

Class and Trumponomics

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“The globalists gutted the American working class...The issue now is about Americans looking to not get f—ed over” (Steve Bannon).

Right now, after Donald’s Trump surprising electoral victory in late 2016 and in the midst of the chaotic assumption of power in early 2017, everyone is curious about how the U.S. economy will change if and when the new president’s economic policies are enacted.

But first things first. We need to have a clear understanding of what the U.S. economy looks like now, during the uneven recovery from the Second Great Depression. In particular, it’s important to analyze the class dimensions of that recovery, even before the new administration formulates and enacts its policies.

Why class? One reason to focus on class is because it played such an important role in Trump’s victory. Not alone, of course, but class interests, resentments, and desires did – in different ways – affect Trump’s ability to challenge and win out over his rivals in both the Republican primaries and the presidential election. The other reason is that Trump made a whole host of class promises during the course of his campaigns – promises both to working-class voters and to members of the tiny group at the top, which led him to victory (at least in the electoral college).

We don’t know, of course, if Trump will keep those class promises. A lot depends on the balance of power inside the administration and among it, the Republican Congress, and the Democratic opposition, not to mention the debates and struggles by groups and movements outside the corridors of power. But, even as the new alliance assumes control and new economic goals are formulated, we need to make sense of the class dynamics that at least in part have defined the U.S. economy in recent years, before and during the two terms of the administration of Barack Obama.

Class before Trumponomics

What is most striking about the economic situation over the course of the past eight years is that, while economic policymakers managed to create the conditions for capitalism to recover from its worst set of crises since the First Great Depression, it has otherwise been pretty much business as usual. What I mean by that is the economic recovery has mostly assumed

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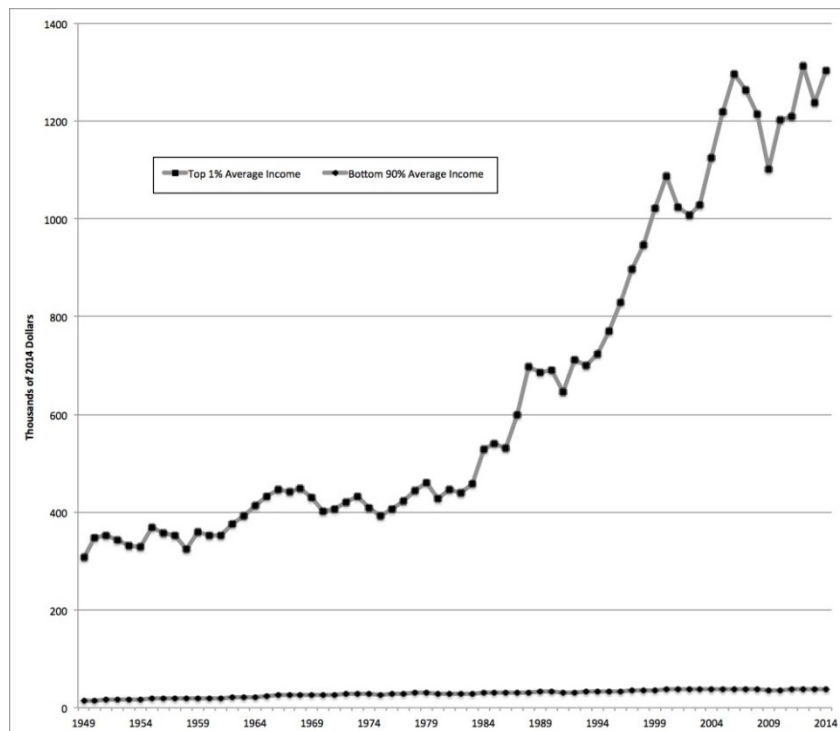
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the same shape and general features that characterized the U.S. economy before the crash of 2007-08.¹

Figure 1 Income inequality: top 1 percent and bottom 90 percent average pre-tax incomes, 1949-2014



Source: T. Piketty, E. Saez, and G. Zucman, *Distributional National Accounts: Appendix Tables II* (<http://gabriel-zucman.eu/usdina/>).

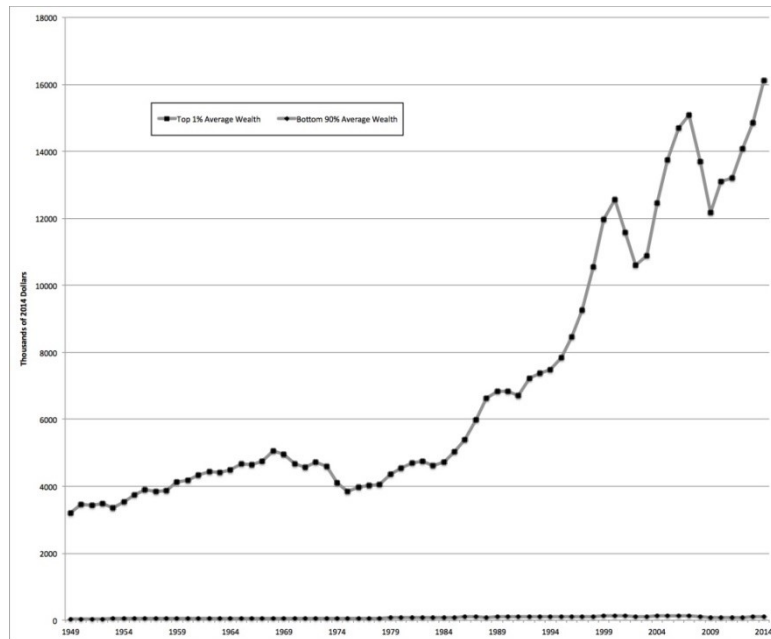
That's not to say nothing has changed (a point to which I return below). But the fact that the benefits of the recovery – in terms of both income (Figure 1) and wealth (Figure 2) – have been captured mostly by those at the top, and left pretty much everyone else behind, is exactly what was happening prior to the crash.

One way to see this in particularly class terms is to examine the relationship between the “two great classes,” capital and labor. Underlying the growing gap between the top 1 percent and everyone else, which is now well known (because of the persistent and detailed research of Thomas Piketty, Edward Saez, and their collaborators), is the much-less-remarked-upon divergence in the capital and wage shares of national income.² After the recovery began in 2009, the share of income going to corporate profits increased dramatically, from 12 percent to 15 percent (in 2014, falling slightly in 2015 to 13.7 percent). Meanwhile, the share going to workers declined by 4 percent (between 2009 and 2014, increasingly slightly in 2015 by about 1.5 percent).

¹ As I see it, that's the major reason Hillary Clinton and the Democratic Party lost the elections – not the leaks of the Democratic National Committee emails or FBI Director James Comey's late announcement about Clinton's emails, but their decision to embrace Obama's economic legacy.

² I have relied heavily in this paper on the data Piketty, Saez, and Gabriel Zucman (2016) have made publicly available from their NBER working paper. See also their web site: World Wealth & Income Database (<http://wid.world/>).

Figure 2 Wealth inequality: top 1 percent and bottom 90 percent average wealth, 1949-2014



Source: T. Piketty, E. Saez, and G. Zucman, *Distributional National Accounts: Appendix Tables II* (<http://gabriel-zucman.eu/usdina/>).

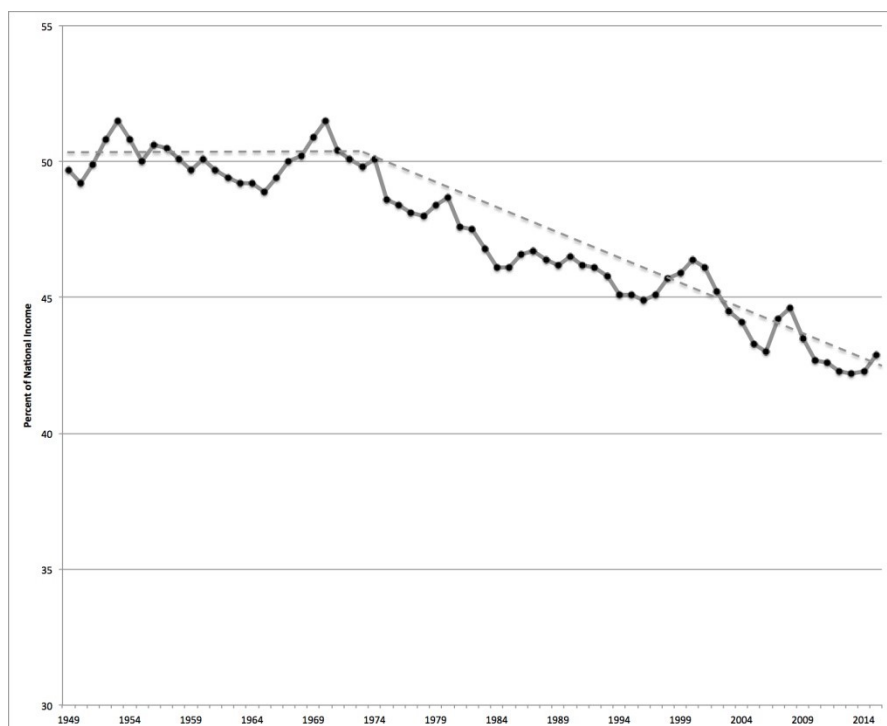
As readers can see from Figures 3 and 4, those short-term trends represent a continuation of longer-term dynamics. The profit share had reached a low of 7 percent (in 1986) – and therefore has just about doubled (by 2015). The labor share has moved in the opposite direction for an even longer period of time, declining by about 12 percent (from 1980 to 2015).

Figure 3 Profit share of national income (before tax, without IVA and CCAAdj), 1949-2015



Source: U.S. Bureau of Economic Analysis, retrieved from FRED (<https://fred.stlouisfed.org/>).

Figure 4 Wage share of gross domestic income, 1949-2015



Source: U.S. Bureau of Economic Analysis, retrieved from FRED (<https://fred.stlouisfed.org/>).

