The politics of plunder:

Congress adopts Bush tax cut for the wealthy

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28 May 2003

Meeting its self-imposed deadline of Memorial Day, the Bush administration celebrated the national holiday in the manner most fitting for a government of millionaires and former corporate CEOs. It pushed legislation through Congress giving every American millionaire a tax cut averaging $93,500, while providing little or nothing to the vast majority of working people.

The House and Senate adopted the tax cut legislation on May 23, four days after a White House meeting between top Bush administration officials and congressional Republican leaders. Press accounts of the meeting said that Bush demanded passage of a tax cut bill by week's end, regardless of the differences between the two houses over how to structure the handout to the wealthy.

The resulting bill was cobbled together using the $350 billion figure set by the Senate for the overall size of the package, but structuring the details of the cuts as proposed by the House. The House passed the final version by 231 to 200, with only seven Democrats voting for it, and only one Republican against. The Senate followed suit a few hours later, by a margin of 51 to 50, with Vice President Richard Cheney casting the tie-breaking vote. Two Senate Democrats voted for the bill, while three Republicans opposed it.

The $350 billion is a purely nominal figure, however, since the legislation includes "sunset" provisions rescinding most of the tax cuts two to five years after they are put in place, in order to reduce the estimated cost. If the tax cuts are extended rather than allowed to expire - and both Democrats and Republican congressional leaders said this was likely—the actual cost could be as high as $1 trillion over the next ten years.

Despite the blatantly anti-working-class character of the tax cut bill, the Bush administration and congressional Republicans are presenting the legislation as a measure which will put unemployed workers back to work and help the tens of millions of working people struggling to pay their bills.

Typical was the statement issued by the White House after the bill's final passage by Congress, which declared: "One hundred thirty-six million taxpayers, including 12 million seniors and 23 million small business owners, will directly benefit from this plan. A married couple with two children and household income of $40,000 will see their taxes cut by 96 percent this year."

As Mark Twain said: "There are lies, damn lies, and statistics." Yes, 136 million taxpayers will "directly benefit," i.e., receive a cut of at least a single dollar over the next ten years. Yes, the $40,000-a-year couple with two children could see a large percentage cut in their income tax—but not in their overall tax burden, which includes payroll taxes, state sales taxes, property taxes and other levies. This is possible because their income is so low that they pay a tiny amount in federal income taxes, so a 96 percent cut of a tax liability of, say, $200 will save them $192.

In a similar vein, congressional Republicans praised a provision that creates a one-year tax holiday in 2008, exempting from taxation all dividend income for lower-income families. They refused to address critics who pointed out that very few lower-income families have any dividend income to exempt. Such comments constitute "class warfare", declared House Ways and Means Committee Chairman Bill Thomas, the principal author of the legislation.

As for creating jobs, at least one policy group projected that the 10-year impact of the tax legislation, assuming the tax cuts are eventually extended, will be to eliminate 750,000 jobs. Some of the immediate effects of the legislation are best described as perverse. For instance, the temporary cut in the tax rate on dividends could lead corporations to pay out huge dividends over the next several years, rather than investing the money in new plant, equipment or hiring.

Moreover, the practice of "sunsetting" injects an enormous element of instability into the financial system. The child care tax credit, for instance, will go from $600 last year to $1,000, then fall to $700 in 2005, rise to $800 in 2009, go back to $1,000 in 2010, then fall to $500 in 2011. Similar gyrations are incorporated into virtually every major provision of the tax bill. No company, large or small, will be able to project its expected taxes or plan investments properly in an environment of such uncertainty.

In a fundamental sense, the tax cut bill is not an instrument of economic policy at all, but a purely political gesture aimed at giving the appearance of action rather than the substance. This is demonstrated by Bush's insistence to the congressional Republican leadership that they pass a tax cut bill immediately, regardless of its specific provisions or size.

The Bush administration is pretending to adopt a "jobs bill" in order to preempt popular opposition provoked by the growth of economic distress, especially in the runup to the 2004 elections. As one administration adviser told the *New York Times*, "There is clearly a school of thought at the White House that believes these policies are the right thing to do. But politically, the constant refrain about the need for more jobs and that tax cuts will generate growth, that level of engagement will have a significant political

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payoff whether it has a significant economic payoff or not."

