How to Turn the Power of the Wall Street Protests into Real Reforms

Contributed by Brent Blackwelder
23 October 2011

Publisher's note: The servants of the "Wall Street 1%" in Congress are hypocritical about conservative budgeting, as Brent Blackwelder's informative new report makes clear. It is important to know more of the ways the public is screwed over, to provide more impetus for reform as well as for replacing the present system and culture. - Jan Lundberg

As the Wall Street protests have spread from New York City to the rest of the country, some media pundits have criticized the protesters for being unfocused — as if there were only one thing wrong with the financial sector of the U.S. economy.
The protests have provided a welcome response to Wall Street's massive takeover of governance, and continued opposition to the status quo could produce opportunities to enact real reforms.

Don't expect Wall Street to undertake such reforms voluntarily — some of the shady practices are too profitable. It's going to take new laws, and key legislation is pending in Congress that could provide important remedies. But new legislation won't pass without the strongest pressure. That's where the protesters could make a difference, especially with some forceful activity in the districts where the obstructionists, like House Majority Leader Eric Cantor from Virginia, reside. Cantor said to the conservative Values Voter conference: "I, for one, am increasingly concerned about the growing mobs occupying Wall Street" but he backtracked a week later when cautioned by his political finger-in-the-wind testers about the growing popularity of the protests.

Among all the morally bankrupt practices on Wall Street, there's one in particular that would be easy to abolish. Easy, that is, if we can translate some the energy of the protests into pressure on lawmakers. Pending in Congress are powerful bills such as Senator Levin's S. 1346 (Stop Tax Haven Abuse Act of 2011) that would strike hard at tax dodgers. But a bill like that has no prayer of passage unless representatives like Cantor feel the pressure.

Instead of reform, Congress is in fact poised to give another "one-time only" tax holiday to companies that stashed profits in tax havens. Huge and wealthy U.S. corporations are actively seeking what is known as a "repatriation holiday" because they say it would create jobs. Such a holiday would allow them to bring home offshore profits at a reduced rate — a nice holiday for the well-to-do CEOs and shareholders, while the rest of us taxpayers suffer the consequences of losing $80 billion of revenue.

The Tax Justice Network and a number of small business associations are trying to right this wrong. They have sent a letter to Congress to dispute this repatriation holiday, noting: "Too many corporations have turned their tax departments into profit centers, using aggressive accounting manipulation to disguise U.S. profits as foreign profits."

Bloomberg Business Week has pointed out prime examples: Google reduced its income taxes by about $3.1 billion over three years — first by shifting income to Ireland, then to the Netherlands, and finally to Bermuda. Another example is Forest Laboratories, a company that sells over 99% of its drugs in the U.S. but attributes the bulk of its profits to a law office in Bermuda.

Corporate abuses are all the more frustrating in light of how the Congressional "Supercommittee" is discussing the deficit. The Supercommittee is poised to recommend draconian cuts in important programs, but its Republican members are unwilling to address tax havens and tax dodgers that cost the U.S. Treasury an estimated $100 billion per year. The two biggest banks benefiting from taxpayer bailouts are Citigroup with 427 subsidiaries in tax havens and Bank of America with 115.

A recent report by the Institute for Policy Studies (IPS) adds more grist to the protesters' mill. The report notes that the salary of chief executives (CEOs) of the S&P 500 soared 27.8% in 2010 to $10.8 million, making the ratio between average CEO pay and average U.S. worker pay now 325 to 1. Back in the good old days of 2009, the ratio was much more equitable at “only” 263 to 1. The IPS study found that 25 of the top 100 CEOs received more pay than their companies paid in federal income tax. Furthermore, 20 of these 25 companies spent more on lobbying than they paid in federal income tax.

One more recent analysis, published in the journal of the Association for Psychological Science, provides new support for those advocating major reforms in the tax code. The analysis found that those countries with the most progressive tax codes (those that are the exact opposite of a flat tax where everyone regardless of income pays the same rate) had the highest happiness ratings.

Americans want a sustainable and fair economy. But we won’t get one without fundamental financial reforms and a clamp-down on tax dodgers. And we won’t get that without applying pressure to lawmakers and corporations. Now that’s a good focus for a protest.

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Brent Blackwelder wrote the above article originally in The Daly News, newsletter of the Center for the Advancement of the Steady State Economy. Dr. Blackwelder is president emeritus of Friends of the Earth, Washington, D.C. His other articles appearing in Culture Change are:

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