In other words, the so-called recovery, just like the thirty or so years before it, has meant a revival of the share of income going to capital, while the wage share has continued to decline. That, in my view, is the overall class dynamic within the U.S. economy of both the decades leading up to the crash and the years of post-crash recovery prior to the elections of 2016. During both periods, U.S. corporations managed to capture the growing surplus that was being produced by the working-class – both American workers and, importantly, workers around the world.³

But that general trend isn't the whole picture. In the next two sections, I analyze some of the salient details with respect to the contrasting fortunes of both capital and labor.

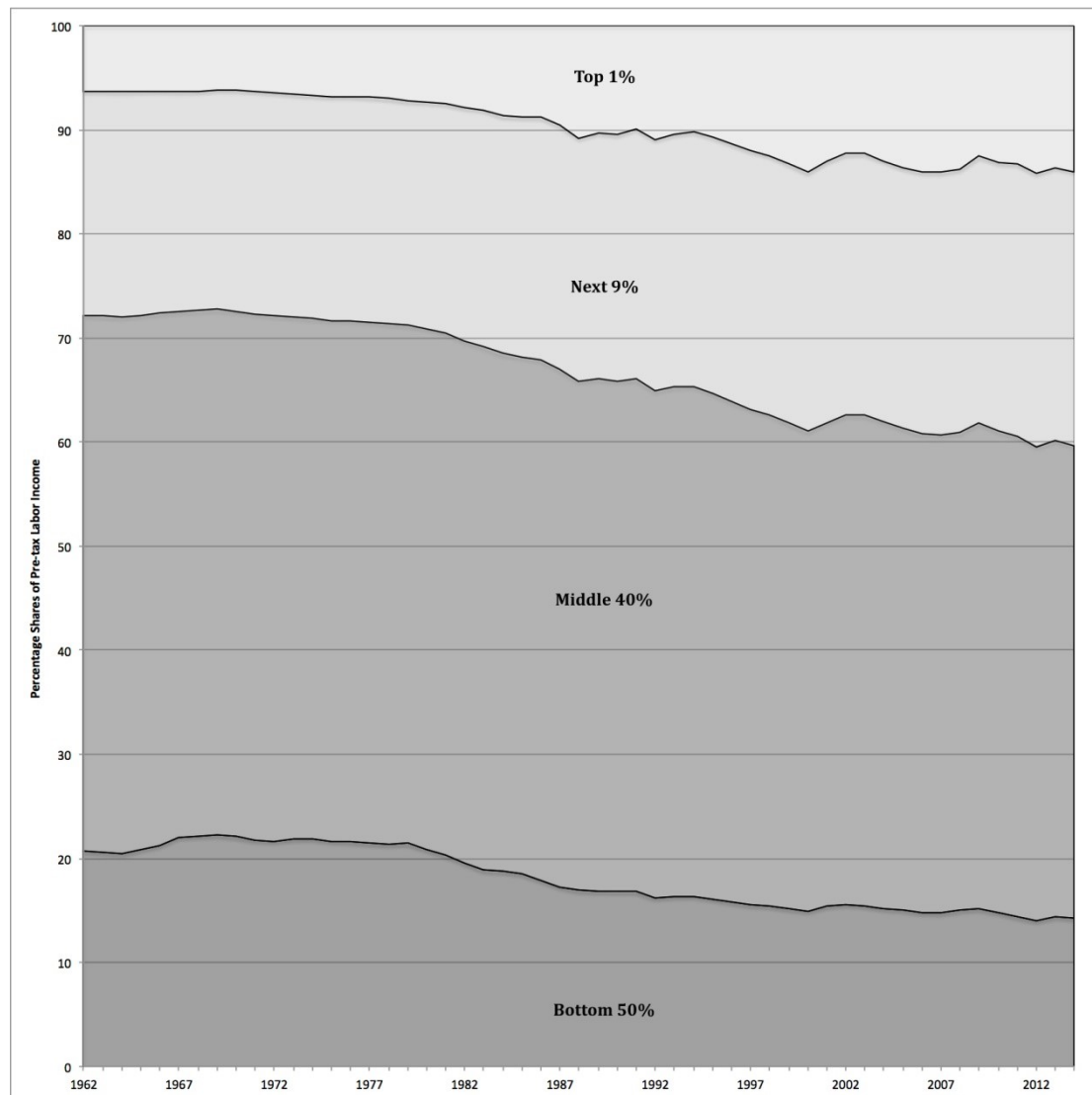
Labor before Trumponomics

Let me start with labor. In the first section above, my analysis actually understates the capital share and overstates the labor share. That's because a large share of the surplus was actually included in wages, and thus attributed to labor, when in fact it properly belongs in the share captured by capital. The idea is that high-level executives and others (e.g., Chief Executive Officers and those working in finance), while much of their income is reported as "wages," are actually receiving a distribution of the surplus from their employers. Therefore, their wages are actually part of the capital share, while the incomes of the rest of workers form the basis of the labor share properly understood.

³ Loukas Karabarbounis and Brent Neiman (2013) have documented the fact that "the global labor share has significantly declined since the early 1980s, with the decline occurring within the large majority of countries and industries."

This is clear from the data illustrated in Figure 5, where I've split the labor share by income fractiles. Based on a rough class analysis of the U.S. labor force, the labor share actually includes the first two components (making up the bottom 90 percent of the labor force), while the other fractiles (those making up the top 10 percent) represent for the most part distributions of the surplus from capital. As is evident from a quick glance at the figure, the share of total wages going to the working-class has been declining for decades (from about 72 percent in 1972 to 60 percent in 2014), while the share representing distributions of the surplus has grown (from 28 percent to 40 percent).

Figure 5 Shares of pre-tax labor income, by fractiles, 1962-2014



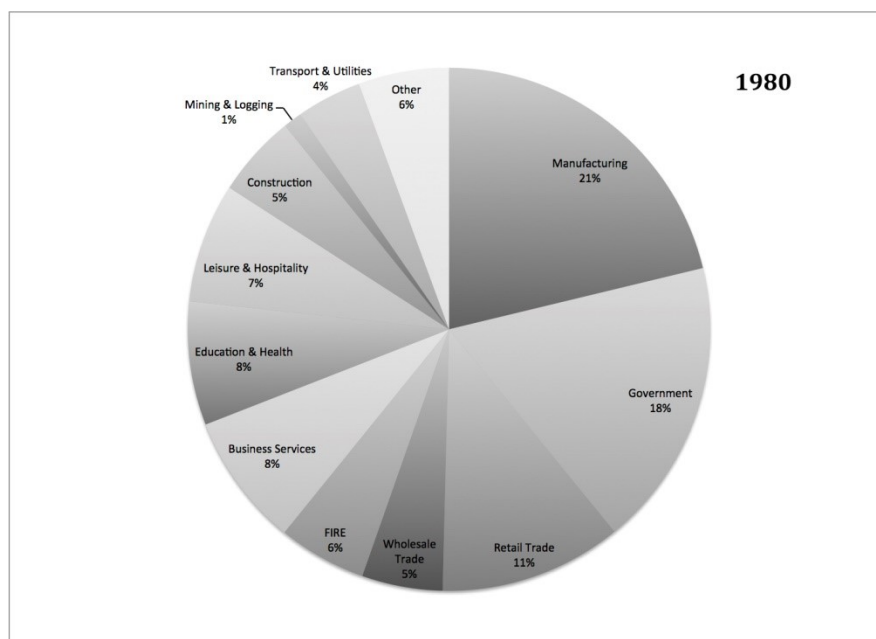
Source: T. Piketty, E. Saez, and G. Zucman, *Distributional National Accounts: Appendix Tables II* (<http://gabriel-zucman.eu/usdina/>).

The consequence of making such a distinction is that the fall in the labor share and the rise in the capital share are actually much more dramatic – both in the decades leading up to the

crash and during the so-called recovery – than when we look just at conventionally defined workers' wages and corporate profits.⁴

The U.S. working-class has also changed over time, especially in the decades leading up to the crash, as the economy itself was fundamentally transformed by a combination of automation, the offshoring of production, and imports from other countries. In terms of sectors and thus types of jobs, the biggest change that can be seen in Figures 6, 7, and 8 was the decline in Manufacturing, which took place mostly between 1980 and 2007 – from 21 percent of total employment to only 10 percent – with a further decrease (to 8 percent) by 2016. The sectors that grew as shares of total employment include Leisure & Hospitality, Education & Health, and Business Services. Mining and Logging, which was never more than a tiny share of total employment, began and remained very small. Similarly, the percentage of jobs in FIRE (Finance, Real Estate, and Insurance) remained constant. And Government jobs, as a share of total employment, actually declined (from 18 to 15 percent). The result is that, over time, American workers have been forced to have the freedom to sell their ability to work less to employers in the production of goods (who have off-shored production and automated many of the manufacturing jobs that remain) and more to those involved in the production of services (who are already engaged in a new round of automation, thus threatening service-sector jobs).

Figure 6 Employment by sector, 1980



⁴ It also means that there's no one-to-one correspondence between, on one hand, the profit-wage ratio and, on the other hand, the Marxian notion of the rate of exploitation. For example, because of the modification I discuss in the text, it's quite possible for the profit-wage ratio to remain constant (the stylized Kuznets fact for the immediate postwar decades) while the rate of exploitation rises. And if the profit-wage ratio rises (as it has in recent decades), it's even more likely that the rate of exploitation has increased.

