

Republican Perspective

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One Big Win

“The avoidance of taxes is the only intellectual pursuit that still carries any reward.”
John Maynard Keynes, Economist

President Trump signed into law the Tax Cuts and Jobs Act of 2017 before Christmas. The usual outrage from Progressives was immediate. Chuck Schumer, Senate Democrat Minority Leader, said that Republicans “would rue the day” for passing this law. Nancy Pelosi, House Democrat Minority Leader, offered “This GOP tax scam is simply theft—monumental, brazen theft—from the American middle-class and from every person who aspires to reach it.”

Here is what happened after enactment of the legislation:

- AT&T said that more than 200,000 of its employees, including union-represented and non-management workers, will be eligible for a \$1,000 bonus. The checks were in the mail in time for the holidays. AT&T also said it will invest \$1 billion more than expected in the U.S. in 2018.
- Boeing, the aerospace and defense company immediately announced \$300 million in investments after the bill passed, with \$100 million toward corporate giving including employee gift-match programs, \$100 million toward workforce development, training and education and \$100 million toward enhancing Boeing’s workplaces.
- Wells Fargo said it would boost its minimum wage to \$15 per hour, an 11% increase from its current hourly rate of \$13.50. The pay raise will go into effect in March 2018.
- Fifth Third Bank said it would raise its minimum wage to \$15 per hour and provide a \$1,000 bonus to 13,500 of its employees
- Washington Federal, a Seattle-based banking company, said it would give 5 percent merit increases to all employees earning less than \$100,000 annually, as well as invest in employee training and technology upgrades, and make a \$5 million contribution to its main philanthropy foundation.
- Sinclair Broadcast Group announced it would pay a \$1,000 bonus to almost 9,000 of its full-time and part-time employees.
- PNC Financial Services said it will provide a \$1,000 cash payment in the first quarter of 2018 to about 47,500 employees, or the about 90% of its workforce who are below a certain compensation band. In addition, PNC said it would raise its minimum wage to \$15 an hour by the end of 2018, provide an additional \$1,500 for

employees in the defined benefit pension plan and make a \$200 million contribution to the PNC Foundation, which supports early childhood education.

- Bank of America will give \$1,000 bonuses to 145,000 of its 210,000 employees who earn up to \$150,000 a year in total compensation.

Now Progressives, with their main stream media lemmings, will charge that this law is nothing but “trickle down economics.” Tell that to the employees of the companies mentioned above. The Left claims that those who favor tax cuts and a free market want to help the rich first, hoping that the benefits they receive will eventually trickle down to the proletariat.

First, there is no trickle down theory of economics. It is a straw man made up by the Left and used to attack capitalism and free market advocates. Cuts in high tax rates have been argued by free-market economists as well as John Maynard Keynes and Democrat Presidents Woodrow Wilson and John Kennedy.

The new tax law limits deductions for state and local property taxes to \$10,000/year. According to the Tax Foundation, 90% of tax filers that itemize their deductions earn in excess of \$100,000/year. Blue states like California, New York, New Jersey and Illinois will be impacted by the change. Progressives living in these states that have long complained about not paying their fair share will now pay more. Let's see how they react.

Under the Reagan tax cuts, the share of income taxes paid by the top 10 percent of earners jumped significantly, climbing from 48.0 percent in 1981 to 57.2 percent in 1988. The top 1 % saw their share of the income tax bill climb even more dramatically, from 17.6 % in 1981 to 27.5 % in 1988. Starting in January 1983, income tax revenues climbed dramatically, increasing by more than 54 % by 1989 (28 % after adjusting for inflation).

The tax cuts by President George Bush also produced significant increases to federal revenue. In 2007 the top 1% of taxpayers earned 22.8% of the nation's income, yet paid 40.4% of all federal income taxes, whereas in 2004 the top 1% paid 36.89% of all federal income tax. If history is a guide, federal tax revenue will likely rise under President Trump's tax cut. The problem remains with deficits that neither Party is willing to address. To paraphrase Democrat pundit, George Carville — It's the SPENDING, stupid!