

Inquiring Minds topic – 24 May 2013

Harold Gibson, Moderator

The Corporate Betrayal of America

by Paul Buchheit - published on Monday, April 8, 2013 by Common Dreams

1 Multinational corporations have built their businesses on the backs of American taxpayers.
2 They've depended on government research, national defense, the legal and educational
3 systems, and our infrastructure.

4 Yet they've turned around and mocked us with declining tax payments. They've cut workers.
5 They've refused to invest their massive profits in job-producing research and development.
6 And they've insulted existing employees with low wages and dwindling retirement support.

7 As a final disdainful act, many of them have tried to convince us that they LOSE money in the
8 U.S. while only making profits overseas.

9 Here are the facts.

10 Business Built on Our Backs

11 (a) Research

12 The most essential aspect of business growth is the long-term basic research that is largely
13 conducted with government money. Starting in the 1950s, taxpayer-funded research at the
14 Defense Advanced Research Projects Agency (the Internet), the National Institute of Health
15 (pharmaceuticals), and the National Science Foundation (the Digital Library Initiative) has laid
16 a half-century foundation for corporate product development. Even today 60% of university
17 research is government-supported.

18 The tech industry is a special case, with many computer and communications companies
19 coming of age in the 1990s, when industry funding for computer research declined
20 dramatically and government research funding continued to climb. As of 2009 universities
21 were still receiving ten times more science & engineering funding from government than from
22 industry.

23 (b) Infrastructure

24 Thanks to the taxpayer-funded National Highway System, corporations have acquired access
25 to markets across the country for over 60 years. Along with road construction came the water,
26 electric, and telephone facilities needed to sustain their businesses.

27 Today, the publicly supported communications infrastructure allows the richest 10% of
28 Americans to readily manipulate their 80% share of the stock market. CEOs rely on roads and
29 seaports and airports to ship their products, the FAA and TSA and Coast Guard and
30 Department of Transportation to safeguard them, a nationwide energy grid to power their
31 factories, and communications towers and satellites to conduct online business. Private jets use
32 16 percent of air traffic control resources while paying only 3% of the bill.

33 (c) Law

34 A litany of advantages accrues to the business world through the legal system. The wealthiest
35 Americans are the main beneficiaries of tax laws, property rights, zoning rules, patent and
36 copyright provisions, trade pacts, antitrust legislation, and contract regulations. Their
37 companies benefit, despite their publicly voiced objections to regulatory agencies, from SBA
38 and SEC guidelines that generally favor business, and from FDA and USDA quality control
39 measures that minimize consumer complaints and product recalls.

40 The growing numbers of financial industry executives have profited from 30 years of
41 deregulation, most notably the repeal of the Glass-Steagall Act. Lobbying by the financial
42 industry has stifled reasonable proposals like a sales tax on financial transactions.

43 More big advantages are enjoyed by multinational corporations through trade agreements like
44 NAFTA, with international disputes resolved by the business-friendly World Bank,
45 International Monetary Fund, and World Trade Organization. Federal judicial law protects our
46 biggest companies from foreign infringement. The proposed Trans-Pacific Partnership would
47 put governments around the world at the mercy of corporate decision-makers.

48 (d) Education

49 Public colleges have helped to train the chemists, physicists, chip designers, programmers,
50 engineers, production line workers, market analysts, and testers who create modern
51 technological devices. At the primary and secondary levels, the "equal opportunity" principle
52 mandated by the Supreme Court in *Brown vs. the Board of Education* has contributed to
53 business growth, building the math and language skills that until recently led the world.

54 (e) Defense

55 The U.S. government will be spending \$55 billion on Homeland Security this year, in addition
56 to \$673 billion for the military. Most of their resources, along with local police and emergency
57 services and the National Guard, are focused on crimes against wealth.

58 Belittling Us Instead Of Paying Us Back

59 Instead of paying for their decades of government-supported growth, corporations have nearly
60 stopped paying taxes, leaving payroll deductions and individual income taxes as the main
61 sources of federal revenue.

62 From 2003 to 2011 total corporate profits more than doubled from \$900 billion to almost \$2
63 trillion, but the corporate income tax rate dropped by more than half, from 22.5% to 10%.

64 On top of this, the most profitable corporations get the biggest subsidies. The Federal Reserve
65 provided more than \$16 trillion in welfare assistance to financial institutions and corporations.
66 According to U.S. PIRG and Citizens for Tax Justice, 280 top-earning Fortune 500 companies,
67 which together paid only half of the maximum 35 percent corporate tax rate, received \$223
68 billion in tax subsidies.

69 What have they been doing with their windfall profits? Anywhere from \$2.2 trillion to \$3.4
70 trillion in cash is being held by non-financial corporations, who have chosen to fatten
71 stockholders rather than invest in new production facilities and the employees needed to make
72 them functional. Worse yet, as reported by The Nation, Market Watch, and Business Insider,
73 they've been steadily cutting jobs in order to 'streamline' their operations.

74 For the employees who remain, average real wages were \$17.42 in 2007, down from \$19.34 in
75 1972 (based on 2007 dollars). Wages as a percentage of the economy are at an all-time low.

76 An Added Insult -- Profits Declared Overseas, But Not in the U.S.

77 Multinational corporations use the vacuous argument of an excessive U.S. tax rate to defend
78 their tax avoidance, although in reality the U.S. has the third-lowest rate of tax revenue per
79 GDP among all OECD countries.

80 The biggest tax avoiders are not content to just shirk their tax responsibilities. To sustain the
81 image of profitmaking for their investors, many of them claim hefty worldwide incomes while
82 reporting little or no income in the United States. Pfizer, for example, just declared their fifth
83 straight annual loss in the U.S., despite a five-year income total of over \$50 billion.

84 A review of SEC data reveals more chicanery. In the last two years Citigroup reported \$27.8
85 billion in foreign income, but a \$5 billion loss in the United States. Exxon credits the U.S. for
86 1/3 of its revenue and 40% of its assets, but only 15% of its income. Apple has 2/3 of its
87 employees in the U.S. but claims only 1/3 of its profits as U.S. income.

88 Summing Up the Absurdity: You Made Us the Best, But We Don't Have To Pay

89 Forbes responded to suggestions of American decline with this stirring defense: "We lead the
90 world in Internet innovation, music, movies, biotech and many other technological fields that
91 require out-of-the-box thinking. From Apple to DreamWorks Studios, from Amazon to Zynga,
92 we are the world's innovators."

93 They might have added, "And we don't have to give anything back to the people who made it
94 all possible."

95 Paul Buchheit is a college teacher, an active member of US Uncut Chicago, founder and developer of
96 social justice and educational websites - paul@UsAgainstGreed.org.