Figure 7 Employment by sector, 2007

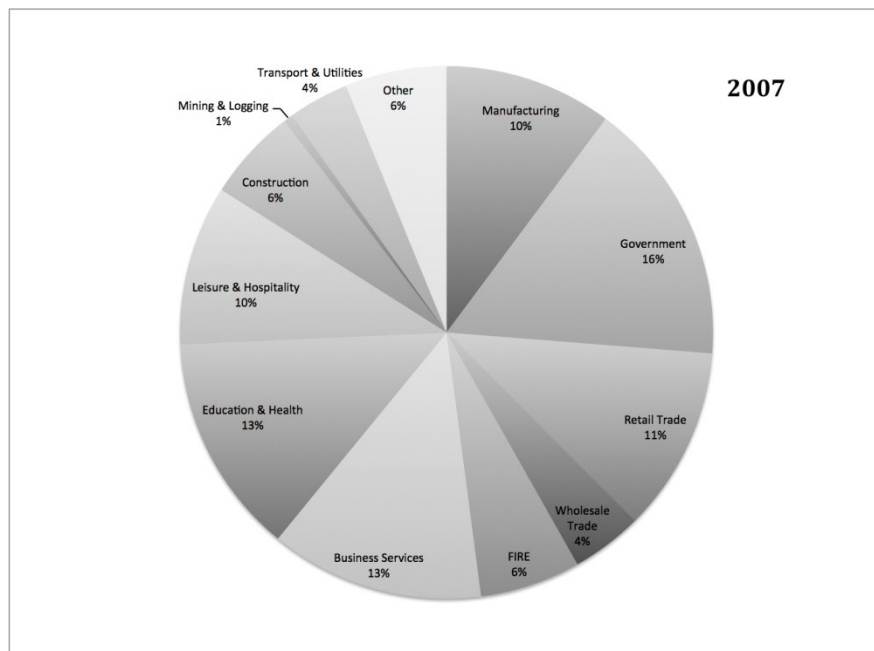
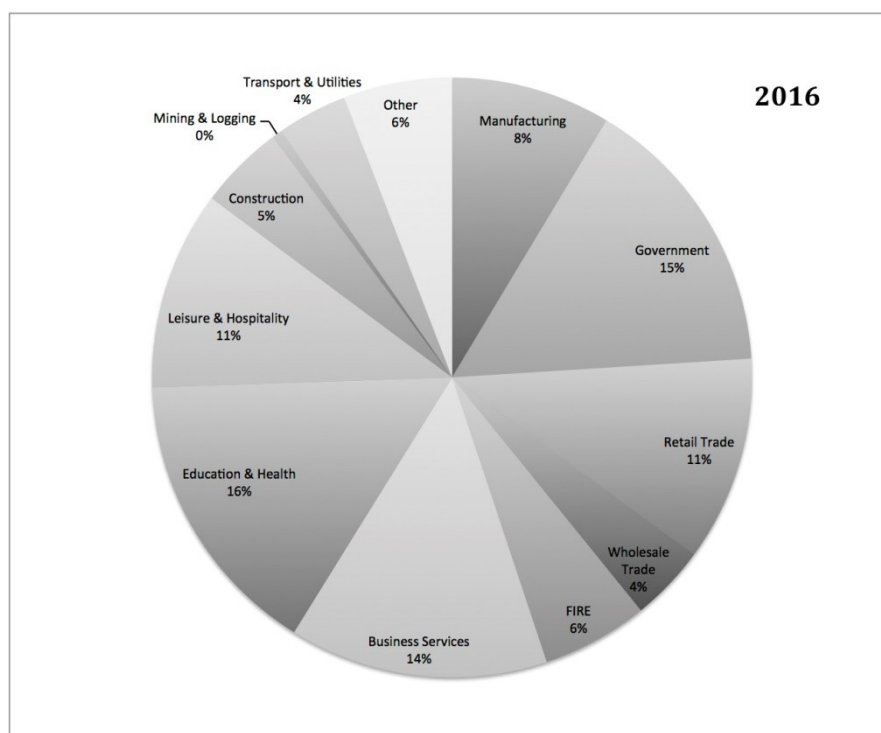


Figure 8 Employment by sector, 2016

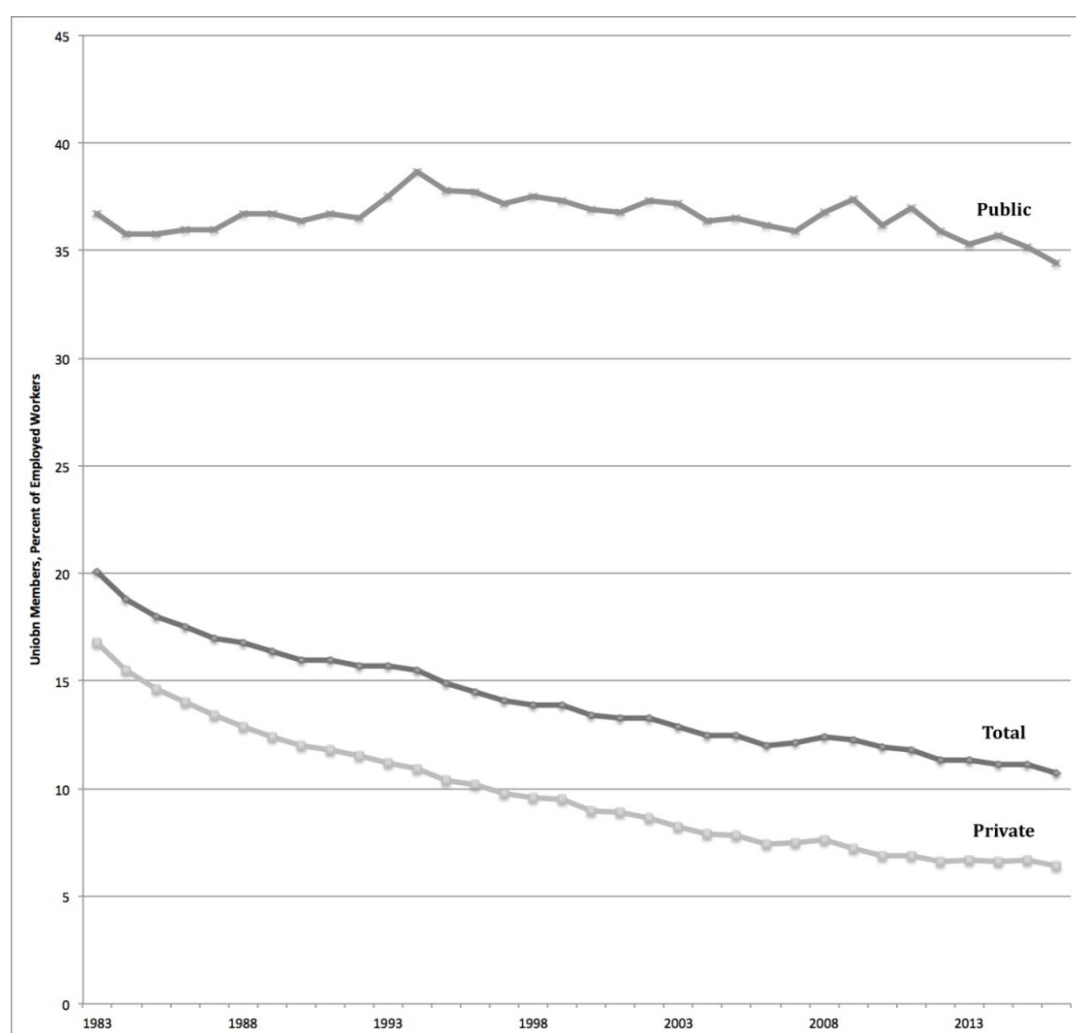


Source: Author's calculations, based on U.S. Bureau of Labor Statistics, retrieved from FRED (<https://fred.stlouisfed.org/>).

The U.S. working-class has also changed in many other ways over the course of the past few decades.

For example, union membership has steadily declined in the United States. In 1983, 20 percent of all workers in the United States belonged to unions, which negotiated wages and benefits on their behalf. By 2016, however, only 10.7 percent of all U.S. workers were union members, the lowest level on record.⁵ The decline has almost entirely been driven by a large decrease in private-sector union membership. In 1983, union members accounted for 16.8 percent of private-sector workers, and in 2016 they only accounted for 6.4 percent. Public-sector unions, meanwhile, remain quite prevalent among government workers. In 2016, 34.4 percent of government workers were union members, which is virtually unchanged from 1983.⁶

Figure 9 Union density, 1983-2016



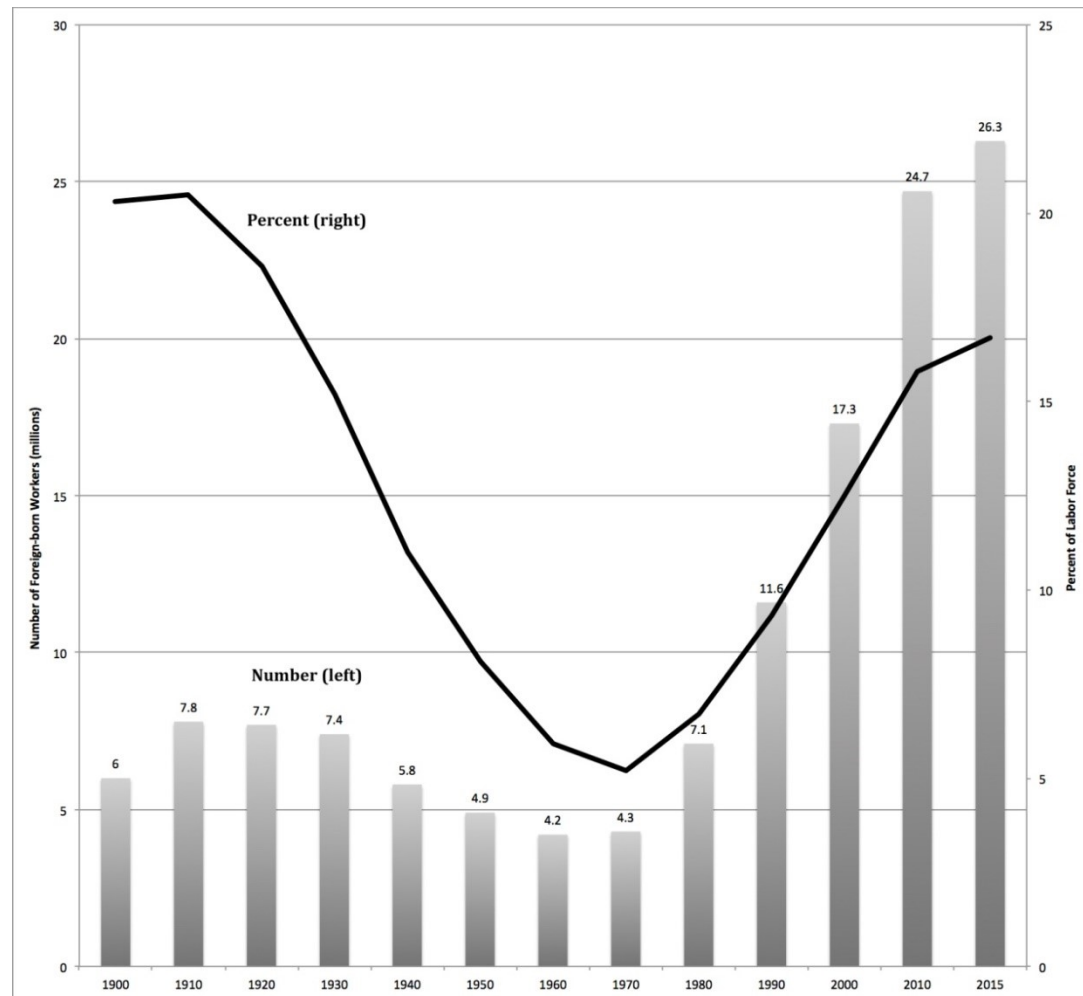
Source: U.S. Bureau of Labor Statistics, (<http://www.bls.gov/webapps/legacy/cpslatab3.htm>).

