

In the guise of "economic stimulus"

## Bush pushes new tax windfall for the rich

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The measure that is currently working its way through the US Congress in the name of economic stimulus is a massive handout to the wealthiest sections of the population. It is a continuation of the policy of tax cuts for business and the well-to-do that was promoted by the Bush administration and implemented earlier this year with the support of a significant section of congressional Democrats.

Now, the "war on terrorism" and the hysteria generated by the government and the media are being utilized to implement measures that go even further in redistributing the national wealth in favor of the corporate elite and the rich.

The Senate is currently debating its version of the bill, with negotiations taking place between the Democratic Party, the Republicans and the White House. The Republican-controlled House of Representatives pushed through its bill last week, reflecting in large part the proposal presented by Bush. The Democrats have voiced opposition to some of the more rapacious provisions of the House bill, and a compromise is expected sometime later in the month.

The measure that ultimately emerges is certain to be one of the most brazen pieces of class legislation in recent American history. Both parties have agreed on provisions that amount to a windfall for the rich. The opposition of the Democrats consists largely of attempts to convince the Republicans to include a few fig leaves, so that the bill can be presented as an economic boon to all Americans. In reality, the overwhelming majority of the tax benefits will go to a handful of corporations and the wealthiest individuals, while most ordinary workers will receive nothing.

Approximately 70 percent of the tax relief in the House bill goes to corporations. The biggest windfall for business is the repeal of the alternative minimum tax (AMT) on corporations, combined with refunds for taxes paid under the measure since it was implemented in 1986. The AMT was originally intended to ensure that corporations paid some taxes, i.e., that they were not able to totally avoid paying taxes by means of the many loopholes that run through American corporate tax law. The repeal of the AMT and the refunds provided for in the House bill would give \$25 billion to large corporations within the first year of the bill's implementation.

According to figures published by Citizens for Tax Justice, a liberal advocacy group, of the \$25 billion AMT refund, \$6.3 billion would go to just 14 corporations. IBM would receive \$1.4 billion, General Motors would get \$833 million and General

Electric would benefit to the tune of \$671 million.

A disproportionate percentage of the refunds would go to energy companies, one of the most well represented sections of big business in the Bush administration. Companies such as TXU, ChevronTexaco, Enron, and Phillip Petroleum—many of which are based in Texas—have so many loopholes available to them that they would pay virtually nothing in taxes.

Both parties in the Senate have indicated support for repeal of the AMT, though the refund for back taxes may be removed in the final version. To a certain degree, the House provision for tax refunds to corporations was meant as a bargaining chip for negotiations with the Senate.

However, in exchange for eliminating the AMT refund, the Senate Republicans are advancing a plan that in some ways is even more regressive. Republican Senator Charles Grassley has presented a version that would include most of the House's tax cuts, minus the AMT refund, but would add a provision to accelerate all of the tax cuts in the regressive tax measure passed earlier this year. The House plan calls for an acceleration only for the 27 percent tax bracket.

Under the earlier cut, tax levels for upper-income Americans are to be gradually reduced by 2006. Grassley's plan would have the tax cuts take effect within the next year. The result is a free gift to the wealthiest of Americans. Half of the accelerated cuts would go to the top 1 percent of all filers, with nothing for the lowest three-fourths.

In addition to the AMT repeal, both parties support a number of other tax breaks for corporations. These include an increase in tax write-offs for corporate investment in equipment, which, in the House version, would save corporations \$39 billion in the first year alone. Another provision would make permanent a current tax break that allows companies to avoid taxes by shifting money to offshore subsidiaries. This measure would only benefit large multinational corporations that have foreign subsidiaries.

The House bill also includes a cut in the capital gains tax, which is paid mainly by the wealthy.

Bush has attempted to present the tax plan as legislation to benefit all Americans. To this end, the administration has pointed to provisions to help unemployed workers. In fact, the proposals to extend jobless benefits and health coverage for laid-off workers are extremely meager, and constitute only a small percentage of the benefits in both the House and Senate versions of the bill.

Under the original Bush plan, only workers laid off after

September 11, and only those in states with a 30 percent or greater increase in unemployment since the attack (at present, only New York, New Jersey and Virginia), would receive anything from the legislation. Even these workers would merely receive 13 extra weeks of unemployment benefits, in addition to the 26 already allowed.

