

US: Congressional Democrats balk at rescinding tax cuts for the rich

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Elements of the Obama administration's \$3.55 trillion 2010 budget proposal are facing stiff opposition from leading congressional Democrats who are balking at attempts to rescind tax cuts for the top 1 percent of the population and other measures seen as impinging on corporate profits.

The congressional battle over the budget for next year has barely begun as the Senate continues laboring to pass a \$410 billion omnibus spending bill to provide funding for federal agencies for the rest of the current fiscal year, which ends September 30. The delay in approving the measure forced passage of a stopgap bill to prevent a government shutdown, but that stopgap was set to expire on Wednesday.

In an effort to secure the needed 60 votes to close debate on the current budget, the Obama administration bowed to a protest by New Jersey Democratic Senator Robert Menendez, who refused to support the omnibus bill because of a clause that would have eased additional economic sanctions imposed by the Bush administration against Cuba. Menendez, who is the chairman of the Democratic senatorial campaign committee and a hardline anti-Castroite, agreed to switch his vote only after receiving assurances from Treasury Secretary Timothy Geithner that the language in the bill would result in no significant loosening of the economic blockade against Cuba.

The episode underscored the continued stranglehold exercised by the right-wing Cuban exile lobby on US policy toward Cuba, despite growing demands by agribusiness and other commercial sectors for an end to restrictions on US trade with the island nation.

The difficulty in passing the omnibus bill is only a foretaste of the problems posed by the 2010 budget. While the Democrats enjoy substantial margins in both houses of Congress—58 out of 100 seats in the Senate and 254 out of 435 seats in the House of Representatives—opposition by key Democratic committee heads to portions of the legislation could bottle it up or force substantial revisions of Obama's proposal.

Sections of the media have compared Obama's budgetary plans to Roosevelt's New Deal and the Republican right has derided his policies as "socialist." In reality, the measures proposed thus far—the \$787 billion economic stimulus package

signed into law by Obama last month and those contained in the 2010 budget—are limited in the extreme, paling alongside the multi-trillion-dollar bailout of the banks and overshadowed by Obama's plans to pursue fiscal austerity policies to reverse the rise in federal deficits.

Leading economists, including those who have been vocal backers of Obama, have acknowledged that the policies of the administration will do little or nothing to stem the tide of economic depression.

Bloomberg news published a monthly survey Tuesday estimating that the unemployment rate will rise to 9.4 percent this year and remain high throughout 2010 and 2011. Federal Reserve Chairman Ben Bernanke admitted after a speech delivered in Washington that a 10 percent jobless rate was "well within the realm of possibility."

Pointing to the impact of mounting unemployment on consumption and overall growth, David Rosenberg, chief North American economist at Bank of America Securities-Merrill Lynch, told Bloomberg: "We are really in a vicious cycle. This problem requires a massive positive shock to aggregate demand. The fiscal package as it is constructed falls short on that score." Any genuine stimulus, he added, would have to be "a lot bolder than what we have seen right now."

Similarly, Paul Krugman, the liberal economist, wrote in his *New York Times* column Monday that the Obama administration's claim that its stimulus program will save or create 3.5 million jobs between now and the end of 2010 "looks underwhelming, to say the least" in the face of a net loss of 4.4 million jobs since the recession began and an economy that is shedding more than 600,000 jobs monthly. The administration's "economic policy is falling behind the curve, and there's a real, growing danger that it will never catch up," he wrote.

The failure of the Obama administration and the Democratic-controlled Congress to implement more far-reaching measures is dictated by the class interests they defend. Among the chief concerns among Democratic congressional leaders, as the *New York Times* spelled out on Tuesday, is the prospect that Obama's budget proposal could place undue limits on tax deductions for the richest of the rich.

"A proposal to limit tax deductions for the wealthiest 1.2 percent of taxpayers" appears destined for defeat because of

opposition from the Democratic chairmen of both the House and Senate tax-writing committees, the *Times* reported. The extremely limited tax hike was to have provided \$318 billion over the next ten years to fund health care reform.