⁵ According to the latest OECD data [2016], the United States is an outlier on both trade-union density (10.7 percent versus an average of 16.7 percent) and coverage of collective bargaining agreements (11.9 percent versus an average of 50.4 percent).

⁶ Although public-sector workers are more likely than their private-sector counterparts to be union members, there are still more private-sector union members (7.4 million) than public-sector union members (7.1 million). That's because, as shown above, public-sector workers account for only about 15 percent of the U.S. workforce.

Not only do U.S. workers enjoy less protection as a result of the decline in labor unions; the wage floor, represented by the minimum wage, has also fallen over time. The real value of the federal minimum wage is now less than it was in 1968 (when it was equal to \$9.63 in 2016 dollars) – and it is now much less than what it would be had it grown at the same rate as average wages, the growth in productivity, or, especially, the increase in incomes of the top 1 percent.

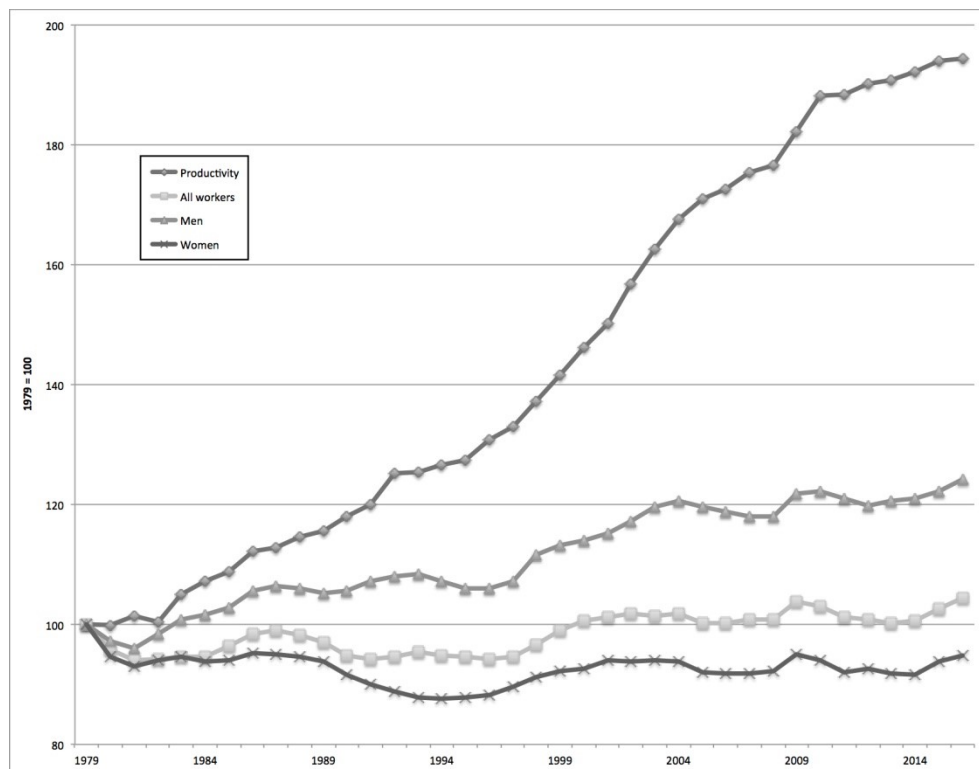
Figure 10 Number and percentage of foreign-born workers, 1910-2015



Sources: U.S. Bureau of Labor Statistics and U.S. Census Bureau.

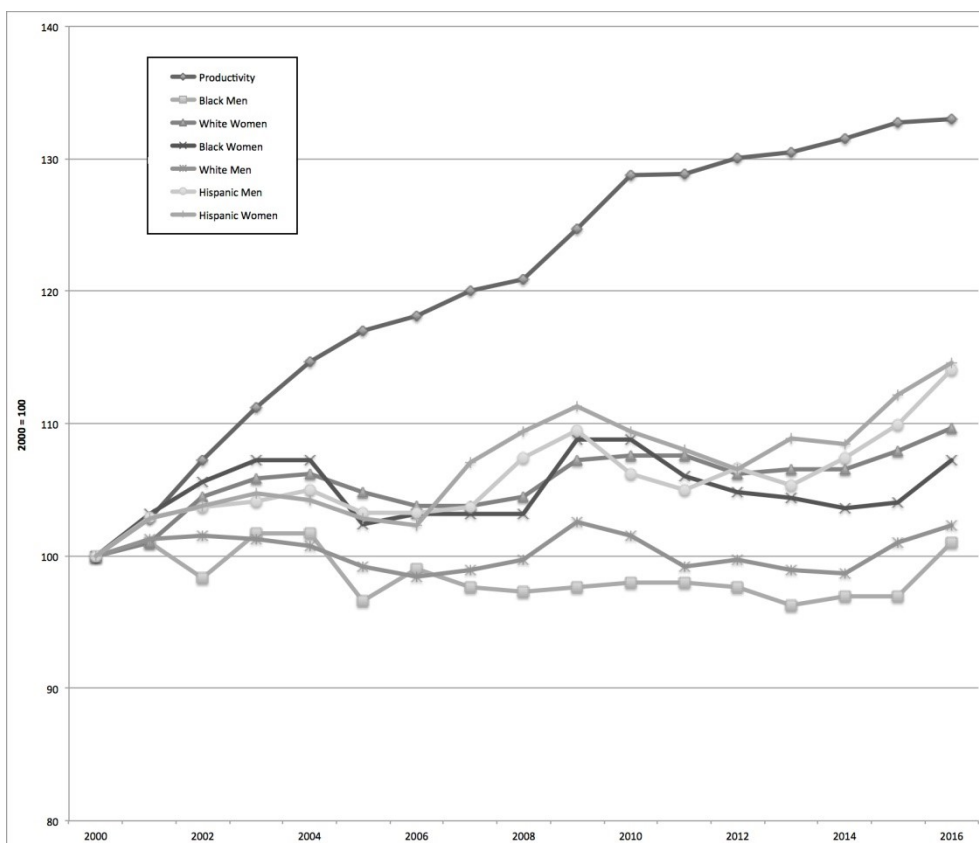
Another major change in recent decades has to do with foreign-born workers (both legal and undocumented), which increased dramatically from 1970 through 2010 – from 4.3 to 24.7 million workers and, as a percentage of the U.S. labor force, from 5.2 to 15.8 percent. After the crash, however, the growth in both the number and the percentage slowed considerably.

Figure 11 Productivity and real weekly earnings for men and women, 1979-2016



Source: U.S. Bureau of Labor Statistics, retrieved from FRED (<https://fred.stlouisfed.org/>).

Figure 12 Productivity and real weekly earnings by gender and race/ethnicity, 2000-2016

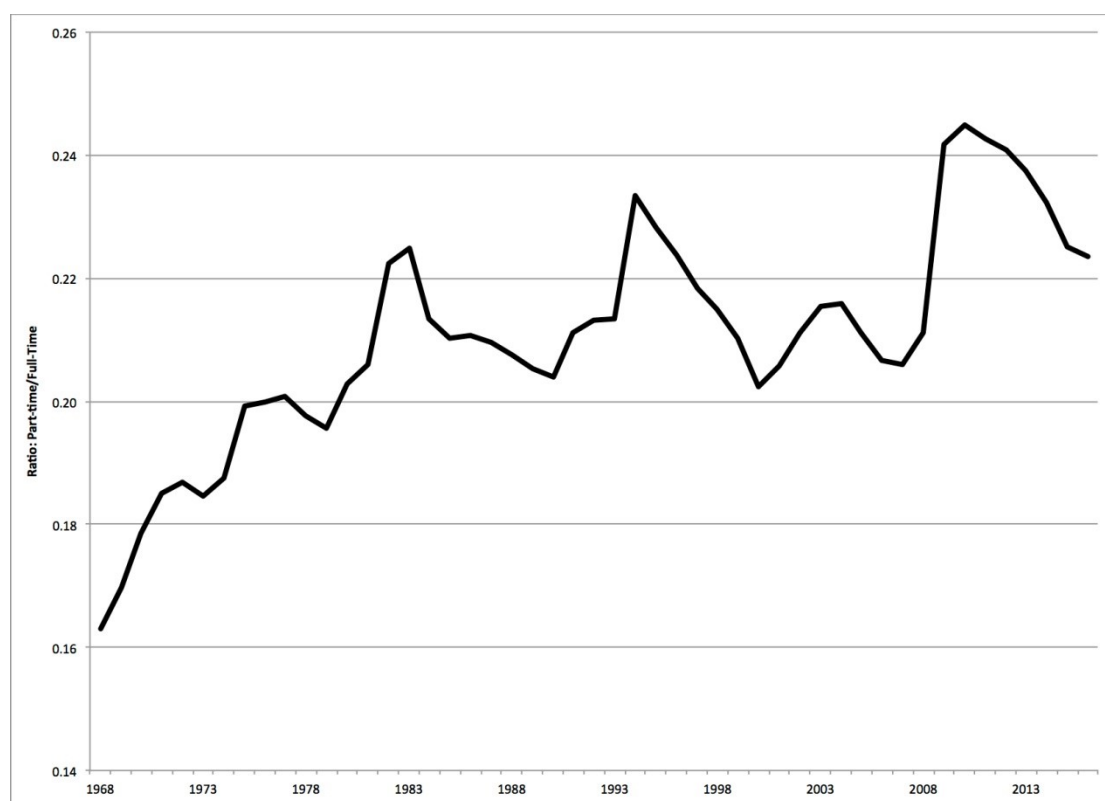


Source: U.S. Bureau of Labor Statistics, retrieved from FRED (<https://fred.stlouisfed.org/>).

