TARGET
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LA GRANDE ILLUSION:
THE $US2.30-TRILLION INFRASTRUCTURAL PLAN

Where There's A Will, There's (Surely) A Way … OUT !

Privately employed tax counsellors, practising in The United States of America, are probably in for a glorious decade, following the plans of President Joseph Robinette Biden Junior '*to sock it to*' the financially successful businessmen and businesswomen of the country.

President Joseph Robinette Biden Junior has added tax reforms, amongst his latest agenda of things to do while the going is good … and he is legally entitled to sleep in the White House, the official residence of the President of The United States of America, located in Washington, District of Columbia.

Not since 1993 has there been a proposal, such as the current material Federal tax increase as appears to be on the cards, today.

But a Federal tax increase is almost a certainty to be introduced in the very near future, the way that things stand, today.

Keeping to one of his numerous 2020 Presidential Campaign promises, the one that spells out that anybody, earning not more than $US400,000 annually, has nothing about which to worry in respect of any increased taxation, but anybody, earning more than $US400,000 annually, will be stung with an increase in taxation – and it is guaranteed to be a very unwelcome sting.

One of the recently announced plans of President Joseph Robinette Biden Junior is, inter alia, to raise the corporation tax level in the country from 21 percent to 28 percent – an increase of 33.33 percentage points.

The increase in the corporation tax is not to be mistaken as a frontal attack, specifically aimed at the very wealthy of the country, one was told and was expected to be digested, gratuitously, but President Joseph Robinette Biden Junior has gone on record, stating openly that he desires to expand taxes on capital gains, as well as on dividends, at the rate of 39.60 percent for those whose annual income is greater than $US1 million.

If that should come to fruition – and it appears to be very likely that it shall, in one form or another – it would represent an increase of about 7.03 percent.

In addition, for those individuals, whose annual income is greater than $US1 million, they would, also, be obliged to face a 12.40-percent Social Security Payroll Tax.

For the one percent, extremely wealthy individuals of the country, according to experts in the field of taxation counselling, these plutocrats would see their after-tax income reduced by approximately 11.30 percent in 2021, while the majority of the wealthy five-percenters would see their after-tax income reduced by approximately 1.30 percent.

In respect of the remaining 94 percent of wage-earners, they would see their after-tax income reduced by 0.20 percent.

The proposed plan of President Joseph Robinette Biden Junior is a guarantee that many a family of the country, therefore, shall appreciate the snowball effect that the increases in taxes will have when the heads of families shall note, amongst other things, the much-higher cost of groceries and staples at their favourite supermarkets.

Ms Janet Yellen Has Her Say

On Monday, April 5, 2021 (Chicago, Illinois, time), Treasury Secretary Janet Yellen argued that the Biden Administration should seek to encourage international cooperation for a global minimum corporate tax rate.

This had never been achieved in the history of the world, notwithstanding that it had never been suggested.

This, said Ms Janet Yellen, was '*crucial to funding the* (Biden) *Administration's $US2.30 trillion infrastructure proposal*.'

She explained that President Joseph Robinette Biden Junior's proposed plan to raise the corporate tax rate to 28 percent, up from 21 percent, would push The United States of America from the middle of the '*pack*', amongst major economies of the world, to near the top of the heap.

She, also, stated that President Joseph Robinette Biden Junior's proposed plan would impose a 21-percent minimum tax on companies' foreign income, remove an export incentive, and raise taxes on some foreign companies' operations, owned by interests in The United States of America.

Ms Janet Yellen went on to explain that if The United States of America raises its tax rates and imposes higher burdens on its companies' foreign profits, a global minimum tax would help to prevent companies, based in other countries, from having a significant potential advantage.

That coordination and the ensuing tax revenue – not necessarily the aims of American-based companies – rank high on the Biden Administration's priorities, she said.

Ms Janet Yellen explained:

> ‘*Competitiveness is about more than how US-headquartered companies fare against other companies in global mergers and acquisition bids. It is about making sure that governments have stable tax systems that raise sufficient revenue to invest in essential public goods and respond to crises, and that all citizens fairly share the burden of financing government.’*

Ms Janet Yellen’s remarks to The Chicago Council on Global Affairs came as finance ministers prepared to gather, virtually, for semi-annual meetings of the International Monetary Fund and The World Bank, later on in that week of April.

