

# Obama's Tax Windfall for the Rich

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The deal worked out between President Obama and the Republicans to extend Bush-era tax cuts for the richest Americans is the latest demonstration of the dictatorship America's financial aristocracy wields over the government and its policies.

The agreement will extend \$150 billion in income tax savings to the wealthy over the next two years and hundreds of billions more in the form of cuts to taxes on corporate profits, capital gains, and the estates of multimillionaires.

Obama has capitulated to the demands of the financial elite, expressed openly in the solid Republican support for continuing the tax cut for the wealthy, despite large Democratic majorities in both houses of the outgoing "lame duck" Congress. He has sought to justify this latest handout to the rich by claiming that he secured major concessions, including the continuation of tax breaks for the lower tax brackets, a 13-month extension of federal unemployment benefits, and a one-year cut in Social Security payroll taxes (which will actually result in a tax increase for the bottom 40 percent of US households when balanced against the expiration of the current Making Work Pay tax credit).

Obama claims that he reluctantly signed off on the deal because of political realities. He had no choice, he argues, since he could not get the Republicans to budge and the votes were simply not there to extend just the Bush tax cuts for the middle class. He was supposedly motivated purely by concern for the well-being of the American people and driven by his single-minded focus on creating jobs, both of which would suffer if the tax cuts for families earning under \$250,000 expired on January 1.

This is yet one more demonstration of cynicism and contempt for the intelligence of the people by the man whose campaign slogan was "Yes we can." Whom does Obama think he is kidding?

There was never serious doubt that the tax cuts for the rich would be extended. Plenty of signals were sent by prominent Democrats in this direction before November. However, as a December 7 article in the *Washington Post* spells out in some detail, the decision to do a deal with the Republicans on the tax cut for the rich was finalized following the Democrats' debacle in the mid-term election, as part of a calculated turn by the Obama White House even further to the right.

"President Obama's willingness to extend all of the George W. Bush-era tax cuts is part of what White House officials say is a deliberate strategy," the *Post* wrote.

"The strategy emerged from hours of post-election meetings among senior administration officials who, after poring over returns, exit polls and mid-term history, have determined

that the loss of independent voters who supported Democrats in 2008 cost the party dozens of races this year," the Post continued.

As exit polls and other data have shown, more critical to the Democratic defeat than the swing of so-called "independent" voters was the huge decline in the turnout of critical voters—youth, minorities workers, professionals—who had turned out in large numbers for Obama two years before. ABC News calculated that 29 million Obama voters from 2008 did not go to the polls last month. This collapse in the Democratic vote was the result of disillusionment and anger over the abandonment by Obama of his campaign promises and the right-wing policies he has pursued since taking office.

The invocation of the need to win back "independents" is code language for moving further to the right in order to placate not the voters, but the financial aristocracy. In fact, polls have shown that wide majorities among both Democrats and independents oppose an extension of the tax cuts for the wealthy.

In the lead-up to the election, Wall Street mounted a media campaign to register its dissatisfaction with certain elements of the administration's policies—first and foremost, Obama's public stance in opposition to extending the Bush tax cuts for the rich. Leading figures who had previously supported Obama, such as JPMorgan CEO Jamie Dimon, began to criticize the White House for "unfairly" blaming the banks for the economic crisis, and the US Chamber of Commerce launched a multimillion-dollar ad campaign in support of the Republicans.

Even before the election, the White House was discreetly signaling that it had received the message, but after the vote it moved quickly and in earnest to reassure the banking and corporate elite that it would do nothing to restrain their profit-making while cracking down harder on social spending and the conditions of the working class.

The agreement to extend the tax cuts for the rich is only the beginning of this process. On both sides of the political aisle, among Republicans and well as Democrats, tax boondoggles for the wealthy, cuts in vital social programs, wage freezes and reductions are presented as being motivated by a determination to create jobs.

The supposed concern over jobs is a fraud. Both parties tacitly welcome high unemployment as useful for driving down wages and increasing the exploitation of the workforce. Even as unemployment has continued to rise, corporate profits have soared and the stock market has roared ahead.

In the surreal world of US politics, measures that line the pockets of the rich—the Obama-Republican tax deal included—are "jobs creators." But any effort to directly create jobs—for example, using the \$150 billion the deal earmarks for the rich for public works and infrastructure projects—is rejected out of hand, by Obama and both parties.

What is perhaps most sinister about the agreement is that its addition of an estimated \$900 billion to the federal deficit will be used to demand new cuts in any form of government spending that benefits the working class. It is a very safe bet that in his forthcoming budget proposals and State of the Union address Obama will demand rapid implementation of many of the proposals coming from the National Commission on Fiscal Responsibility and Reform.

The commission, appointed by Obama, approved in its majority a plan that would: cut Social

Security, Medicaid and Medicare; lay off government workers by the tens of thousands; impose new taxes on employee health care benefits and consumer items; remove tax credits that largely benefit working class people. But for the rich, the commission proposed cuts to the high-end income tax rate and corporate tax rate of as much as one third, and the removal of taxes on corporate profits earned overseas.

In his press conference the day after the announcement of the tax cut deal, Obama significantly pointed to the need for “tax reform” as well as deficit reduction.

These policies of social plunder will have the most devastating consequences. But they are making clear the basic class divisions in the US—and indeed all over the world. In every country, the working class is facing brutal attacks by governments demanding that it pay the price for the failure of capitalism.

The Obama administration is exposing the reality of the Democratic Party as an instrument of the financial elite, no less than the Republicans. Workers must break from this party and build a mass movement fighting to break the grip of the financial elite and establish a workers’ government, as part of the fight for socialism internationally.

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