What about other segments of the U.S. working-class? As is clear from Figures 11 and 12, wages for all workers – regardless of race, ethnicity, or gender – have fallen far short of the growth in economy-wide productivity. It's true that most groups (with the exception of Black men) have narrowed the gap with white men since 2000. That's in part because the real earnings of some groups have increased (especially Hispanic men and women) but mostly because the wages of white men have barely changed (increasing by only 2.3 percent). And, as with the earlier period, all wages have registered increases much less than the growth in labor productivity (which has almost doubled since 1979, increasing by 33 percent just since the beginning of the millennium).

We also need to consider the other side of that relationship – that increased racial and ethnic disparities reinforce the growing gap between productivity and the wages of all workers. Black and Hispanic workers are paid less than their white counterparts (of both genders), and all workers' wages are as a result less than they otherwise would be. That's because employers are able to pit one group against the others, thus undermining the bargaining position of all workers. As a result, wealthy individuals and large corporations, who capture the resulting surplus, are the only ones who benefit from racial and ethnic wage disparities.

Figure 13 Precarity: part-time workers compared to full-time workers, 1968-2016



Source: U.S. Bureau of Labor Statistics, retrieved from FRED (<https://fred.stlouisfed.org/>).

The final major change I want to draw attention to is the increasing precarity of the U.S. working-class. They're increasingly employed in part-time jobs (as can be seen in Figure 13, which tracks the ratio of part-time to full-time workers) and in "alternative" work arrangements. As Lawrence Katz and Alan Krueger (2016) have shown, just in the past decade, the percentage of American workers engaged in alternative work arrangements –

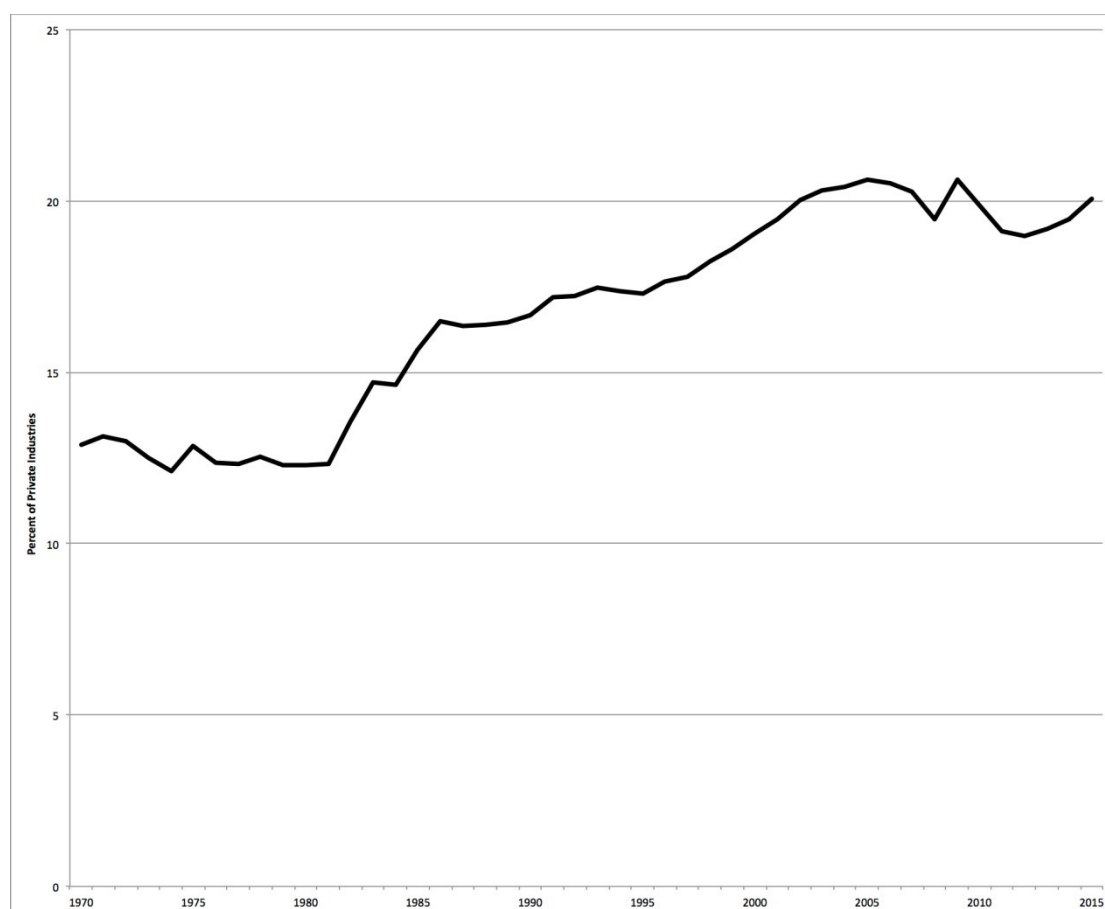
defined as temporary help agency workers, on-call workers, contract workers, and independent contractors or freelancers – rose from 10.1 percent (in February 2005) to 15.8 percent (in late 2015). And, it turns out, the so-called gig economy is characterized by the same unequalizing, capital-labor dynamics as the rest of the U.S. economy.

What is clear from this brief survey of the changes in the condition of the U.S. working-class in recent decades is that, while American workers have created enormous additional income and wealth, most of the increase has been captured by their employers and a tiny group at the top – as workers have been forced to compete with one another for new kinds of jobs, with fewer protections, at lower wages, and with less security than they once expected. And the period of recovery from the Second Great Depression has done nothing to change that fundamental dynamic.

Capital before Trumponomics

In this section, I want to focus on a more detailed analysis of the other side of the class relationship – capital.

Figure 14 Gross output of FIRE (finance, insurance, and real estate) as a share of gross output of private industries, 1970-2015



Source: U.S. Bureau of Economic Analysis.

It should come as no surprise that one of the major changes in U.S. capital over the past few decades is the growing importance of financial activities. Since 1980, FIRE (the combination of finance, insurance, and real estate) has almost doubled, expanding from roughly 12 percent of the gross output of private industries to over 20 percent.

Figure 15 Profits of FIRE (finance, insurance, and real estate) as a share of corporate profits, 1970-2015



Source: U.S. Bureau of Economic Analysis.

The rise in the share of corporate profits from financial activities was even more spectacular – from 10.8 percent in 1984 to a whopping 37.4 percent in 2002 – and then falling during the crash, but still at a historically high 26.6 percent in 2015.⁷

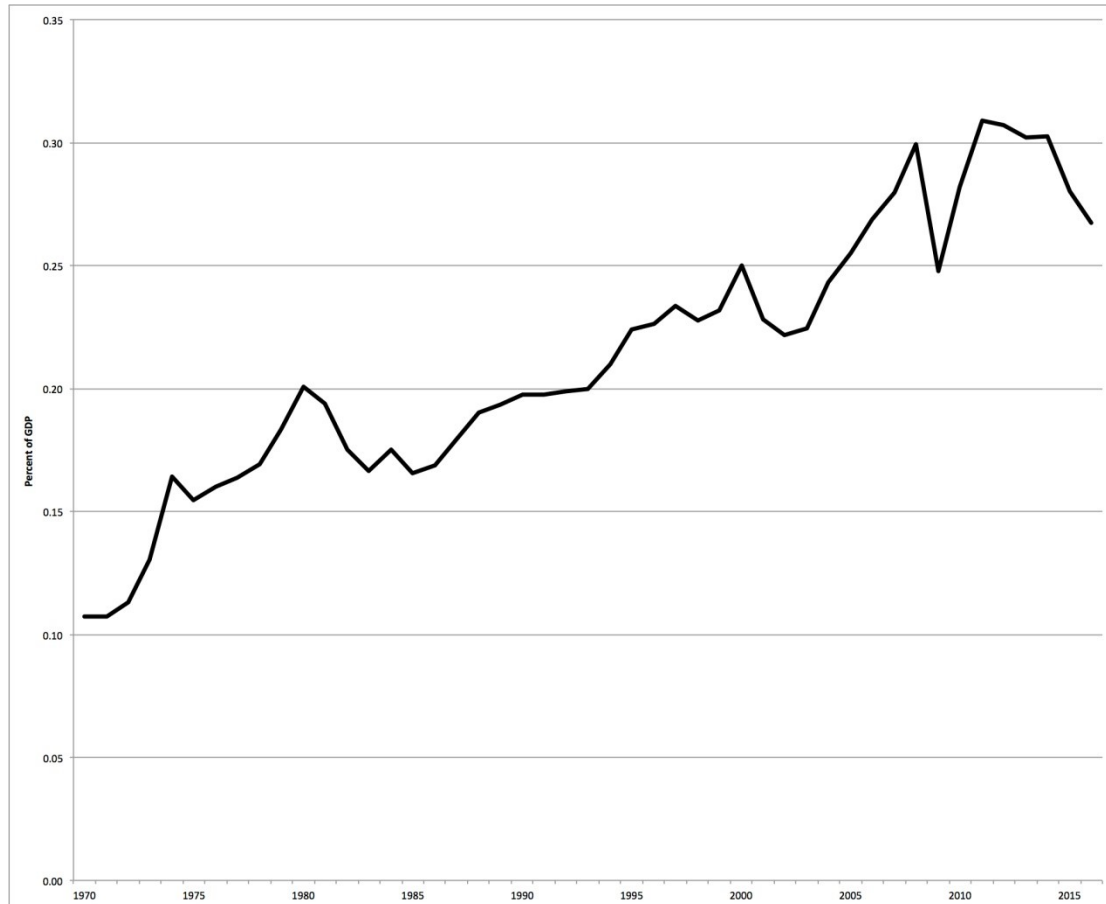
By any measure, U.S. capital became increasingly oriented toward finance beginning in the early 1980s – as traditional banks (deposit-gathering commercial banks), non-bank financial entities (especially shadow banking, such as investment banks, hedge funds, insurers and other non-bank financial institutions), and even the financial arm of industrial corporations (such as the General Motors Acceptance Corporation, now Ally Financial) absorbed and then profited by creating new claims on the surplus.

