

Trump's shareholder bonanza

By Robert Reich

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The evidence is in: The biggest beneficiaries of the Trump-Republican tax plan are shareholders. Bank of America Brian Moynihan has said that “most of the benefits” from the tax cuts “will flow to the bottom-line through dividends and share buybacks over time.”

Exactly. Dividends and share buybacks boost share prices. And that's all corporate America wants to do. Moynihan noted that in 2017, Bank of America had \$16.6 billion of net income available to shareholders and returned \$16.8 billion through dividends and buyback: “so, yes, we will expect to return more capital to shareholders given the tax [cut]”. Even the expectation of a big corporate tax cut have caused shares to soar.

Because the richest 1 percent of Americans owns 40 percent of all shares of stock, and the richest fifth owns 80 percent, this is great news for the wealthy. It's not great news for anyone else.

But wait. Didn't Apple just announce it would “contribute” \$350 billion to the U.S. economy over the next five years? Apple's statement prompted Trump to gloat: “Great to see Apple follow through as a result of TAX CUTS. Huge win for American workers and the USA!”

Rubbish. Analysts at RBC Capital Markets believe Apple will bring back to the U.S. \$207 billion after taxes and “almost all of it” will be used to reward shareholders through share buybacks or dividends.

Apple also announced that all employees will get \$2,500 of restricted stock. Good for Apple employees, but another acknowledgement that the biggest beneficiaries of the tax cut will be shareholders.

The new tax law is a great deal for Apple and its shareholders. Apple has been sitting on a huge “overseas” money hoard of some \$252 billion, as Apple's accountants have assigned its earnings to other countries with lower tax rates than the United States. Now, though, Apple's accountants can reallocate the money to the United States subject to a one-time tax of 15.5 percent – lower even than the new corporate tax of 21 percent.

In addition, the new law allows U.S. companies to pay only a 10.5 percent tax on “foreign profits” – inviting Apple's accountants to continue to find ways to transfer its future profits abroad, and further boosting Apple's shares. Bottom line: Apple pays less in taxes so it can send out more dividends and buy back more shares of stock.

Make no mistake: Trump and the Republicans are working on behalf of America's biggest and richest investors, not American workers. This shouldn't be surprising. After all, the big investors are the ones who invested in getting Trump and the Republicans into office.

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