The proposal returns the deduction rate for the rich to the 28 percent level that existed under the Reagan administration, still allowing the beneficiaries to claim nearly twice as much as less well-heeled taxpayers.

Among the leading Democratic critics of the Obama tax plan is Representative Charles Rangel of New York, the chairman of the House Ways and Means Committee. Rangel voiced concern that limiting tax deductions for the very rich could depress charitable donations from America's millionaires and billionaires.

"I would never want to adversely affect anything that is charitable or good," Rangel told the *Washington Post*. The 19-term Democrat counts New York City's major banks and finance houses among his top campaign contributors. He recently floated a plan to reduce the corporate tax rate from 35 to 28 percent.

Another opponent of narrowing the tax cut is Max Baucus, chairman of the Senate Finance Committee. According to the *Times*, Baucus told Treasury Secretary Geithner shortly after the release of the Obama budget that the administration would have to find a "more viable" source of funding for its health care proposals. Baucus himself has suggested that the government impose a grossly regressive tax on health insurance benefits that workers receive from their companies. As the *Times* noted, this was "an approach Mr. Obama attacked when Senator John McCain, his Republican rival for the presidency last fall, proposed it."

Other leading Democrats have targeted different sections of the budget legislation that would cut into the profits of big-moneyed interests in their districts.

As the *Washington Post* pointed out, Nebraska Democratic Senator Ben Nelson has vowed to oppose a plan that would restructure the federal student loan program. The plan calls for linking annual increases in the Pell Grant program to the rate of inflation, while ending federal subsidies for private lenders and making loans come directly from the government. NelNet, one of the largest of the private lenders, is based in Lincoln, Nebraska. Nelson claimed that his concern was to avoid reducing benefits for middle class students.

A number of leading Democrats from farm states and districts have signaled their opposition to a proposal that would end direct government payments to farms that boast annual sales of more than \$500,000. According to Obama's budget plan, the measure would account for \$10 billion in spending reductions over 10 years.

"Frankly, I'm not about to abandon America's farms in favor of America's boardrooms," Democratic Representative Eric Massa, who represents a rural district in New York, told the *Los Angeles Times*. "I won't be part of that plan." The conception

here seems to be that agribusiness should enjoy the same kind of taxpayer-funded bailout as the Wall Street banks.

Meanwhile, other congressional Democrats have voiced opposition to the administration's proposal to let the tax cuts for the wealthy enacted under the Bush administration expire as scheduled at the end of 2010. During the presidential campaign, Obama had vowed to repeal these tax cuts upon taking office, but instead opted for allowing the super-rich to spend two more years raking in hundreds of billions of dollars at the expense of the broad majority of the population.

Representative Harry Mitchell, a Democrat representing a suburban Phoenix, Arizona district, told the *Los Angeles Times* that he could not support the provisions allowing the Bush tax cuts to lapse. "Mitchell said that if the White House wouldn't relent, he would need to think carefully about whether to vote for the president's budget," the newspaper reported.

In the face of such opposition from within his own party, not to mention the Republican congressional minority, there is little question that Obama will once again turn to the right in the name of "bipartisanship" and amend the budget proposal to conform even more closely to the interests of big business.

What emerges from the entire economic agenda that is being pursued by the administration is one overriding principle: No action can be taken that in any way impedes the continued enrichment of America's financial aristocracy or lessens the subordination of the economy to its interests. This is the standpoint of the Democrats as well as the Republicans.

Under conditions of a deepening global depression, the two major parties, funded by and representing the interests of the corporate and financial elite, are incapable of enacting measures that would provide genuine relief to the millions facing the loss of their jobs, living standards and homes. As the initiation of the budget debate demonstrates, even cosmetic proposals aimed at providing political cover for the virtually unlimited aid being lavished on the banks are going by the wayside.



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