

Obama signs tax windfall for rich

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On Friday President Obama signed into law a package of tax cuts that will funnel hundreds of billions of dollars to the richest Americans, after the Democratic Party-controlled House of Representatives on Thursday passed without changes the bill worked out between the White House and Congressional Republicans.

The \$858 billion dollar bill will overwhelmingly benefit the very wealthy. (See, “Tax law will overwhelmingly benefit the wealthy”). It will be funded entirely by government borrowing, which will immediately be used to demand new cuts in social spending that benefits the working class. Obama made this intention clear in a jovial bill-signing ceremony that was attended by leading members of both parties.

"In some ways this was easier than some of the tougher choices we're going to have to make next year," Obama said. "There will be moments, I'm certain, over the next couple of years when the holiday spirit won't be as abundant as it is today," Obama quipped to the laughter of those in attendance in an auditorium at the Executive Office Building in Washington.

"Tough choices" is the euphemism used in ruling circles to refer to cuts in popular programs such as Social Security, the federal retirement program, and Medicare, the health insurance program for the elderly.

The tax bill passed the House by a margin of 277-148, with Democrats supplying one more vote than Republicans—139 and 138, respectively. One hundred twelve Democrats voted against, joined by 36 Republicans who objected that the bill did not immediately make permanent the tax cuts for the rich. The bill had cleared the Senate in even more lopsided fashion, passing 81 to 19 with overwhelming Democratic support.

Liberal Democrats' effort to affect the appearance of opposition fell flat when an amendment to the bill that would have reduced the estate tax rate to 45 percent

(instead of 35 percent in Obama's bill) on fortunes of more than \$3.5 million (instead of \$5 million), was voted down 233 to 194. Both proposals are generous to the rich—the estate tax was due to automatically reset this year to apply to estates of greater than \$1 million at a rate of 55 percent.

No one expected that the amendment would actually pass, with the Democratic Party's House leadership repeatedly promising that they only wanted a “discussion” and would not hold up the whole package. The resulting debate allowed Democratic representatives to grandstand for several hours as defenders either of the working masses or of fiscal restraint, delaying the bill's inevitable passage until past midnight.

The spectacle of “progressive” Democrats railing against tax cuts that their own president and party leadership had already approved brought to a pathetic end nearly a decade of posturing at opposition to the Bush tax cuts, which were put in place in 2001 and 2003. If any more proof were needed, the extension of the Bush tax cuts by a Democratic Party-controlled White House and Congress demonstrates that it, no less than the Republican Party, are an instrument of the US financial elite.

The \$858 billion price tag of the bill will be paid for by further and deeper cuts to social spending. Even as Democrats and Republicans finalized the hand-over of hundreds of billions to the very rich, they are drafting plans for deep cuts to Social Security, Medicaid, and to the jobs of government workers. They are also planning to implement new taxes that target the working class, including consumption taxes and applying income taxes to employee medical benefits.

This week at a Washington meeting with 20 leading US corporate CEOs, Obama pledged to reduce the federal deficit through spending cuts, while introducing “tax reform”—a euphemism for further lowering tax

rates for the rich and corporations. Earlier in the month, his bi-partisan National Commission on Fiscal Responsibility and Reform suggested balancing the budget through a far-reaching assault on social spending, while at the same time proposing a cut in the top-end tax rate by as much as one third. This week 22 senators, including 12 Democrats, pledged to implement similar proposals over the coming two years.

As has been the case in Greece, Ireland, Portugal, and Spain, the financial markets are already clamoring for social spending cuts.

On Monday, the credit ratings firm Moody's responded to word of the Obama-Republican tax deal with a warning that the US credit rating could be downgraded. The tax cuts' "negative effects on government finance are likely to outweigh the positive effects of higher economic growth," Moody's wrote. "Unless there are offsetting measures, the package will be credit negative for the US and increase the likelihood of a negative outlook on the U.S. government's AAA rating during the next two years." Yields on US Treasury bonds increased.

Markets responded to the tax bill in muted fashion, but only because analysts had little doubt that the House Democrats would end their charade of opposition. However, the tax deal coupled with Obama's promises to carry out the dictates of the corporate and financial elite has financial experts predicting the historic 21-month run-up in share values will continue in 2011 and may well bring the Dow Jones Industrial Average to new record highs.



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