

Obama's "gentle bank tax"

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Barack Obama announced Wednesday his plan to impose a tax on banks that would "recoup every last penny for American taxpayers." The move was a political gesture—with no real substance—aimed at distancing himself from the banks as they prepare to announce multi-million dollar year-end bonuses.

The tax will affect banks, insurance companies and large broker-dealers with over \$50 billion in consolidated assets, or about 50 firms. Thirty-five of those will be US companies, and the rest will be US branches of foreign groups.

"We want our money back, and we're going to get it," said Obama, striking a populist pose. "My determination to achieve this goal is only heightened when I see reports of massive profits and obscene bonuses at some of the very firms who owe their continued existence to the American people," he declared.

Obama said his new tax would raise about \$90 billion from the banks over ten years, and cover all remaining government losses under the Troubled Asset Relief Program (TARP). By contrast, the Special Inspector General of the bank bailout estimated total assistance to the US financial system at up to \$23 trillion.

Obama is seeking to convince the public that by paying back the TARP money, the banks are fully recompensing taxpayers. But TARP is only one among dozens of government handouts to the banks, ranging from free and unlimited access to credit, guarantees against losses, easier regulation, and cash handed out indiscriminately in late 2008 as the financial system collapsed.

Even the *Wall Street Journal*, an intransigent opponent of corporate taxes and regulation, shrugged off the proposal, calling it "Obama's gentle bank tax." A blog entry on WSJ.com observed that, "Paying out \$10 billion a year is no sweat for an industry that, according to Goldman Sachs, made \$250 billion in

earnings before taxes and loan-loss provisions last year."

Despite the grotesque levels of bank bonuses paid out last year, Obama made only a polite recommendation to the banks. "I'd suggest you might want to consider simply meeting your responsibilities and I'd urge you to cover the costs of the rescue not by sticking it to your shareholders or your customers or fellow citizens with the bill, but by rolling back bonuses for top earners and executives," he said.

The Obama administration is fully implicated in and responsible for the resumption of "obscene" bank bonuses. The administration has refused (and continues to refuse) to set any real limits on executive payment. There are only a handful of firms, including American International Group, that are required to submit their bonus payment proposals to the government, and even among those, it has approved multi-million-dollar payouts.

The original TARP proposal specified that the government was to recoup the entirety of its TARP loans by 2013, and Obama's new proposal would push this date three years earlier.

Despite the weak-kneed character of the proposal it still may not receive congressional approval. Brian Gardner, an analyst at Keefe, Bruyette & Woods, wrote yesterday, "In the end, we are somewhat skeptical that Congress will pass such a tax." He put the chances of the tax passing Congress at less than half. Obama pathetically urged the banks not pay their congressional representatives to vote against their bill, saying they should pay the tax, "instead of sending a phalanx of lobbyists to fight this proposal".

The whole event only underscores how the White House and Congress function essentially as the Public Relations management arm of the banks. The announcement comes the day after four Wall Street executives testified before a federal inquiry committee,

ostensibly to submit to a “grilling.” In fact the financial wizards responsible for the greatest economic breakdown since the Depression were allowed to lie, shout over the chairman, and disregard questions at will. Both of these events are designed to make the public think that the banks are being held accountable ahead of the expected announcement this week of their year-end bonus payments.

The preservation of the banks’ wealth and privileges has been the explicit aim of the Barack Obama since even before his election. In October 2008, when the TARP program was first announced, Obama campaigned extensively for its adoption. When, in March 2009, the payment of additional bonuses to AIG executives prompted popular outrage, Obama worked to diffuse a bill in Congress that would have taken the money back. Instead, Obama supported voluntary promises by the executives to pay back their money, most of which remains unpaid.

Now, when the bankers are cashing in on the unlimited assistance Obama offered, he is pretending to berate them for their greed and recklessness. It is all a fraud. The bankers’ interests dictate everything the president and Congress does. In a country where nearly everyone wants to see bankers tried and punished, the most faithful defenders of Wall Street are to be found in the White House and on Capitol Hill.



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