

# Obama announces deal to extend tax cuts for the rich

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President Obama on Monday announced his support for a two-year extension of Bush-era tax cuts for the rich, capitulating to Republican demands and reversing campaign pledges to end the windfall for families making more than \$250,000 a year.

The announcement was made in a brief White House speech, after which Obama took no questions from the press. Extension of the tax cuts for the wealthy, set to expire January 1, has been a central preoccupation of the US corporate-financial elite. For precisely that reason, the cave-in by Obama and the Democratic Party on the issue was virtually assured. The extension will funnel an estimated \$70 billion per year into the coffers of the rich.

During the mid-term election campaign Obama demagogically denounced the Republicans for opposing his proposal to extend the Bush tax cuts only for families earning less than \$250,000. The Republicans demanded instead an across-the-board extension. Obama sought to use the issue to give the Democratic campaign a populist cover, even as the White House and the Democratic-controlled Congress refused to initiate any government jobs programs or provide serious relief to the tens of millions victimized by the deepest recession since the 1930s.

Meanwhile, the Democratic congressional leadership was signaling its readiness to capitulate, with leading Democrats in the House and Senate lining up with the Republicans to demand an extension of the tax cuts for the rich. Senate Majority Leader Harry Reid called off a floor vote on the tax issue until after the November election.

Following the rout of the Democrats in the election, the result of popular disillusionment and anger over the right-wing policies of the administration, Obama has lurched even further to the right. He has embraced the Republican tax plan even though the Democrats retain large majorities in both houses of the outgoing Congress, which must vote on the measure before the end of the year. The new Congress, with a Republican majority in the House and a smaller Democratic majority in the Senate, will take office in January.

In addition to the income tax windfall for the wealthy, Obama announced his acceptance of a Republican proposal to further gut the estate tax. His "framework for a bipartisan agreement" includes raising the exemption on estate taxes to \$5 million for an individual and \$10 million for a family (in 2009 the individual exemption was \$3.5 million), and reducing the tax rate from 45 percent to 35 percent.

This will bring the tax on inherited wealth to its lowest level since 1931, prior to the Depression-era reforms carried out by the Roosevelt administration.

Demonstrating his cynicism and contempt for the intelligence of the American people, Obama actually sought to portray this huge boondoggle for the rich as a defense of working people. He focused on the 13-month extension of long-term unemployment benefits included in the “framework,” which he presented as a major victory for the unemployed.

In previous recessions, extended jobless benefits were routinely passed by Congress, but in this slump Congress has allowed them to expire on several occasions. House Democrats failed to pass a measure to extend benefits for the long-term unemployed on November 30, ensuring that the program would lapse on December 1. This was calculated to provide a cover for the coming capitulation on tax cuts for the rich, with the windfall for the wealthy packaged as a quid pro quo for extending jobless benefits.

The income and estate tax cuts for the rich, however, are to last two years, while the unemployment benefits are to be extended for only 13 months. This means that the new Congress, with an even more right-wing coloration than the present one, will decide on their further extension, in all likelihood in the negative.

Presenting the extension of the Bush tax cuts for middle-income people as a job-creation measure, Obama declared, “I am not willing to let working families become collateral damage for Washington’s political warfare.”

This comes barely a week after Obama announced a pay freeze for all civilian federal employees and broadly embraced the proposal of his deficit commission for major cuts in basic social programs, the imposition of consumption taxes, and the elimination of tax benefits for home-owners, along with huge cuts in the corporate tax rate and the income tax rate for the wealthiest Americans.

For the most part, Obama directed his fire against recalcitrant congressional Democrats, who have protested against the naked character of the White House cave-in to the Republicans. “Sympathetic as I am to those who would prefer a fight to compromise,” he declared, “it would be the wrong thing to do. The American people didn’t send us here to wage symbolic battles.”

As Democratic consultant and pundit Paul Begala said on CNN following Obama’s speech, many Democrats believe that “the president caved.” However, he continued, there was no doubt they would supply the votes needed to pass the package.

Republicans gloated over the speech. Senate Minority Leader Mitch McConnell said, “I appreciate the determined efforts of the president and vice president in working with Republicans on a bipartisan plan to prevent a tax hike on any American.” In a jab at Democratic lawmakers, he added, “I am optimistic that Democrats in Congress will show the same openness to preventing tax hikes the administration has already shown.”

Other provisions of the so-called “compromise” include a two-year extension of expanded tax credits included in Obama’s 2009 stimulus bill (Earned Income Tax Credit, Child Tax Credit, American Opportunity Tax Credit), a 2 percent cut in workers’ payroll taxes in lieu of the stimulus bill’s Making Work Pay tax credit, and a tax break for businesses that buy equipment over the next two years estimated to be worth \$30 billion.

The various so-called middle-class tax credits have done virtually nothing to create jobs or cushion the impact of the slump on the working class, and will have no greater impact in the

future. But the tax cuts for the wealthy will ensure a further concentration of wealth at the top of society, even as growing numbers of workers are driven into poverty as a result of mass unemployment, wage-cutting and reductions in social programs.

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