This proposal was modified by the House, so that the extra money would be given to the states without any requirement that it actually be spent on unemployment benefits. There is nothing in the House plan that would require increases in either the amount or the duration of unemployment benefits.

Under the House bill, a rebate of \$300 for individuals and \$600 for families would be sent to those not earning enough to have qualified for a similar measure in the tax plan passed earlier in the year. This one-time check would do little to improve the plight of those thrown out of work as a result of the recession.

The other major provision in the Republican plan being presented as aid to the most disadvantaged Americans—a \$1 million federal subsidy for medical insurance—would be diverted from the State Children’s Health Insurance Program, which provides health assistance to poor children. Such is the monumental cynicism that underlies the administration’s “compassionate conservatism.”

While not opposing the fundamental orientation of the Republicans, the Democrats are worried that public support for the actions of the government, including its foreign policy, will disintegrate if the political establishment is too blatant in its pandering to the rich.

The Democrats have sought to portray themselves as spokesmen for the common worker. Their proposals for aid to the unemployed, however, are hardly more substantive than those of the Republicans. Democrats have suggested that unemployment benefits be extended 13 weeks everywhere, not just in the hardest hit states, and that the amount received should be increased slightly.

Many Democrats are suggesting that the federal government provide temporary and partial subsidies for workers insured under the federal COBRA plan, which allows laid-off employees to continue their employer-provided insurance if the premiums are paid out of the workers’ own pockets. Because of the high cost of the plan (premiums are \$7,500 annually for a family), only 20 percent of eligible workers actually take part in the program.

Lest they be accused of disloyalty and “partisanship,” the Democrats are proposing to tack onto the bill an additional \$20 billion for “homeland security” measures.

The “economic stimulus package” has little to do with economic stimulus. Rather, the economic downturn that has accelerated in the wake of the September 11 attacks is being used as a pretext for a handout to the rich. As Charles Gabriel, senior Washington analyst at Prudential Securities, noted, “It’s political payback of sorts. To get his [\$1.35 trillion] tax cut through earlier this year, Bush had to sedate the K street lobbyists, telling them, ‘Don’t worry, there will be another bill coming through early this year.’ Now you’ve got another green light for a tax bill, and there’s a presumption that it will be skewed toward corporate tax cuts.”

It is pointed out by some commentators that the tax cut on

equipment depreciation will not further the stated aim—encouraging businesses to invest more—because corporations are currently faced with overcapacity and a lack of profitable sources for investment. Businesses are operating at only 70 percent of capacity, the lowest level since 1983. Under such conditions, handing out money to corporations will not increase production, but is more likely to pad the pockets of management.

Robert Greenstein, executive director of the Center on Budget and Policy Priorities, noted, “We’re seeing very creative efforts to take a longstanding agenda of corporate tax cuts that had never been presented before as stimulus measures and dress them up as though they somehow had significant stimulative effects. And most of them don’t.”

The fact that the bill would do little to stimulate the economy has also generated some concern within the Democratic Party, which is presenting itself as the voice of “fiscal responsibility,” as well as within sections of the financial establishment.

Nevertheless, given the degree to which the ruling class is committed to its self-enrichment, the bill is certain to get through with most of its present components intact. Treasury Secretary Paul O’Neil has said he would recommend a Bush veto if the final compromise bill includes the limited health insurance proposals of the Democrats, and there is no reason to believe the Democrats will have the stomach for a direct confrontation with the White House.

As with all aspects of the Bush administration’s program of war abroad and class war at home, the media provide no serious examination of the “stimulus” bill’s content. One can only imagine how the corporate-owned media would react if there were a serious prospect for measures to be passed relieving the economic hardship of the broad mass of working people at the expense of big business. Those proposing such measures would be denounced as proponents of “pork” legislation, inciters of “class war” in a time of national emergency, and, perhaps, fifth-columnists in the “war on terrorism.”

But when the White House and its congressional allies cynically exploit the September 11 tragedy to implement economic measures of a deeply regressive and anti-democratic character, the mass news organizations do their best to keep the American people in the dark.



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