This process of “financialization” was the flip side of the decreasing labor share in the U.S. economy: On one hand, stagnant wages meant both an increasing surplus, which could be recycled via the financial sector, and a growing market for loans, as workers sought to maintain their customary level of consumption via increasing indebtedness. On the other hand, the production of commodities (both goods and services) became less important than

⁷ I should point out that it is only by the conventions of national-income accounting (as they are heavily influenced by neoclassical economic theory) that banking and other FIRE services generate “output” (counted via an “imputation for implicitly priced intermediation services”), which in turn is said to give rise to the “profits” received. According to Marxian economic theory, most FIRE activities are considered “unproductive” – and thus do not represent an addition to the social value-product. Therefore, FIRE profits represent a transfer, not a new creation, of value. See Roberts (2014) for an elaboration and discussion of this argument.

capturing a portion of the surplus from within the United States and from the rest of the global capitalist economy, and utilizing it via issuing loans and selling derivatives to receive even more.

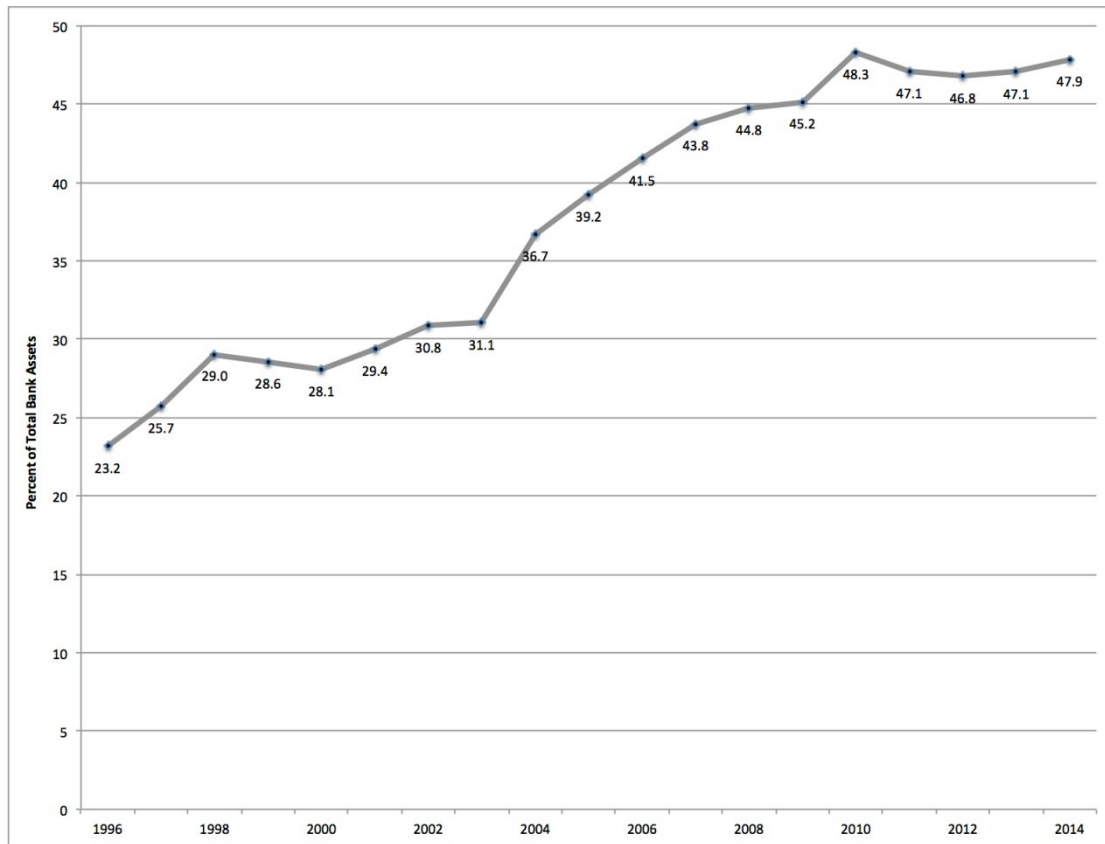
Figure 16 Internationalization: Exports and imports as a percentage of GDP, 1970-2016



Source: U.S. Bureau of Economic Analysis, retrieved from FRED (<https://fred.stlouisfed.org/>).

Not only did finance become increasingly internationalized, so did the U.S. economy as a whole. As a result of employers' decisions to outsource the production of commodities that had previously been manufactured in the United States and to find external markets for the sale of other commodities (especially services), and with the assistance of the lowering of tariffs and the signing of new trade agreements, the U.S. economy was increasingly opened up from the early-1970s onward. One indicator of this globalization is the increase in the weight of international trade (the sum of exports and imports) in relation to U.S. GDP – more than tripling from 1970 (9.33 percent) to 2014 (29.1 percent).

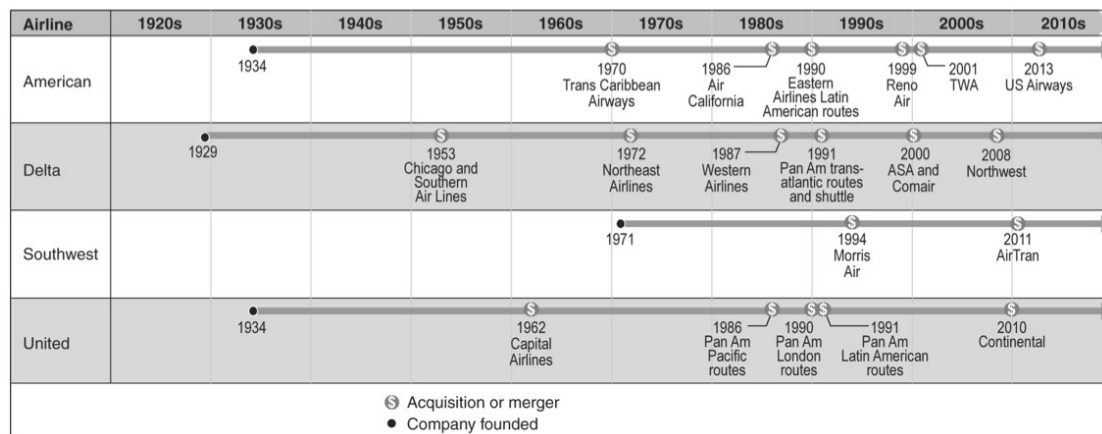
Figure 17 Bank concentration: Assets of five largest banks as a share of total commercial banking assets, 1996-2014



Source: World Bank, retrieved from FRED (<https://fred.stlouisfed.org/>).

The third major change in U.S. capital in recent decades is a rise in the degree of corporate concentration and centralization – to such an extent even President Obama’s Council of Economic Advisers (2016) had taken notice. A wave of mergers and acquisitions has made firms larger and has increased the degree of market concentration within a broad range of industries. In finance, for example, the market share of the five largest banks (measured in terms of their assets as a share of total commercial banking assets) more than doubled between 1996 and 2014 – rising from 23.2 percent to 47.9 percent.

Figure 18 Selected U.S. airline mergers and acquisitions, 1929-2013

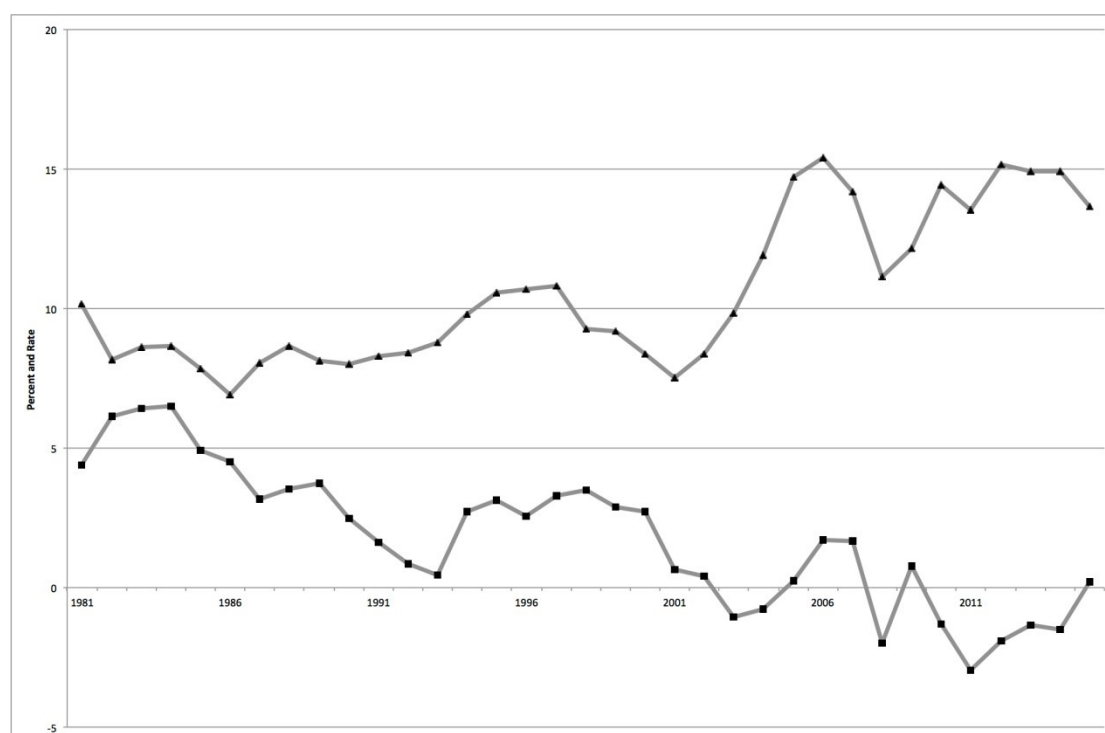


Source: U.S. Government Accountability Office, *Airline Competition* (June 2014).

