high growth, and job creation. But trapped by their ideological illusions and capable of all manner of lying, the proponents of the tax bill are half believing and half deceiving.

The laws of capital operate behind the capitalists’ backs. *It is not tax levels but the underlying profitability of capital that sets the terms of investment.* And this the capitalists cannot control. Profitability is determined by the complex, competitive struggle and interactions of capitals, by technological change, by wage rates, by international factors, and other things as well.

The facts: corporate earnings have been very high in recent years. But this has not translated into major new rounds of capital investment. There are various reasons for this, but a critical factor is that the return on investment is not sufficiently high to draw forth new spending on a scale that would ramp up productiveness of labor and competitiveness.

And, so, many U.S. corporations are sitting on large hoards of cash. These can be seen as competitive war chests for future investment, to wage the battle to beat competitors and gain market share. Lower corporate taxes might simply add to capital that is not being actively, productively invested. In the recent past, corporations have used extra profits from paying less tax to buy back their own stock (to boost stock prices) or to purchase financial assets and property. In other words, lower corporate taxes can simply lead to more financial manipulation and gain, not real investment. This is all part of the anarchy and parasitism of capitalist-imperialism.

3. Taxes on corporations are necessary to underwrite the capitalist-imperialist state; the capitalist state safeguards and advances the strategic interests of imperialist capital; but this is full of contradiction. The slash in corporate tax rates is an attempt to deal with those contradictions. Yet these contradictions are potentially explosive.

The cornerstone and centerpiece of the just-passed tax bill is the large reduction of corporate tax rates from 35 to 21 percent. The official tax rate (35 percent) with state taxes added in brings the top rate to 39 percent. This would make the U.S. corporate tax rate the third highest in the world. But this is highly misleading. When you factor in various exemptions and allowances, and other special provisions, the corporate tax rate washes out at about 27 percent. That level fits with the global average. And there have been blatant instances in the last six years when some large U.S. corporations have avoided paying *any* taxes.

But this *“average” tax rate is a constraint* on some sections of U.S. capital in the particular conditions of the world-capitalist economy—with shifts in global economic power and heightened global competition.

In this light it is extremely useful to review Bob Avakian's article "'Preliminary Transformation into Capital'…And Putting an End to Capitalism." In examining the dynamics of capitalism, government spending, and the taxes and borrowing required to finance state expenditure—Avakian points out that "taxes are in fact in conflict with profitability for discrete, individual aggregations of capital." Taxes are a deduction from surplus value (profit)—which comes from the exploitation of wage-labor.

Now the capitalist state is indispensable to the functioning of the system. It acts to safeguard the larger strategic interests of the national capitalist-imperialist formation, like the U.S., China, Japan, Germany, Russia, etc. The imperialist state provides the repressive and military support for capital. This means, for instance, contending for domination of different parts of the globe through military and other means. The capitalist state also takes measures to facilitate the more profitable functioning and expansion of capital, like building roads and transport, investing in research, etc.

But this "greater capitalist interest" is itself fought out and fought over by different sections/wings of the ruling class. The benefits from expanding exploitation around the world, or building new infrastructure, will accrue to some sections of capital more than others, and they will fight with each other over this. And taxes still reduce the pool of surplus value available to *individual* capitals. This is true even as these individual capitals require the capitalist state to assure the political and economic conditions necessary for profitable capitalist production to take place. So, again—the whole thing is full of contradiction. The slash in corporate tax rates is a key way that the now politically dominant sections of the imperialists in the U.S. see dealing with those contradictions. But these cuts will also result in declining revenues for the government that could lead to ballooning budget deficits—between $1 trillion and $1.5 trillion by most estimates—and create major financial strains on the economy (and be a "rationale" for social spending cuts).

By way of conclusion…

In short: the main purpose of this tax law *is to strengthen certain sectors of the U.S economy as part of the "America first" economic-military agenda. But there is no guarantee that lower corporate taxes will in fact stimulate major new investment. The "tax reform" will, however, lead to greater income and wealth inequality, and new hardships on the poor and many in the middle strata.* The fascist regime's gamble here is that they will be able to ram through to a *more* dominant role in the world economy; that they can *kick-start* higher levels of capital investment; and that they will succeed in jamming these vicious attacks on living standards down the throats of the masses. Whether this gamble succeeds, at a huge and perhaps truly catastrophic cost, or whether it fails… the main implication is clear: prepare for struggle.

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