

# Democrats, Republicans posture as friends of small business

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One of the hoariest rituals in official American politics is the pretense that the Democratic and Republican parties are the advocates of small business. Rhetorical incense about the great contribution of small business to jobs and economic welfare is used to perfume the stench of the corporate lobbying and legalized bribery that prevails in the Washington corridors of power.

President Obama engaged in this noxious form of political posturing Wednesday during a media event at the Tastee Sub Shop in Edison, New Jersey, which included a roundtable discussion with the owners of several small businesses. He criticized his Republican congressional opponents for blocking passage of a bill to expand tax breaks and lending to small businesses, which is now being filibustered in the Senate.

The venue could not have been chosen more effectively to make a farce of the claim that small business will be the “engine” of economic recovery. Edison is an industrial city in the outer suburbs of northeast New Jersey, and was the location of a huge Ford assembly plant that closed in 2004. No amount of sandwich shops can replace the enormous hole in the local economy created by the destruction of thousands of good-paying auto jobs.

But Obama spared no cliché, declaring: “Surely, Democrats and Republicans ought to be able to agree on this bill. Helping small businesses, cutting taxes, making credit available: this is as American as apple pie. Small businesses are the backbone of our economy. They are central to our identity as a nation. They are going to lead this recovery.”

Actually, small businesses have suffered disproportionately in the economic collapse, and are in no position to “lead” or even take part in a recovery that has benefited only the stock and money markets

and the profits of big corporations. Bank lending to small businesses remains extremely weak, and without access to credit, small firms cannot survive, let alone expand and hire new workers.

The bill that the Democrats passed through the House of Representatives would give smaller community banks access to a \$30 billion government fund to help increase lending to small businesses, as well as providing additional tax breaks to small business and aid to some state programs that benefit small business.

An article published Thursday in the *Wall Street Journal* explains why corporate business lobbies like the US Chamber of Commerce have endorsed the Obama administration bill. Headlined, “Big Firms Win in Small-Business Bill,” the article reveals, “The costliest provision in the bill is a tax break for companies that make large capital purchases, including airlines and telecommunications firms.”

This “bonus depreciation” tax break allows companies to write off 50 percent of the cost of equipment purchased in 2010 on this year’s taxes, rather than spreading the depreciation over a longer period. This will save big companies an estimate \$5.5 billion in taxes over the next 10 years, more than one-third of the \$15 billion total cost of bill.

Small businesses will gain nothing from this provision, since they can already write off 100 percent of new equipment costs up to \$250,000, a figure that the administration bill would raise to \$500,000, well beyond the capital spending by the vast majority of small businesses.

The bill’s other special provisions for big business include more favorable tax treatment for annuities marketed by life insurance companies and allowing corporations to write off the cost of employer-provided cell phones as a business expense, rather than a taxable

fringe benefit—a change sought by Verizon and other big telecommunications firms.

These inconvenient facts don't stop Obama from declaring that the bill was proof that his administration intends “to keep investing in our small businesses.” But his real focus was demonstrated after the media event in New Jersey concluded. The presidential motorcade turned north, crossed the Hudson River, and brought the commander-in-chief to a dinner with 50 of his wealthiest supporters at the Greenwich Village townhouse of Anna Wintour, editor of *Vogue*. The price of admission was \$30,400, the maximum individual contribution to the 2010 Democratic Party campaign.

The Republican Party position is equally cynical. The Republican congressional leadership, working with the Chamber of Commerce and the National Federation of Independent Business, has decided to use the plight of small business as an argument for extension of the Bush administration tax cuts for the wealthy, which are scheduled to expire on December 31.

Rather than openly declare that they want the tax breaks for millionaires extended indefinitely—with an estimated cost of \$678 billion over 10 years—the Republicans will claim that allowing the upper-bracket tax break to expire will hurt small business owners and prevent them from hiring new workers. Actually, 97 percent of the upper-bracket tax returns show no business income at all—these are filed overwhelmingly by big investors and high-salary corporate executives, not the owners of “mom-and-pop” stores.

As a first step, Senate Republicans blocked passage of the small business bill while they attempted to add an amendment to lower the estate tax, a tax that by definition is paid only by multimillionaires, although the amendment claimed to defend “small businesses” and “family farmers.”



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