The U.S. airline industry also experienced considerable merger and acquisition activity, especially following deregulation in 1978. Figure 18 (from a report by the U.S. Government Accountability Office [2014]) provides a timeline of mergers and acquisitions for the four largest surviving domestic airlines – American, Delta, Southwest, and United – based on the number of passengers served. These four airlines accounted for approximately 85 percent of total passenger traffic in the United States in 2013.

More generally, according to David Autor et al. (2017), between 1982 and 2012, six large sectors of the U.S. economy – manufacturing, retail trade, wholesale trade, services, finance, and utilities and transportation – showed a remarkably consistent upward trend in concentration (measured in terms of both sales and employment).

Figure 19 Oligopoly rents: Corporate profits as a share of national income and real interest-rates, 1981-2015

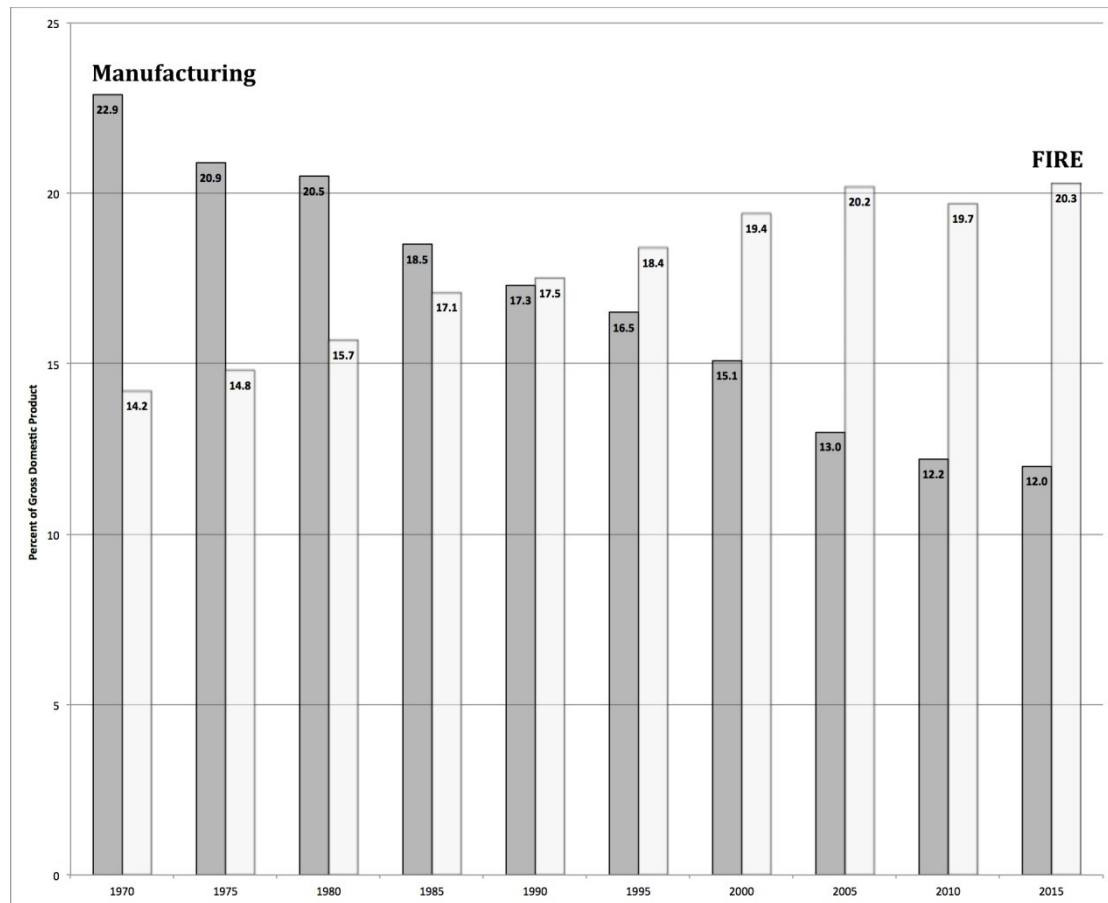


Sources: Author's calculations from U.S. Bureau of Economic Analysis, Federal Reserve, and U.S. Bureau of Labor Statistics, retrieved from FRED (<https://fred.stlouisfed.org/>).

A final piece of evidence that concentration and centralization have increased within the U.S. economy is (following Jason Furman [2016]) the growing gap between corporate profits and interest-rates. The fact that corporate profits (as a share of national income, the top line in Figure 19) have risen while interest-rates (the nominal constant-maturity one-year rate estimated by the Federal Reserve, less inflation defined by the Consumer Price Index, the bottom line in the figure) indicates that the portion of profits created by oligopoly rents has grown in recent decades.⁸

⁸ Another way to get at these oligopoly rents is to distinguish between the narrowly defined capital share and the so-called profit share. According to Simcha Barkai (2016), the decline in the labor share over the last 30 years was not offset by an increase in the capital share, which actually declined. But it was accompanied by an increase in the profit share, due to a rise in mark-ups.

Figure 20 Manufacturing and FIRE: Value-added by industry as a share of GDP, 1970-2015



Source: U.S. Bureau of Economic Analysis.

Together, the three main tendencies I have highlighted – financialization, internationalization, and corporate rents – indicate fundamental changes in U.S. capital since the 1980s, which have continued during the current recovery. One of the effects of those changes is a decline in the importance of manufacturing, especially in relation to FIRE, as can be seen in Figure 20. Manufacturing (as measured by value added as a percentage of GDP) has declined from 22.9 percent (in 1970) to 12 percent (in 2015), while FIRE moved in the opposite direction – from 14.2 percent to 20.3 percent. Quantitatively, the two sectors have traded places, which qualitatively signifies a change in how U.S. capital manages to capture the surplus. While it still appropriates surplus from its own workers (although now more in the production and export of services than in manufacturing), it now captures the surplus, from workers inside and outside the United States, via financial activities. On top of that, the largest firms are capturing additional portions of the surplus from other, smaller corporations via oligopoly rents.

What we've witnessed then is a fundamental transformation of U.S. capital and thus the U.S. economy, which begins to explain a whole host of recent trends – from the decrease in rates of economic growth (since capital is engaged less in investment than in other activities, such as stock buybacks, hoarding profits in the form of cash, and mergers and acquisitions) to the rise in the ratio of corporate executive pay to average worker pay (which has ballooned,

according to the Economic Policy Institute [Mishel and Schieder 2016] from 29.9 in 1978 to 275.6 in 2015).

In my view, the decisions by and on behalf of U.S. capital, as it changed over the course of recent decades, helped to create the conditions for the crash of 2007-08 and the unevennesses of the subsequent economic recovery – which, in turn, culminated in Trump's victory in November 2016.

It should come as no surprise that the return to economic growth, so celebrated as the basis for the post-crash recovery, has felt so hollow to so many – given that a rising portion of the measured increase in output and productivity is a fantasy created by conventional national-income accounting rules, an illusory consequence of real class-driven shifts in income from wages to profits (based on a return to decades-old trends in the relationship between labor and capital). The frustration that many voters clearly had with the cheery optimism of mainstream economists and politicians (who asserted, in response to Trump's candidacy, that "America is already great") has a solid foundation, even if the causes of that sense of abandonment and neglect (including the recent trends in U.S. capitalism that I focus on in this essay) were mostly papered over or ignored during the primaries and the national presidential campaigns of both major political parties.

Class under Trumponomics

Clearly, the new Trump administration has inherited an economy that is as divided as the electorate. The question is, what will that economy look like if and when Trump's right-wing national-populist promises and post-election proposals are enacted?

As I have shown in the three preceding sections, over the course of recent decades and continuing through the crash and recovery, the class nature of the U.S. economy was transformed in dramatic fashion. Capital was able to pump more surplus out of U.S. workers and, through the combined processes of financialization, globalization, and concentration, to capture more of the surplus from workers both at home and around the world. Labor, too, was radically transformed – and weakened by many forces, including automation, declining unionization, ethnic and racial disparities, immigration, and a declining real minimum wage. Overall, underlying the grotesque levels of inequality that characterize the United States today have been the opposing forces of an increasing capital share and a declining labor share.

That's what the U.S. economy looks like as Trump celebrates his victory and, along with his Cabinet and advisers and Republican majorities in both houses of Congress, develops a set of economic plans to "make America great again".

What will things look like moving forward? There is, of course, a high degree of uncertainty concerning the changes we can expect from the Trump administration's proposals. For a variety of reasons, we don't know what those proposals will be – not only because Trump put forward different versions of his "promises" (and, in some cases, like saving the Carrier plant jobs, he didn't even remember he'd made such a promise on the campaign trail), but also because his Cabinet members, advisers, and the Republican Congress have their own ideas of what they'd like to do. Plus, unexpected developments in the United States and around the world will surely require changes to whatever proposals are formulated or implemented.

All we can do, then, is analyze the potential effects of proposals that have been announced – on the assumption they will be at least general guides to the policies the members of the Trump administration and their allies attempt to enact.

I don't pretend here to be able to analyze the effects of all of the economic proposals associated with Trump, his economic team, and the new Congress, which run from repealing the Affordable Care Act to renegotiating international trade agreements. Instead, I want to focus on three that were prominent during the campaign and, by virtue of their size, have the potential of dramatically altering the current class landscape: tax cuts, reducing regulations on business, and deporting undocumented immigrants.

While the details remain to be worked out, the centerpiece of Trump's economic strategy – as he explained in speeches in Detroit (Charles 2016) and New York (Trump 2016a) – is a plan to cut taxes on both individuals and corporations. While others have focused on whether the plan's numbers are consistent (they aren't, according to Greg Ip (2016) for the *Wall Street Journal*) and its effects on the national debt (the Tax Policy Center [Nunns et al. 2015] argues it could increase the debt by nearly 80 percent of GDP by 2036), I want to concentrate here on the class implications of the tax plan.

