

Obama stimulus plan to include major corporate tax cuts

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For weeks, spokesmen for the incoming Barack Obama administration have suggested that they would respond to the economic crisis by launching a massive program of public spending, with some supporters comparing the scope of the planned economic stimulus package to Roosevelt's New Deal measures during the Great Depression.

Details of Obama's proposals began to emerge on Monday, and it is clear that the US president-elect is proposing a relatively small "stimulus" package, which will include further massive tax incentives for corporate America. The provisions for ordinary people will do next to nothing to alleviate the impact of the greatest economic crisis since the Great Depression.

This weekend the Obama transition team revealed that 40 percent of the estimated \$675-775 billion it plans to spend over the next two years on its economic package would be earmarked for tax cuts, with about half going to big business.

The *Wall Street Journal* noted that the "Obama tax-cut proposals, if enacted, could pack more punch in two years than either of George W. Bush's tax cuts did in their first two years." Many of Obama's proposals, the newspaper wrote, were, in fact, extensions of measures carried out by the Republican administration over the last eight years.

One such provision under the Obama plan would allow businesses to reduce taxes by claiming immediate depreciation of half of their spending on new equipment, rather than spreading out that depreciation over years.

Another would allow businesses to write off the huge losses they incurred last year and any suffered in 2009, enabling corporations to apply retroactively for refunds on taxes paid over the last five years.

Corporations will also get thousands of dollars in tax credits for each job supposedly created or retained.

Under the plan, ordinary working people will receive a tax credit worth up to \$500 for individual workers and \$1,000 for families—adding up to about \$150 billion of the total package. This under conditions in which the decline in the value of US homes alone will lead to the wiping out of some \$6 trillion in US household wealth.

This means families crushed by high levels of debt and other living expenses will either pay a little less in taxes or receive a rebate of a few hundred dollars. The new administration will also adjust payroll taxes for the current year, meaning an average worker is likely to see his or her paycheck increase by about \$10 a week!

The proposed \$300 billion in tax cuts were greater than expected and immediately won praise from Republicans who had criticized the previous focus on government spending. Senate Minority Leader Mitch McConnell (Rep.-Kentucky) praised the tax cuts, saying they were "the sort of thing we could have bipartisan agreement on," adding that "Republicans, by and large, think tax relief is a great way to get money to people immediately."

The Democrats, who will increase their majority when the 111th Congress convenes Tuesday, had said they hoped to have a stimulus package approved for Obama to sign immediately after being sworn in on January 20. Congressional leaders are now saying they will need until mid-February to craft a bipartisan agreement. Obama has said he wants an 80 percent approval from Congress—giving the Republican minority that was overwhelmingly defeated at the polls virtual veto power over the legislation.

In discussions with congressional leaders Monday, Republicans reportedly pressed for even larger tax cuts along with deep cuts to the federal budget to offset

increased spending. For their part, Obama and leading Democrats, such as House Speaker Nancy Pelosi, insisted they would be "fiscally responsible" and vowed to carry out "radical reforms" to reduce spending.

Ten percent of the package is directed towards extending unemployment benefits or providing temporary extensions of health care coverage, even though millions are facing the loss of their incomes and medical benefits. On Friday, the Labor Department is expected to announce that another 500,000 jobs were lost in December, bringing to 2.4 million the number of jobs lost in 2008, the most since World War II.

While a portion of the stimulus money is directed toward public infrastructure improvements and aiding city and state governments, the Democrats, like the Republicans, insist these projects will be based on corporate profitability. Obama aides indicate that 80 percent of the 3 million jobs the package will supposedly create or "save" will be in the private sector, including private contractors working for the government.

In his weekly address, President-elect Obama said, "If we don't act swiftly and boldly, we could see a much deeper economic downturn that could lead to double-digit unemployment." These measures, however, are likely to have little effect on the hemorrhaging of jobs, which is continuing unabated as manufacturing activity, consumer spending and lending contract sharply.

William Gale, a tax policy analyst at the Brookings Institution, told the *Wall Street Journal* that much of the money would likely go to companies that would have hired more people anyway. Other critics have noted that companies could simply add temporary or contract employees to qualify for the tax breaks. In addition, several corporations have already "retained" jobs by imposing unpaid holidays and reducing wages and benefits.

During his campaign Obama said he would eliminate the Bush tax breaks for those making above \$200,000. No tax increases on the wealthy, however, were included in the plan, with spokesmen for the incoming administration suggesting such measures would undermine efforts to encourage businesses to hire workers. According to the *New York Times*, his aides "have signaled that they will wait to let Mr. Bush's tax cuts for the wealthiest Americans expire in 2010, rather than try to repeal them sooner."

Just as he has done on foreign policy, Obama has embraced the most right-wing economic policies in order to defend the interests of America's financial elite. This will produce shock and disappointment, and ultimately anger and opposition, among working people who voted to end these reactionary policies.

On Monday *Times* columnist and economist Paul Krugman—who is one of the liberal media supporters of Obama—expressed concern over the Democrats' collaboration with the Republicans and warned that a stimulus package could be too little and too late to prevent a financial meltdown.

"The fact is that recent economic numbers have been terrifying, not just in the United States but around the world," he wrote. "Manufacturing, in particular, is plunging everywhere. Banks aren't lending; businesses and consumers aren't spending. Let's not mince words: This looks an awful lot like the beginning of a second Great Depression."

The precarious state of the US economy was underscored Monday with the reports of sharp declines in auto sales in December, closing out one of the worst years in the history of the US auto industry. GM, Ford, Toyota, Honda and Nissan all suffered more than 30 percent falloffs, with Chrysler sales plummeting by more than 50 percent.



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