The Large And Small Companies Are To Be Treated Equally

With regard to the proposed 33.33-percentage-point increase in the corporate tax rate, it is quite likely to have a deleterious effect on the overall economy of the country.

This may not be immediately obvious to the man in the street, but inflation, as with the initial onset of the common cold, takes a while to be felt – until it lays low the victim that has been infected by the virus that is the root cause of the so-called common cold.

There appears, at this point, as far as the Government of The United States of America is concerned, no official and clear distinguishable characteristics between large and small corporations when it comes to extracting taxation: They are all to be treated, equally, it appears.

As such, management of small corporations shall, in due course, be forced to introduce measures that their employees are very unlikely to appreciate: Senior management of such corporate entities shall, out of sheer necessity, make determinations in respect of its measures to try to keep its corporate keel on a steady course, during rough financial seas.

These determinations could well result in widespread disapproval on the part of many a company’s workforce: Malcontents could lead bands, resulting in rioting and affray.

Because, inter alia, the next likely event would be that the very necessary future measures might, also, lead to substantial reductions of salaries and wages, or if needs appear required, widespread reductions in the number of people on a company’s payroll.

Just prior to many a corporate entity, closing its doors, for ever.

A paring of a large number of workers, engaged in the operations of small corporations, would be amongst the final straw in management’s attempts to avoid insolvency, leading to bankruptcy – the inability to meet financial obligations as they fall due.

President Joseph Robinette Biden Junior, while stoking his team of penpushers to speed up its final version of his grand plan, which entails, initially, to cost $US2.30 trillion, that colossal amount of money to be spent, in part, on upgrading the country’s infrastructure and, in many cases, even a make-over of parts of degenerating infrastructures.

It is noted, also, that that which are the President’s avowed intentions are to find a way to raise the capital cost of his grand plan over a period of 15 years.

In the history of The United States of America, there have been umpteen examples of successive divisions of Government, making claims that a certain project was anticipated to cost a definitive amount of money, but, at the apotheosis of the project, one was informed that statisticians, in the employ of the Government, had miscalculated a number of factors and, as such, the cost of the project had spiralled exponentially – much to the chagrin of taxpayers because, at the end of the day, taxpayers would be footing the bill.

In the view of a number of economists, surveyed by this medium, $US2.30 trillion might appear to be a generous amount, but it is quite likely going to be just a trickle, compared to the final figure at the end of the day, 15 years hence.

President Joseph Robinette Biden Junior's Myopia

That which President Joseph Robinette Biden Junior might not hold in very high regard is that corporate America relies, strongly, on timely and continued production of acceptably worthy goods of a certain, specified refinement – and at production prices that leave a healthy room for a reasonable profit margin.

Where a steady supply of labour is readily available in another part of the world at the man-hour cost of a single employee, being highly competitive with regard to the cost of an employee of equal ability, expertise, and knowledge in The United States of America; where the cost of land or commercially available property in which to construct/equip an acceptable factory is considerably lower than that of The United States of America, any management, worth its salt, will go where, all things considered, it can see its way clear to make the best decision to the benefit of the corporation to which management owes a duty of fidelity.

If the production of goods and services in The United States of America loses its competitiveness, relative to producers in other parts of the world, its goods and services are quite likely to be replaced by comparable goods and services, fabricated by foreign-based corporate entities in that area of the world where similar goods and services, on a scale of the amount, quantity and quality, are offered at a more-acceptable price level to the American consumer – and at a materially improved price than can be manufactured, domestically, in The United States of America.

Case in Point: When Hongkong was a British Crown Colony, it was known as '*The Tailor Shop of The World*' because, amongst other things, its clothes were equal to and, in many respects, superior to similar products, manufactured at factories in The United States of America, as well as in many parts of Europe – and at the very competitive '*landed cost*' once the goods had arrived at a buyer's doorstep.

The '*landed cost*' included the original manufactured price of the product, transportation fees (both inland and ocean), customs, duties, taxes, tariffs, insurance, currency conversion, crating, handling, and payment fees.

It was hardly any wonder that American consumers of Hongkong's clothes of days of yore were snapped up in preference to similar goods, produced in The United States of America, and in other areas of the world.

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