It should come as no surprise that, based on the analysis by the Tax Policy Center (Nunns et al. 2015, 9), the highest-income households would receive the largest benefits from the proposed individual income-tax cuts, both in dollars and as a percentage of income.

The highest-income 1.0 percent would get an average tax cut of over \$275,000 (17.5 percent of after-tax income), and the top 0.1 percent would get an average tax cut worth over \$1.3 million, nearly 19 percent of after-tax income. By contrast, the lowest-income households would receive an average tax cut of \$128, or 1 percent of after-tax income. Middle-income households would receive an average tax cut of about \$2,700, or about 5 percent of after-tax income.

Given the fact that the income of taxpayers at the top comes mostly from distributions of the surplus (in the form of executive salaries, interest, dividends, and so on), the Trump tax plan implies they will be able to keep more of the surplus they have managed to capture and to decide individually what to do with their share of the surplus – to spend it on conspicuous consumption and utilize it to acquire even more private wealth.

Trump also proposes to cut the top corporate tax rate from 35 percent to 15 percent. But because the effective corporate tax rate (16.1 percent in 2012, according to the U.S. Government Accountability Office, 2016) is much lower than the statutory rate, if corporations were required to pay the proposed lower statutory rate, the status quo would be largely unchanged. In other words, U.S. corporations would pay no more than they currently do in the form of taxes (and possibly less, if the future effective rate falls below the lower statutory rate), and the contribution of corporate income taxes to total federal revenues (only 10.6 percent in 2015) would continue to be low by historical standards (23 percent as recently as 1966).

Figure 21 Corporate taxes: Federal receipts by source, 1934-2015



Source: Office of Management and Budget
(<https://www.whitehouse.gov/omb/budget/Historicals>).

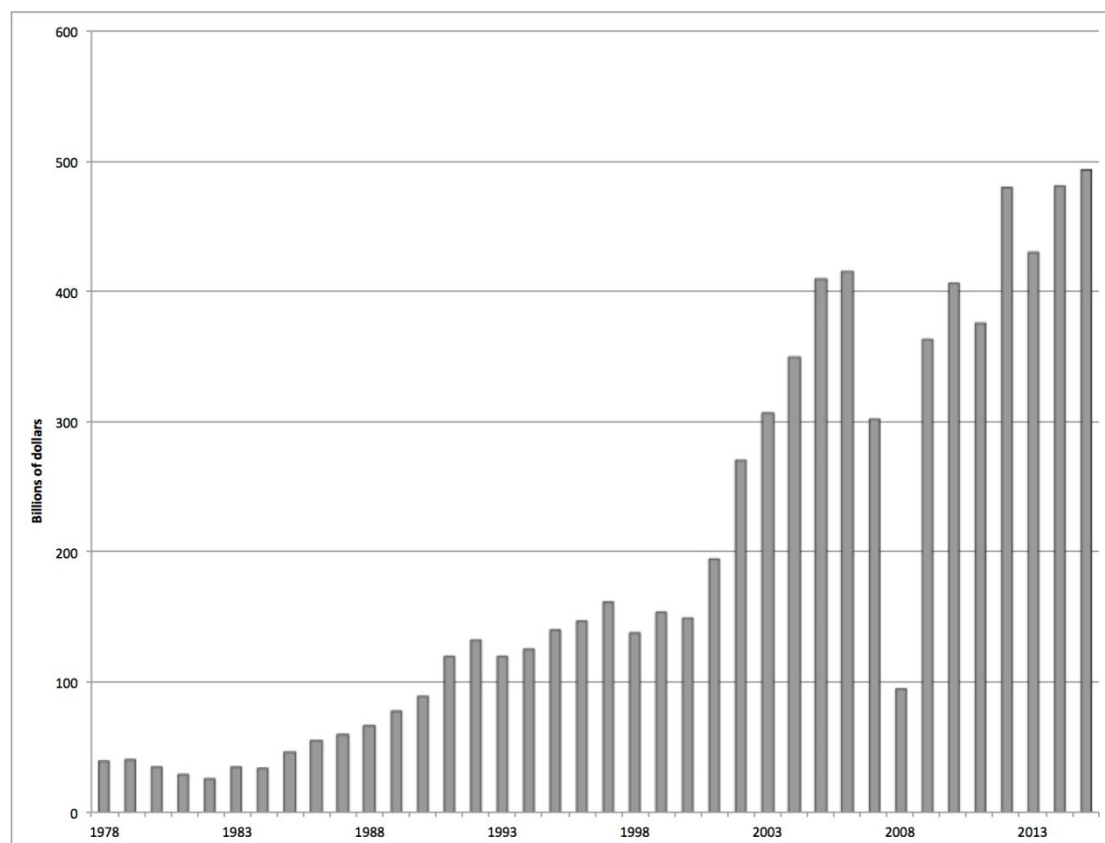
It is impossible to predict what corporations will do with the share of the surplus that is not subject to federal taxation. However, if the current pattern holds, we can expect a continuation – and perhaps even an acceleration – of mergers and acquisitions, stock buybacks, and job-displacing investment in robotics and other forms of automation that will boost the profits, especially of large corporations.

As I see it, the result of proposed cuts in both individual and corporate taxes is that more of the surplus would be captured and kept in private hands and consequently less will be available – via taxes – for social spending. And the only way to prevent fiscal deficits and the federal debt from increasing (as Republicans have long claimed is one of their goals) will be to decrease spending on federal programs, cuts that will be felt mostly by workers and their families.

Throughout the presidential campaign, Trump also promised “to cut regulations massively” – and according to Stephen Mnuchin (Yu, 2016), Trump’s Treasury Secretary designee, revising Dodd-Frank is “the number one priority on the regulatory side”. Here there is no clear proposal but it’s likely four features of Dodd-Frank will come under scrutiny and perhaps be undone or seriously revised: capital controls (the rule stating that the eight largest banks in the country should maintain an additional layer of capital to protect against losses), “enhanced supervision” (which requires the Federal Reserve evaluate banks with assets of at least \$50 billion more closely than those with fewer assets), the so-called Volcker Rule (which prohibits banks from proprietary trading and restricts investment in hedge funds and private

equity by commercial banks and their affiliates), and the Consumer Finance Protection Bureau (which regulates the offering and provision of consumer financial products and services under federal consumer financial laws).

Figure 22 FIRE profits: Profits of finance, insurance, and real estate (with inventory valuation adjustments), 1978-2018



Source: U.S. Bureau of Economic Analysis, retrieved from FRED (<https://fred.stlouisfed.org/>).

As a result of the stabilizing effects of both the financial bailout and the Dodd-Frank legislation, the amount of the surplus captured by the financial sector has recovered – and is larger now (\$493.3 billion) than it was even before the crash (\$415.1 in 2006). It's likely, if the Trump administration succeeds in revising or repealing key provisions of the new legislation, financial activities will continue to expand and the share of the surplus they manage to siphon off from other sectors – in the United States and around the world – will also continue to grow.

Finally, Trump promised to “prioritize the jobs, wages and security of the American people” by establishing new immigration controls, with a series of measures outlined in his 10-point plan (2016b). A great deal depends on whether or not the administration is able to fund the activities required by the plan, such as deporting the estimated 11.1 million immigrants living without documents in the United States (which would require large increases in funding from Congress to increase the current workforce of immigration agents and judges to be able to lawfully handle that many deportations – not to mention the logistical challenge of locating so many immigrants, many in the country for years with deep family and community ties). In my view, what is more likely is that there will be a great deal of talk about curbing immigration (with some selective high-profile anti-immigrant actions), which will serve to increase the level

of fear within immigrant communities and make existing undocumented workers even less likely to seek assistance from private agencies and public departments.

The obvious beneficiary of such a public campaign against undocumented workers will be their employers – especially in such industries as farming, maintenance, construction, and food (according to the Pew Research Center [Passel and Cohn, 2015]). They will continue to be able to hire undocumented farmhands, maids, groundskeepers, laborers, and cooks at wages that are less than those paid to legal immigrants and native-born workers – in addition to subjecting them to more violations of labor laws (including minimum wages, overtime pay, and so on).⁹ And because undocumented workers will be driven even further underground, with fewer viable alternatives, the position of both legal immigrants and low-wage U.S.-born workers who are also employed in those industries will likely be weakened, thus increasing the profits of corporations that hire anyone from the three groups of workers.

While we need to be cautious in terms of an analysis of the effects of the Trump administration's promises and proposals, for the reasons I offer above, it is likely we are going to see an accelerated or supercharged version – instead of a softening, much less a reversal – of the class dynamics of the U.S. economy in recent years and decades. There's a good chance corporations that appropriate the surplus from workers, as well as wealthy individuals who manage to capture a portion of that surplus, will be able to get and keep even more of the surplus – and they will continue to be able to make their own private decisions about what to do with it. For its part, the financial sector will likely continue to grow in importance, with even fewer limits or safeguards, thus channeling more of the surplus into the profits of banks and insurance companies and the salaries of their highest-paid employees. And a campaign against undocumented workers will undoubtedly make their situation—and that of other low-wage workers, both immigrant and native-born – much weaker *vis-à-vis* their employers.

Therefore, I expect the class transformations that have come to characterize the U.S. economy, between and within labor and capital, will likely continue in an even more intense fashion under the aegis of the new administration. The only real change I envision, at least at this early date, is Trump's willingness to target specific groups and entities according to a right-wing populist sense of the "national interest", which may serve to deflect attention from the class inequalities and injustices inherent within the existing set of economic institutions.

Alternatively, the pronouncements and policies of the Trump administration may end up mocking the arrogance and ignorance of the existing economic and political elites – and thus, however ironically, highlighting those inequalities and injustices.

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⁹ According to a landmark 2009 survey of thousands of workers, by Annette Bernhardt et al. (2009), 37 percent of unauthorized immigrant workers were the victims of minimum wage-law violations at the hands of their employers (meaning they were not paid the legally required minimum wage). And an astonishing 84 percent of unauthorized immigrant workers who worked full-time were not paid for overtime, that is, they were not paid the legally required time-and-a-half rate for the hours they worked in a week beyond 40 hours.

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