Obama, Congress negotiate tax cuts for the wealthy

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The Obama administration has begun closed-door talks with congressional leaders of both parties on the extension of the Bush tax cuts, amid reports that a deal will likely be based on acceptance of the central Republican demand that tax cuts for the wealthy be continued without any income ceiling, either the $250,000 a year proposed by Obama or the $1 million suggested last month by Senate Democrats.

The *Wall Street Journal* described the talks as "the first step toward a deal this month that many strategists in both parties believe will temporarily extend current tax rates for all income levels." The *New York Times* reported that "lawmakers said they could begin to see the contours of a potential outcome that would extend the Bush-era tax rates temporarily while giving Democrats some concessions on unemployment compensation…."

What is coming is a windfall for the wealthy whose estimated value is $700 billion over 10 years, or $70 billion a year if the extension is for a shorter period of time. This handout to the financial aristocracy may be packaged with a revival of extended unemployment benefits for the long-term jobless, which the Obama administration and the Democratic congressional leadership allowed to expire on November 30.

The social necessity for extended benefits was underscored by the release of Labor Department figures on new claims for unemployment benefits, which jumped 26,000 last week to a total of 456,000. New jobless claims have been averaging 450,000 a week throughout 2010, well above the level of 400,000 that US economists cite as indicating a stable, rather than contracting, labor market.

After weeks of avoiding the subject, leading up to the expiration of benefits Tuesday for some 800,000 workers, both the White House and House Speaker Nancy Pelosi staged cynical publicity stunts on Thursday morning to advertise their supposed concern for the unemployed.

The White House Council of Economic Advisers released a report warning that if Congress does not act to restore the extended benefits, a total of 2 million workers will lose coverage by the end of December and a total of 7 million workers will be cut off by November 2011. The result will be a further slowdown in the US economy and the loss of another 800,000 jobs.

In the House of Representatives, the outgoing Democratic majority leadership forced a vote Thursday afternoon on a bill that would extend the Bush tax cuts for the 98 percent of families with incomes below the $250,000 mark. The bill narrowly survived a procedural vote in the morning, passing 213 to 203, with nearly 30 conservative Democrats voting against it. The bill itself was adopted later in the day by a larger margin, 234 to 188.

Pelosi tied the tax cut vote to the expiration of unemployment benefits, lambasting the Republicans for supporting $700 billion in tax cuts for the wealthy based on further federal borrowing, while adopting the opposite standard for the extended unemployment benefits. "When it comes to the unemployment insurance, and just the renewal we want to have would cost $18 billion," she said, "they're saying that has to be paid for. We have to pay for unemployment insurance, we don't have to pay for tax cuts for the rich."

Pelosi's deputy, outgoing Majority Whip Steny Hoyer, chimed in: "I believe that passing unemployment insurance is a moral imperative, not a political deal."

Neither Pelosi nor Hoyer bothered to explain why, given the top-heavy Democratic majority in the outgoing House, they were unable to pass a bill to continue extended unemployment benefits before the November 30 cutoff. The truth is that the Democrats deliberately allowed the program to expire so that its possible revival could be used to disguise their collusion with the Republicans on extending tax cuts for the wealthy.

The closed-door talks on the tax cut renewal were the only concrete decision taken at the much-publicized White House summit meeting Tuesday between Obama and his top aides and leading congressional Republicans and Democrats. The talks began the next day and continued into Thursday, with White House spokesmen saying they were making progress.

In naming Treasury Secretary Timothy Geithner and Budget Director Jacob Lew to represent the administration

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in the talks—two figures identified, respectively, with the bailout of Wall Street and fiscal austerity—Obama sent a clear message of the kind of deal he was looking for.

Senate Democrats followed suit, naming Max Baucus, chairman of the finance committee and co-architect of the 2001 Bush tax cuts, as their representative. Congressman Chris Van Hollen, a key aide to Pelosi, represented House Democrats, while the Republicans were represented by Senator Jon Kyl, the minority whip, and Congressman Dave Camp, who will head the tax-writing Ways and Means Committee in the incoming Congress.

The talks began with a blatant display of bad faith by the Republicans, as all 42 Republican senators signed a joint letter declaring they would block any legislation during the lame-duck session of Congress until the Senate took up bills to extend all the Bush tax cuts and fund government operations through the rest of the fiscal year.

The letter is remarkable both for its arrogance—42 out of 100 senators is a distinct minority, and could not dictate the agenda in an authentic democracy—and for its timing. It was made public shortly after the bipartisan summit at the White House, which ended with the usual rhetorical boilerplate about cooperation and civility.

Senate Democrats complained that the Republican declaration amounted to an ultimatum, but the Obama administration immediately capitulated. The White House did not condemn the Republican maneuver and went ahead with the scheduled bipartisan talks. One top Democratic aide told Politico.com, "There is growing concern among congressional Democrats that the White House will cave early and without a fight on tax cuts for the middle class and job-creating proposals, and not get much in return."

Republicans gloated, with Senate Minority Leader Mitch McConnell dismissing the House vote on limiting the tax cut, saying, "It's not going anywhere." The bipartisan talks would agree on an across-the-board extension of the tax cuts, including the wealthy, he said. The only issue was "just how long that extension will be." One of the most right-wing Republicans in the Senate, Jim DeMint of South Carolina, said he believed that Obama "has come around to the idea that taxes can't be raised in a recession."

The *Los Angeles Times* observed: "The Republican ultimatum also showed the extent to which power in Washington has shifted in the aftermath of the GOP rout in last month's midterm elections. Even though newly elected Republicans do not take office until January, the GOP on Wednesday was confident in issuing its demands and united in its vow to employ a filibuster in the Senate to back them up. Meanwhile, Obama appeared unable to move them off their position or exact any sort of political price."

More is involved here than the aggressiveness of the Republicans and the cowardice of the Democrats. The actual policy differences between the two parties are minimal. Both parties represent that social layer in America that will benefit most from the tax cuts—the super-rich and the most privileged layers of the upper middle class—but the Democrats are compelled to hide their position behind a pretense of concern for working people and the unemployed.

This pretended sympathy is essential for the Democratic Party to play its designated role for the American ruling class as a bulwark against any challenge to its class domination from below. This pretense is wearing thin, however, and will be further undermined by what the *New York Times* described, in a considerable understatement, as "the prospect of White House and Congressional Democrats conceding on extending the tax cuts for affluent Americans."

The social position of the Democrats is most clearly expressed in their response to the proposals from the bipartisan commission appointed by Obama to make recommendations on cutting the federal budget deficit. The final vote of the 18-member panel is set for Friday, but five of the six members selected by Obama have endorsed the report of the two chairmen, Democrat Erskine Bowles and Republican Alan Simpson, which calls for sweeping cuts in entitlement programs such as Social Security and Medicare, as well as tax increases for middle-income working people.

Senator Richard Durbin of Illinois, the lone Senate liberal on the panel, commented favorably on the panel report, although he may vote against it. He declared one of the most onerous of the cuts proposed by the chairmen, an increase in the age of eligibility for Social Security to 69 by 2075, to be "acceptable to me." Raising the retirement age was "not radical," he said. "These things are sensible and we've got to accept sensible alternatives to move forward, on the left and on the right."

Another Senate Democrat on the commission, Kent Conrad of North Dakota, enthusiastically endorsed the chairmen's report. He cited the danger of a mushrooming federal deficit under conditions of a global financial crisis. "Anyone watching the spreading debt crisis in Europe over the last few days, in Ireland, Portugal and Spain, understands the threat we face is real," he said. "We can't afford to wait until the crisis is upon us."

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