What lies beneath
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The outcome of income

After a year of legislative missteps and failed executive orders, President Trump repays voter loyalty by giving himself and fellow billionaires a record tax cut

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Candidate Donald Trump rallied mass support for an unlikely presidential bid with a simple yet viscerally appealing campaign. For all its vagueness, 'Make America Great Again' was a slogan that resonated with sections of the working class facing livelihood anxieties. Loss of social status and economic security, Trump told his resentful flock, was all on account of a particularly perverse turn in domestic politics, which allowed external actors, unconstrained by any form of nicety, to take over.

It was a smart strategy to focus resentments on a variety of actors, deemed collectively responsible for gaming the rules the US had scrupulously written and followed. The solution proposed was implicit: these actors did not deserve basic courtesies of civility and lawful conduct, since they had exploited public credulity and gained unfair rewards.

After a year of legislative missteps and failed executive orders, President Trump at Christmas time found a way of repaying voter loyalty by giving himself and fellow billionaires a record tax cut. "Trickle-down economics", as the term of art has it, had notched up another triumph in its relentless battle against reality.

In preparation for the day Trump's tax bill gained legislative approval, Paul Ryan, speaker of the US House of Representatives, released a video montage going back to his early years in politics. From callow youth to his current status as top gun in the legislative branch, Ryan's politics has revolved around the repetition of one mantra: taxes are an unjust imposition; whatever the circumstance, tax cuts would be an unequivocal stimulus for the economy.

Trump's most generous concessions are reserved for corporations and the highest bracket in personal income tax. Contrary to stated intent, Trump's proposals have complicated a wretchedly difficult tax code, since it is freighted with exemptions to attract individual members of the US Congress. Provisions have been tailored to a variety of special interests, such as private aircraft operators and real estate developers with an interest in amusement parks. Curiously, the latter is a category Trump belongs to, as also a US senator who went through what seemed a religious conversion and relented from the dogged opposition to budget deficits that was his trademark posture.

Corrupt intent is evident in every clause of the tax bill, even if its technicalities remain to be analysed. Trade partners of the US have identified tax concessions given on export earnings as a possible violation of rules agreed under the World Trade Organisation. Ironically, these rules which frown upon any form of export subsidy, were drafted principally by the US when it had a rather different agenda to pursue.

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"Retreating from the front" is how the Trump strategy has been characterised, accurately enough in describing how the US has withdrawn into a sullen cocoon after being called to account for its most reckless decisions. From that sulky state, it emits periodic threats to withdraw financial aid to partners who have proven undeserving of favours.

There is an irony there since official US aid comes out of a budget that has sunk deeper into deficit since the tax cut philosophy became official in the 1980s, under President Ronald Reagan. The fond hope that tax cuts will not cause further deterioration in the budgetary balance rests on the dogma that incentives to the productive elements in society would accelerate economic growth. Lower rates imposed on a rapidly growing economy would net greater revenue, reducing the budget deficit in the longer term calculus.

It is another matter that this fond optimism has repeatedly proven seriously misplaced. Fiscal folly has been sustained by the US's success in selling its policy globally and giving other economies, such as China notably, an incentive to invest in its budget deficit.

That incentive is likely to diminish with the US now seemingly intent on rubbishing the economic rules it has been singularly responsible for authoring. The anticipated incentive to investment — from tax cuts and the generous depreciation allowances granted for fresh capital investment — could be neutralised by the interest rate hike necessary to keep foreign capital interested in US treasury bonds.

Neither is there a likely improvement in mass living standards since tax concessions at the lower end of the scale are more than neutralised by the reduction of exemptions granted on state and local taxes. Home owners in States with high real estate values are likely to take a hit. And since high property values have generally been prevalent in States that have contributed significantly to recent USeconomic growth, the prognosis is for a generalised downturn.

Little wonder then, that informed commentary in the US and elsewhere is looking to other potential sources of leadership in today's unsettled global environment. It is unlikely though, that China or the European Union could take up the slack that is likely to be caused by US retrenchment. Trump's tax cuts could well be when further bitterness and resentment is stirred up among communities already seized by a misplaced sense of victimhood. These new resentments though are unlikely to be placated merely by placing a deviant and unfit personality in the most powerful office in the land.

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