Several of the provisions in the tax cut measure are transparently linked to the 2004 election campaign, beginning with the checks to middle-income families with children this summer, accompanied by lower withholding from paychecks from now to the end of 2004. The key provisions which benefit middle and low-income families, including the increased child care tax credit, the expansion of the 10 percent bracket and the reduction in the so-called marriage penalty on two-income couples, all expire on December 31, 2004.

In other words, the Bush tax plan provides a few crumbs for working people which will be swept off the table as soon as they have accomplished their purpose: creating political confusion and diverting attention from the economic crisis in the 2004 presidential and congressional campaigns. The cuts in taxes on capital gains and on dividends will remain in effect to 2008, however, giving plenty of time for a future Congress to vote for their extension.

The use of fiscal policy to influence election results is a longstanding practice in bourgeois politics, and not only in America. But the Bush administration is not engaged in bribing any substantial portion the electorate. On the contrary, it is pumping billions into the pockets of its wealthy supporters, a tiny privileged minority, while posturing as the benefactor of broad layers of working people.

There is an enormous gulf between the political propaganda of the White House and the US media, which portrays Bush as enormously popular and virtually unassailable, and its actual social base of support, in a narrow layer of the super-rich, backed by Christian fundamentalist and other far-right elements who altogether make up only a small fraction of the American people.

If the Bush administration could satisfy the social needs of tens of millions of working people, it would not require such crude and blatant lies about the actual content of its policies. On the contrary, this government is systematically dismantling the social infrastructure, setting the stage for the impoverishment of tens of millions of working people as the economic downturn deepens. At the same time it postures as the advocate of "job creation", in a desperate effort to avoid the political responsibility for the consequences of the social crisis.

Among more perceptive observers of the crisis of American capitalism—very few of whom are to be found in the American media—there is growing concern over the colossal implications of the social and political crisis emerging in the United States.

A case in point is the editorial published May 23 by the *Financial Times*, the conservative voice of British big business, headlined, "Tax lunacy". Expressing the fear that the huge US federal budget deficits will have a destabilizing effect both with the United States and internationally, the newspaper declared, "on the management of fiscal policy, the lunatics are now in charge of the asylum."

The *Financial Times* noted that there was a method to the madness: the Bush administration was deliberating courting gargantuan deficits in order to create the conditions for the destruction of the basic social infrastructure. "Proposing to slash federal spending, particularly on social programmes, is a tricky electoral proposition," the newspaper said, "but a fiscal crisis offers the tantalising prospect of forcing such cuts through the back door."

The British business journal notes the continuity between the Bush administration's foreign and domestic policies: "For them, undermining the multilateral international order is not enough, long-held views on income distribution also require radical revision." It concludes despairingly: "In response to this onslaught, there is not much the rational majority can do: reason cuts no ice; economic theory is dismissed; and contrary evidence is ignored."

Similar views were expressed by *New York Times* columnist Paul Krugman, a liberal who is one of the few persistent critics of the Bush administration in the corporate-controlled mass media. Writing May 27, he explained that the White House was carrying out the agenda of "right-wing ideologues" who "want to abolish programs Americans take for granted."

Krugman criticized the complacency of most liberals who "imagine that the Bush administration, like the Reagan administration, will modify our system only at the edges, that it won't destroy the social safety net built up over the past 70 years.

"But the people now running America aren't conservatives: they're radicals who want to do away with the social and economic system we have, and the fiscal crisis they are concocting may give them the excuse they need."

Both the liberal American journalist and the conservative British newspaper draw only pessimistic conclusions from the dominance of the lunatic right in official American politics. This hegemony, however, is not the result of a shift to the right among the broad masses, but of the corruption and collapse of liberalism, which has embraced the free market nostrums and warmongering of Bush & Co.

The resulting political vacuum will be filled, not by the revival of moribund liberalism, but by the development of an independent mass political movement of working people, fighting to defend jobs, essential social services and democratic rights.

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