What About an Excess Profits Tax?

by Polly Mann

In a prison, thousands of inmates are controlled by a carefully calculated small number of armed guards. Occasionally revolts occur, but eventually it ends and there is a restoration of the tense atmosphere normal to the institution. So it is in the United States of today. While the majority of the population does not live behind bars,* it is controlled by an economic system run by the rich and powerful.

In the United States as of 2007, the top 1 percent of households owned 34.6 percent of all privately held wealth, and the next 19 percent held 50.5 percent, which means that just 20 percent of the people owned a remarkable 85 percent, leaving only 15 percent of the wealth for the bottom 80 percent (wage and salary workers). In terms of financial wealth (total net worth minus the value of one's home), the top 1 percent of households had an even greater share: 42.7 percent.

The middle class, in general, accepts the situation, though grumbling about the inequity; however, those people at the bottom of the economic ladder are suffering a great deal from this disparity as the hunger, homelessness, and untreated illnesses that they experience increase. Needed human services are being reduced and eliminated with deficits growing at the federal level ($12 trillion) and lesser, though significant, amounts increasing at state, county, and municipal levels. The state of Minnesota is showing a present deficit of $1.2 billion.

The gulf between the resources of the rich and the poor continues to escalate. Between 2002 and 2007, studies show that two-thirds of the massive financial boom of those years went to the top one percent of Americans; losses were borne, however, not by the one percent but by the 99 percent. Complaints about this inequity evoke the response that the situation be remedied at the voting booth. But once elected, congresspeople too often vote on economic issues with their eyes fixed on reelection and those who will help them win by contributing heavy donations to their campaigns?in other words, the corporations.

Collage by Diane Steen-Hinderlie, WAMM Tackling Torture at the Top (T3) Committee. Gulf pelican photo: Charles Riedel, (AP). Torture victim photo: leaked from Abu Ghraib.

The corporations that continue to thrive through good times and bad are those supplying the military. They are experiencing no reductions. They are flourishing. Their contracts are renewed with tax dollars diverted from human service programs, infrastructure, education, housing, and basic health care.

It should be obvious to all that this country cannot afford never-ending war and still function as a caring government, described by Abraham Lincoln as "doing for the people that which needs to be done but which they, by themselves, cannot do so well."

What can we do about a tax policy that allocates the majority of revenue for wars in which our children are killed, wounded, or traumatized by the violence in which they have been forced to engage? Would it be possible to increase taxes for military contractors? This would require that there be a sufficient number of congresspeople willing to vote against the Santa Claus that seldom, if ever, disappoints them—a Santa Claus that showers the office-holder with campaign contributions. There is a history of limiting corporate profits; it's called an excess profits tax, an additional tax on any profit above a certain amount. A predominantly wartime fiscal instrument, the tax was designed primarily to capture wartime profits that exceeded normal peacetime profits.

The U.S. Congress passed four excess profits statutes during World War II. The 1940 rates ranged from 25 percent to 50 percent and the 1941 ones from 35 percent to 60 percent. In 1942 a flat rate of 90 percent was adopted, with a postwar refund of 10 percent. In 1943 the rate was increased to 94 percent with a 10 percent refund.

In 1991 some members of Congress tried unsuccessfully to pass an excess profits tax of 40 percent upon the larger oil companies as part of energy policy. Such proposals face strong opposition from business and some economists, who argue that it would create a disincentive to capital investment.

Soooo? Is there any way to compare the damage that might be done by economic disincentives to the growing gap between the rich and the poor in this country steadily and savagely transforming it into a Third World country with heartbreaking poverty and a tiny percentage of super-rich who live in gated communities and guarded condominiums?

There is another way in which wars might be abolished, but it would be far more unacceptable than an excess profits tax. This would be to reestablish a military draft in which there would be NO exceptions other than those imposed by medical conditions. This would ensure that the children of the Congress members would be as liable for military service as any others. During the Vietnam War very few children of Congress members were drafted into the military. The other alternative would be to first draft the Congress members themselves, but they, of course, would be too old.

So to stop the never-ending wars of the U.S.—excess profits tax or a draft? Any other suggestions?

* though a disproportionate number of minority populations do live in prisons?

Polly Mann is a co-founder of WAMM and continues to be active with the organization. Her column appears regularly in the WAMM newsletter. Also find her writing online in the Middle East Committee section of www.worldwidewamm.org.