

Tom Daschle withdraws cabinet nomination amidst tax scandal

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Tom Daschle, Barack Obama's pick for health and human services secretary, unexpectedly withdrew his nomination on Tuesday, amidst a scandal involving unpaid taxes. Daschle's resignation came a day after Obama declared he "absolutely" continued to support the nomination.

Last month, Daschle paid nearly \$130,000 in back taxes related to a Cadillac and chauffeur provided him by his former employer and political supporter, multimillionaire investor Leo Hindery. The belated tax payment came once it was clear that Daschle would be tapped for a position in the new Obama administration, and therefore would have to disclose his finances.

Daschle made the implausible claim that his nonpayment of taxes was a "mistake" and that he thought the chauffeur service was a gift from Hindery for which he did not have to pay taxes.

After leaving the Senate in 2005, Daschle worked for Hindery's private equity firm, InterMedia, and a law/lobbying firm, Alston & Bird, pulling in over \$5 million. During this period he advised health insurers and other sectors of the health industry. He was then tapped by Obama to oversee health care reform.

The tax scandal, moreover, was only the tip of the iceberg, and more scandals threatened to break out if the nomination continued. The *Wall Street Journal* reported on Tuesday that Daschle "could face questions about his finances, including travel and entertainment provided to him by EduCap Inc., a nonprofit student-loan company whose business has been under scrutiny by the IRS [Internal Revenue Service] and the Senate Finance Committee." Among the services Daschle received from EduCap were at least two trips on the company's private jet, including one to the Bahamas and the other to the Middle East.

EduCap faced an IRS probe because the lavish spending on perks by the company's top executives, including a corporate jet, raised questions about its nonprofit status.

Daschle is only the latest in a string of nominees to face charges of tax evasion or corruption. Hours before the announcement from Daschle on Tuesday, Obama's selection to occupy the newly created post of chief performance officer, Nancy Killefer, also withdrew her name over unpaid taxes, albeit a much smaller amount. Obama created the post that Killefer was to fill in order to signal his commitment to fiscal austerity and budget cutting.

Bill Richardson, Obama's first choice for commerce secretary, withdrew last month amid a grand jury investigation into his potentially corrupt relations with a state contractor and financial contributor. Obama announced his new selection, Republican Senator Judd Gregg, on Tuesday.

Other selections have faced scandals or conflict of interest charges but have been able to gain Senate confirmation. While Daschle was in the end dispensable, Obama's pick for Treasury Secretary, Timothy Geithner, was not. Geithner failed to pay payroll taxes over a four-year period, but was approved to head a department that includes the Internal Revenue Service, responsible for tax collection.

Geithner was chosen because of his close relationship with Wall Street and with Bush administration Treasury Secretary Henry Paulson and Chairman of the Federal Reserve Ben Bernanke. As president of the Federal Reserve Bank of New York, Geithner worked closely with Paulson and Bernanke in engineering the first round of bank bailouts last year. He is currently planning a new round of handouts to Wall Street, which will be announced later this month.

For deputy defense secretary—the second highest position in the defense department—Obama picked William Lynn, a

lobbyist for defense contractor Raytheon. The selection of Lynn came only a day after Obama announced new orders that ostensibly strengthened government “ethics” by preventing the appointment of lobbyists to government posts—except in the case of Lynn. Daschle himself was not formally a lobbyist, though the law firm he worked for did extensive lobbying.

As part of his change in employment, Lynn will cash in upwards of \$1 million in Raytheon stock—to avoid the appearance of a conflict of interest.

Secretary of State Hillary Clinton secured nomination despite questions surrounding the financial arrangements of her husband, the former president. Since leaving office, Bill Clinton has acquired millions for himself—and tens of millions for the Clinton Global Initiative—through dubious relations with world business and government figures.

The proliferation of scandals—and in particular tax scandals—involving top government picks in the new Obama government reflects the outlook of the layer from which these posts are filled. Those considered “qualified” for the top positions—that is, those with sufficient connections to the political and financial establishment—are drawn mainly from a relatively small and thoroughly corrupt social milieu.

American society is characterized by an enormous social chasm. In the midst of the biggest economic crisis since the Great Depression—which is leading to massive job losses, wage cutting, and impoverishment—the American ruling class has moved rapidly to engineer the transfer of hundreds of billions to the financial aristocracy.

These class divisions are reflected in the personnel of the political establishment, increasingly composed of millionaires who move in and out of government and corporate positions. Corruption is pervasive and exudes out of every pore of the political system.

For this layer, laws, including the payment of taxes, are considered optional (Leona Helmsley once encapsulated this sentiment with her famous declaration, “We don’t pay taxes. Only the little people pay taxes.”). In fact, if an ordinary person were to commit the “mistakes” committed by Daschle and Geithner, he would find himself with massive fines, financial ruin, and potential imprisonment.

The career of Daschle is typical of this privileged elite. As with so many government officials, Daschle was able to leverage his political influence to quickly become a

multimillionaire. Daschle’s main job at both Alston & Bird and InterMedia was to provide valuable connections to Washington. Industry groups were happy to pay him tens of thousands of dollars to give speeches—and, behind the scenes, exercise political influence on their behalf.

As a long-time leader of the Senate Democratic caucus, Daschle has developed an extensive political network. After losing his Senate seat in the 2004 elections, and therefore his position as the leader of the Democratic Senate caucus, Daschle became an early promoter of Obama, just elected as the junior Senator from Illinois. His chief of staff, Pete Rouse—known in Washington as the “51st senator” because of his influence—became Obama’s chief of staff. Rouse is currently the senior adviser to Obama.

Daschle also forged closer ties with Hindery, one of the wealthiest figures in the Democratic Party political elite. Hindery had at one time been suggested as a possible head of the Democratic National Committee, and was senior economic policy adviser for John Edwards in the 2008 elections. When Edwards dropped out, Hindery shifted his support to Obama.

Hindery is a former telecommunications executive, with a high-level post in AT&T. In 2000, Hindery took over as CEO at Global Crossing, which collapsed in bankruptcy and scandal in early 2002. Hindery resigned his position in October 2000, however, as the company’s stock was falling. He left with some \$250 million in wealth.

The Obama administration is part and parcel of this milieu. Since coming to office he has initiated an extremely right-wing policy that will include a major attack on entitlement programs such as Social Security, Medicare and Medicaid as part of the call for austerity and “shared sacrifice.” Daschle—a multimillionaire tax evader—was too much of a liability to serve as the point man for the administration’s health care policy.



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