

Obama, Congress agree on scaled-back stimulus bill

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The Obama administration and congressional Democratic leaders announced Wednesday afternoon that they had reached agreement on an economic stimulus bill that will be smaller than both the House of Representatives version, passed January 29, and the Senate version passed on Tuesday. The bill to be formally adopted by a House-Senate conference committee will call for \$789 billion in new spending and tax cuts over the next two years.

The White House and House Democratic leaders essentially agreed to the terms dictated by a group of conservative Senate Democrats allied with three Republicans from the northeast. The latter supplied the votes required to break a Republican filibuster in the Senate on Monday.

Media coverage has focused on the three Republicans—Susan Collins and Olympia Snowe of Maine and Arlen Specter of Pennsylvania—the only Republicans in the House or Senate to vote for the stimulus package. But the most critical role was played by a larger group of nearly a dozen conservative Democrats, headed by senators Ben Nelson of Nebraska and Joseph Lieberman of Connecticut.

Nelson used the leverage provided by the three Republicans to push through a series of right-wing amendments to the stimulus bill which split the difference between the Senate version and the House version of the legislation, in some cases imposing spending targets lower than either bill.

Nelson declared that the final bill "has to be under \$800 billion," adding, "It's not just me who believes that; there are some Democrats who believe that and our colleagues from the Republican side as well." Collins added that the \$800 billion target, lower than either the \$819 billion proposed by the House or the

\$838 billion approved by the Senate, was "a fiscally responsible number."

In fact, all three versions of the stimulus bill are totally inadequate given the enormous scale of the social needs generated by the deepening economic slump. As the *New York Times* noted, the \$800 billion stimulus package "seemed almost trifling compared with the potential price tag of \$2.5 trillion for the rescue plan for the financial system announced on Tuesday by Treasury Secretary Timothy F. Geithner."

In order to reduce the bill below the \$800 billion mark, Obama agreed to reduce his promised across-the-board tax cut from \$500 for individuals and \$1,000 for families to \$400 and \$800 respectively. The White House also agreed to reduce the proposed one-time payment to those on Social Security, veterans' pensions and various disability payments to even less than the \$300 approved by the Senate.

The contrast between this minuscule tax break for working people and the gargantuan sums being shoveled out to the banks is the clearest demonstration of what social forces Obama and the Democrats are responsive to. No less than the Republicans, the Democratic Party is a political instrument of the financial aristocracy.

The most right-wing Senate Democrats made it clear that they were prepared to kill the stimulus package entirely rather than allow it to exceed \$800 billion. Nelson said, "Everybody understands that Sen. Collins says if this comes back materially altered as to the top line number or to the pieces within the package, that she plans to vote against it. And you can put me in that category too."

The House-Senate agreement provides that 35 percent of the total package, about \$282 billion, is in the form of tax cuts, while 65 percent, or \$507 billion, is new

spending. About \$150 billion in spending is for infrastructure, of which \$49.5 billion is for transportation systems, including roads and bridges.

One of the most critical provisions is the fund for "stabilization" of state budgets, set at \$79 billion by the House and \$39 billion by the Senate, and pegged at \$54 billion in the conference bill. Most US states have constitutions requiring annual balanced budgets, meaning that a recession that cuts tax revenues forces drastic service cuts to match, just at the point where demand for state services is increasing.

Another \$87 billion is provided for state Medicaid programs, where spending has soared with the greater number of poor and unemployed people eligible for Medicaid. Subsidies for health care coverage for newly laid off workers, under the COBRA law, were set at 65 percent of the cost of coverage.

Funding of school modernization and construction, set at \$14 billion in the House bill and zero in the Senate, was reportedly restored to \$6 billion in the conference bill. The final version also includes \$11.5 billion in special education funding and \$10 billion in federal aid for schools with sizable numbers of disadvantaged students.

Two large tax breaks added to the Senate bill in an unsuccessful effort to attract Republican votes, a \$15,000 credit for home purchasers and a smaller tax credit for car buyers, were virtually eliminated.

But the "compromise" version maintains the biggest single concession to the Senate Republicans: \$70 billion to relieve upper-middle-income families of the Alternative Minimum Tax (AMT) this year. That provision was added by Senator Charles Grassley, the ranking Republican on the Senate Finance Committee, and endorsed by the Senate Democratic leadership, but failed even to win Grassley's vote for the resulting bill.

Several Senate Democrats and most House Democrats called for eliminating the AMT provision, which could be passed in separate legislation, and using the \$70 billion for funding state budgets and school construction. But this was vetoed by Nelson with support from the White House.

In other words, tax cuts for 100 million people in the low- and middle-income brackets were reduced so that 23 million upper-middle-income households could be protected from higher taxes.

While Obama had claimed, in campaign-style

appearances in Elkhart, Indiana and Fort Myers, Florida, that his bottom line for the stimulus package was the saving or creating of four million new jobs, the White House issued a statement hailing "a hard-fought compromise that will save or create more than 3.5 million jobs and get our economy back on track."

This figure is unlikely to be reached, but even if the stimulus plan achieves exactly what Obama promises, it would represent little more than a band aid for a social cancer. Since the recession officially began in December of 2007, 3.6 million jobs have been wiped out, with nearly half of the jobs losses coming in the last three months, and the pace of job cuts accelerating.

Obama declared in Fort Myers, "We're surrounded by unmet needs and unfinished business—in our schools, in our roads, in the systems we employ to treat the sick, in the energy we use to power our homes."

This is all true, yet the best that the two capitalist parties can come up with is an effort to meet a tiny fraction of those social needs—while offering essentially unlimited aid to the banks and billionaires whose financial manipulations triggered the plunge into an economic depression.



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