

Obama moves toward extending Bush tax cuts

A government of, by, and for the rich

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The Obama White House's move toward extending Bush-era tax cuts for the rich, in the wake of the midterm election, demonstrates the stranglehold of the financial aristocracy over government and both the Republican and Democratic parties.

The latest indication that the administration will support extending the tax cuts for the top income bracket came from Obama's closest adviser, David Axelrod. In an interview with the *Huffington Post* published Wednesday, Axelrod claimed that continuing the give-away to the rich was the only way to keep middle-class tax cuts in place.

"We have to deal with the world as we find it," Axelrod said. "The world of what it takes to get this done."

Responding to questions about Axelrod's comments in Seoul, Obama signaled his readiness to accept an extension. "My number-one priority is making sure that we make the middle-class tax cuts permanent," he said. "I continue to believe that *extending permanently* the upper-income tax cuts would be a mistake and that we can't afford it. And my hope is, is that somewhere in between there we can find some sort of solution" (emphasis added).

The choice of words was deliberate. Obama was sending a signal that, in a reversal of his pre-election statements, he would be willing to accept a *temporary* extension of the tax cuts for the wealthy. In fact, the Republican leadership was then only asking for a two-year extension, so Obama has effectively capitulated to their position.

In fact, the temporary extension of the cuts, enacted in 2001 and 2003, is a step toward their permanent implementation. This was acknowledged by Axelrod, who said "there are concerns" that Congress will, in the words of the *Huffington Post*, "kick the can down the

road in the future by passing temporary extensions for the wealthy time and time again."

Obama ran for office two years ago on the promise to end the tax cuts for the wealthy, which would expire at the end of December without Congressional intervention, along with middle-class tax rate reductions. Then, in the lead-up to the midterm elections, he touted his opposition to Republicans who were calling for a two-year extension of all the Bush tax cuts.

Yet with large majorities remaining in both houses of Congress through December, Obama has already surrendered to the Republicans' demands. As a matter of fact, the extension of the tax cuts for the rich can *only* be put in place by the lame duck Democratic Congress.

The cowardice of the Obama administration and the Democrats is surpassed only by their dishonesty. In late September the Democratic Congressional leadership determined to table the issue of a tax cut extension for the rich until after the elections; Senate Majority Leader Harry Reid canceled plans to introduce and vote on a measure that would have extended the cuts for households earning \$250,000 or less, but allow them to expire for those above that income level.

The move was made precisely because sections of the Democratic leadership anticipated the results of the election, and preferred to delay a vote until they could justify giving a handout to the wealthy by citing the Republican victory.

Moderate and right-wing Democratic legislators—who had earlier signaled their discomfort with allowing the tax cuts for the rich to expire—will now claim that the American people favor the tax cuts and will very likely provide the necessary votes to secure their extension. This will at the same time free up liberal Democrats to

voice opposition to the tax-cut extensions, safe in the knowledge that the wealthy will keep their tax cuts.

The bipartisan consensus in favor of tax cuts for the wealthy elite was revealed again this week by Obama's handpicked co-chairmen of the National Commission on Fiscal Responsibility. Former Republican Senator Alan Simpson and former Clinton administration chief of staff Erskine Bowles, a Democrat, issued a tax "reform" that would actually lower the top end income tax rate by one third, from 35 percent to 23 percent, along with a similar cut in the corporate tax rate. This supposed budget-balancing plan would rest almost entirely on savage cuts to social spending (including Social Security and Medicare), new taxes imposed on the broad masses, and cuts to the jobs and pay of government workers.

In line with Reid's decision to delay a vote on the extension of the tax cuts for the rich, Bowles and Simpson waited until after the election to make public their plan. This open flouting of the democratic process is what the corporate-controlled media calls "political courage." Significantly, the plan has won the praise of both the right-wing *Wall Street Journal* and the liberal *New York Times*.

The extension of the Bush-era tax breaks and the Bowles-Simpson proposal would most benefit a tiny layer of billionaires and multimillionaires, who have gorged themselves from decades of destructive financial speculation and cuts to the progressive income tax.

The current high-end tax rate of 35 percent—applying to those who make more than \$373,000 per year—has fallen from 91 percent in the early 1960s. It is the lowest high-end rate among the major industrial economies.

The results of these tax policies are extreme levels of social polarization. As measured by the United Nation's Gini index, income inequality in the US is the worst among the advanced economies. The most recent data placed the US on par with Turkmenistan and Ghana, and slightly more unequal than Sri Lanka. The top 1 percent of US households monopolizes nearly 20 percent of all US income, up from about 8 percent in the late 1960s. Wealth inequality is even more marked. As of 2007, the top 1 percent of US households controlled 42.7 percent of all financial wealth. The bottom 80 percent shared 7 percent.

These statistics measured social inequality before the financial crisis of 2007 and the subsequent social crisis, which has driven down median US household wealth by 36.1 percent, according to economist Edward Wolff.

The economic crisis, which was itself triggered by the money-mad speculation of the financial elite, has been manipulated to effect what must surely be the largest redistribution of wealth in history, from the working masses to the extremely rich. Thanks to the Bush and Obama administrations and both big business parties, trillions have been handed over to the biggest banks, which have in turn showered their executives and top stockholders with record payouts and a doubling of share values. For the population there is joblessness, foreclosures, hunger and—in order to pay for the bailout of the banks—massive cuts to social spending.

The near certainty of the perpetuation of the Bush-era tax cuts for the extremely wealthy is the clearest evidence yet that the financial aristocracy's death grip over government and the economy must be broken. This requires an independent mass movement of the working class, mobilized behind a program of social equality and democratic control over the economy.



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