Obama's Big Lie: Tax cut for rich will benefit workers

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At a Tuesday press conference President Obama defended his deal with the Republican Party to extend for two years Bush-era tax cuts for the rich by presenting the agreement's token concessions to the working population as major gains.

The deal is in fact a total victory for Republicans and the wealthy. It includes the continuation of tax cuts for the highest percentile of income earners, couples with incomes above $250,000 per year or individuals whose income is over $200,000 per year. It exempts fortunes of up to $5 million from inheritance tax, up from the previous mark of $3.5 million, and sets the rate at 35 percent, well below the 45 percent level that would have taken effect January 1 under current law. The plan also includes new and continued tax loopholes for big business.

To provide political cover for this giveaway to the rich, the plan includes an extension of federal long-term unemployment benefits for 13 months and a one-year reduction in the Social Security payroll tax from 6.2 percent to 4.2 percent. While this would temporarily increase paychecks for tens of millions, it would also deprive Social Security of $120 billion in funding. The White House said this shortfall would be made up through general revenue sources, but these have not been specified.

Obama attempted to present this abject capitulation to the avarice of the financial elite as a compromise driven by a deep and unwavering concern for the welfare of ordinary people. He claimed that taxes would have gone up for millions otherwise and that the deal was the only way to carry on federal assistance to the long-term unemployed.

"Because of this agreement, middle-class Americans won't see their taxes go up on January 1, which is what I promised—a promise I made during the campaign, a promise I made as President," Obama said, ignoring his more frequently-stated promise that he would let the tax cuts for the rich expire. "Because of this agreement, two million Americans who lost their jobs and are looking for work will be able to pay their rent and put food on their table."

Obama's pretensions at sympathy for working people are demolished by his own record in office, a tenure entirely dedicated to protecting the rich. While overseeing the bailout of the banks to the tune of trillions of dollars, Obama put in place no measures to directly provide jobs. On the contrary, he spearheaded the ongoing wave of wage-cutting through his forced bankruptcy and reorganization of General Motors and Chrysler, while intervening to scotch any attempt to impose pay limits on the executives of bailed-out banks and corporations whose financial speculation set the global financial crash in motion.

Addressing himself to his "fellow Democrats," Obama reiterated that the market would be responsible for creating jobs. "The single most important jobs program we can put in place is a growing economy," Obama said. "The single most important anti-poverty program we can put in place is making sure folks have jobs and the economy is growing… if the private sector is not hiring faster than it's currently hiring, then we are going to continue to have problems no matter how many programs we put into place."

This position, shared by the Republicans, is absurd on its face. The private sector labor force is still smaller than it was in 2000. If the estimated $700 billion in tax breaks coming to the rich over the next decade were used for a public works program, it could put millions to work. But such a policy is unthinkable to Obama. Indeed, it's not that reform measures cannot make it past Republican opposition; they can't make it out of the White House.

Several times in the press conference Obama reiterated his claim that the Democrats could not overcome Republican demands that the tax cuts be extended.

"Well, let me say that on the Republican side, this is their holy grail, these tax cuts for the wealthy," Obama said in responding to a reporter who asked why the matter had not been legislated sooner. "I have said that I would have liked to have seen a vote before the election… I haven't persuaded the Republican Party. I haven't persuaded [Republican Senate Minority Leader] Mitch McConnell and I haven't persuaded [incoming Speaker of the House] John Boehner."

The Democrats control not only the White House, but the Senate and the House, both by lopsided margins. For the tax

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cuts to pass, not only will Obama have to sign a bill, but large numbers of Congressional Democrats will have to vote for it. Beyond this, and as Obama himself observed in the press conference, opinion polls indicate that most Americans favor the expiration of the tax cuts for the rich.

This apparent paradox—that the minority Republican Party is able to dictate policy to the majority, the president, and the population—generated a handful of questions in the press conference in response to Obama's claim that he will fight any further tax cut for the rich when the extension expires in two years.

A reporter asked, "[A]ren't you telegraphing, though, a negotiating strategy of how the Republicans can beat you in negotiations all the way through the next year because they can just… be unwilling to budge—to use your words—and force you to capitulate?" Another asked, "what's going to be different in 2012, when all these tax cuts again are up for expiration?"

Obama evaded these and similar questions, and in responding to others all but admitted the new "temporary" tax cuts are in fact permanent.

"Now, I have an option, which is to say, you know what, I'm going to keep fighting a political fight, which I can't win in the Senate—and by the way, there are going to be more Republican senators in the Senate next year sworn in than there are currently," Obama said. "So the likelihood that the dynamic is going to improve for us getting my preferred option through the Senate will be diminished."

In fact, while Obama lamented that the Republicans are holding the American people hostage, especially the unemployed, using the December 31 expiration deadline, the Democrats created the conditions for this to be done.

One of the first decisions taken by Obama, Speaker Nancy Pelosi and Senate Majority Leader Harry Reid, shortly after Obama entered the White House, was to renege on their campaign pledge to rescind the tax cuts for the rich immediately. Instead, the White House decided to allow the tax breaks to continue until their scheduled expiration date, December 31, 2010.

Throughout the two years when they controlled large majorities in both houses of Congress, the Democrats took no measures to alleviate the crisis for working people, perpetually offering up minority Republican resistance as an excuse. Now the victory of the Republicans in the midterm elections is being seized on as a means to push savage austerity measures, including unprecedented cuts in entitlement programs.

The Republican Party's strength is that it expresses in the most direct, open, and consistent way the will of the bourgeoisie to grab an ever-greater share of the wealth not only in the US, but over the entire world. The weakness of the Democratic Party lies in its two-faced character. While it also represents the bourgeoisie, by its particular function in the two-party system the Democrats are obliged to pretend they represent the interests of ordinary working people.

While Obama is prostrate before the Republicans, he used his press conference to attack the liberal wing of his party for its criticism of the deal, whose aim he said is to have "the satisfaction of having a purist position [and] be able to feel good about ourselves and sanctimonious about how pure our intentions are and how tough we are."

These critics are alarmed that Obama's total capitulation to the Republicans has undermined their efforts to portray the Democratic Party as the lesser of two evils. The expiration of the Bush tax cuts for the rich, after all, had been a cornerstone of Obama's own "change you can believe in" campaign for the presidency.

A handful of House Democrats have so far withheld their endorsement of the deal, and Senator Bernie Sanders, an independent who caucuses with the Democrats, has said he may try to filibuster it.

"It is an absolute disaster and an insult to the vast majority of the American people to be talking about giving huge tax breaks to the wealthiest people in this country, driving up our deficit and increasing the growing gap between the very rich and everybody else," Sanders said.

"Republicans have held the middle class hostage for provisions that benefit only the wealthiest 3 percent, do not create jobs and add tens of billions of dollars to the deficit," House Speaker Nancy Pelosi said in a Tuesday statement.

In the end, the capitulation of such "critics" to Obama is every bit as certain as Obama's surrender to the Republicans. The dispute among Democrats is not whether or not to defend the interests of the financial elite, but how best to do so—with some of the liberals fearing that the naked class character of the tax cuts for the rich will provoke political opposition that breaks free of the Democratic Party.

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