

# Senate passes Democrats' fraudulent climate and "tax fairness" bill

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On Sunday, following a 27-hour exercise in political posturing by both sides, the US Senate passed the Biden administration's misnamed "Inflation Reduction Act of 2022" by a party-line vote of 51 to 50. Vice President Kamala Harris cast the tie-breaking vote in her capacity as president of the Senate.

"The Senate is making history," declared Senate Majority Leader Chuck Schumer, otherwise known as the senator from Wall Street, as Democratic senators and their staff members rose for a standing ovation.

"To Americans who've lost faith that Congress can do big things, this bill is for you," Schumer said, adding, "This bill is going to change America for decades." He went on to call the legislation "the boldest clean energy package in American history," one that would reduce consumer costs for energy and medicines.

The staged celebration reflected not the actual content of the bill—a miserable climb-down from earlier iterations of the Biden administration's domestic agenda, purged of any significant social measures, restrictions on greenhouse gas emissions or corporate tax hikes—but rather the desperation of the Democratic Party to create the illusion of progressive reform and register a legislative "win" in advance of the November midterm elections.

It is unlikely to fool the masses of working people, who face brutal inflation and a deliberate policy of increasing unemployment to halt a growing wages movement.

The final version of the bill that emerged from the so-called budget reconciliation process, which blocked a Republican filibuster and allowed the measure to pass by a simple majority in the evenly divided chamber, allocates some \$430 billion for climate measures and a three-year extension of increased subsidies for health insurance purchased on private exchanges under the Affordable Care Act.

The \$369 billion over 10 years nominally devoted to fighting climate change consists entirely of tax credits to private energy corporations, both non-carbon and fossil-fuel. It is, as some commentators have noted, "all carrot and no stick," i.e., all corporate welfare and no penalties for belching greenhouse gases into the atmosphere.

There is good reason to believe, despite the hype from Democrats and media outlets friendly to the Democratic Party, that the bill will worsen the climate crisis. One expression of the complete subordination of both parties to the corporate-financial oligarchy, including Big Oil, is the insertion into the bill of provisions massively expanding exploration and drilling for oil and gas on federal lands and offshore regions, including both the Gulf of Mexico and the waters off of Alaska.

These provisions were added at the insistence of West Virginia

Democrat Joe Manchin, a coal business multi-millionaire and the Senate's biggest recipient of campaign cash from the fossil fuel industry. Manchin chairs the Senate Energy and Natural Resources Committee.

Manchin also secured from Schumer, House Speaker Nancy Pelosi and the Biden White House a commitment to vote on a separate measure in the fall—which could not be passed under the budget reconciliation procedure—that would dramatically weaken the role of environmental agencies in approving permits for energy pipelines and other fossil fuel installations. That measure is likely to win a large number of Republican votes, boosting its chances for passage by Congress.

Manchin has a direct interest in this gift to greenhouse gas emitters. He has been fighting protests by environmental groups and small landowners in his home state opposing the completion of the Mountain Valley Pipeline, a 300-mile pipeline for the transport of Appalachian shale gas from West Virginia to Virginia.

Included in the bill is a little-noted provision that will shift judicial review of suits lodged against the pipeline project from the Fourth Circuit Court of Appeals, which has upheld some of the protests, to the US Court of Appeals for the D.C. Circuit, deemed more friendly to the fossil fuel industry.

Last week, in a quarterly conference call with analysts, Exxon CEO Darren Woods called the bill "a step in the right direction," and the US arms of both BP and Shell on Friday signed on with 38 other companies in a letter supporting quick passage of the bill.

The open support for the "clean energy" bill from major oil producers—which are raking in record profits by jacking up prices in the midst of the US/NATO war against Russia in Ukraine and supply disruptions linked to the COVID-19 pandemic—angered Republican lawmakers, who put pressure on the industry to come out publicly against the bill. After saying little about the bill for a week, the American Petroleum Institute issued a statement opposing it on Friday.

Driving the three-year extension of increased Obamacare subsidies (at a cost of \$64 billion) were cynical electoral calculations. The Democrats, already facing the prospect of losing control of the House and possibly the Senate in the November 8 elections, were aghast that voters would be informed of sharp rises in insurance premiums in the run-up to Election Day unless the benefits were extended. Assuming the bill is passed by the House later this week, the benefits will now continue until after the 2024 elections.

The other much-trumpeted health care benefit in the bill is a reduction in the price of prescription drugs, to be secured by allowing Medicare for the first time to negotiate drug prices with the

pharmaceutical corporations. This program is projected to save \$288 billion over 10 years and is included in the estimated \$760 billion in additional revenues, mainly from tax increases and increased enforcement by the Internal Revenue Service (IRS).

However, the bill allows Medicare to negotiate the prices of only a small number of drugs, beginning in 2026, and excludes drugs that already compete with generic versions. It also includes provisions that will allow the drug giants to charge even higher prices for new drugs that are brought onto the market.

The Byzantine and undemocratic character of the entire process was underscored by the final disposition of a proposed \$35 monthly cap on out-of-pocket costs for insulin. The Senate parliamentarian, the unelected arbiter of what can and cannot be passed under the budget reconciliation procedure, ruled that the insulin price cap could apply only to Medicare enrollees, and not to those who purchase the life-saving drug on the commercial market.

A more substantive benefit that managed to make its way through the Senate bill is a \$2,000 cap on annual out-of-pocket prescription drug outlays by Medicare enrollees. This, however, is projected to benefit something less than 2 million seniors, a small fraction of the elderly who rely on the Medicare Part D drug program.

The assertion that the bill will reduce consumer prices is entirely bogus. It is based on the claim that the net result of the bill will be a reduction in the federal deficit of \$300 billion over 10 years—a drop in the bucket of government indebtedness. Even the \$300 billion figure has been reduced to \$102 billion by the Congressional Budget Office, based on the bill as it emerged from the Senate debate.

There are no price controls and no penalties on companies that engage in price gouging. The parliamentarian ruled that rebates to the government from drug companies that raise prices above the inflation rate can be collected only on drugs purchased by Medicare, not on drugs bought on the commercial market.

The same prostration to corporate interests applies to the so-called “tax fairness” provisions in the bill. The more than \$1 trillion in tax cuts for corporations and the rich in the 2017 tax overhaul under Trump remain in place. There is no increase in either the corporate income tax rate or the tax rate for the wealthy.

Last week, the proposed ending of the notorious “carried interest” loophole, which allows hedge fund and private equity managers to pay taxes at barely half the normal rate charged to high earners, was stripped from the bill. This was the price demanded by Arizona Democrat Kyrsten Sinema for lending her support, without which the bill would fail.

In place of the ending of the carried interest loophole, the Democrats included a 1 percent excise tax on stock buybacks. As the *Wall Street Journal* reported in an article headlined “Plan Isn’t Expected To Affect Buybacks,” financial analysts are confident that the minor tax will not end the record pace of an entirely parasitic corporate practice aimed at further enriching executives and big investors.

Sinema, after a private call with the National Manufacturers Association and the Arizona Chamber of Commerce, also demanded the gutting of a second proposed tax hike on business: a 15 percent minimum tax on corporations reporting income of more than \$1 billion to their shareholders. Sinema demanded that manufacturers be allowed to continue applying an accelerated depreciation tax dodge that enables companies that report billions in profits to pay little or no federal taxes.

This too was incorporated into the final bill, even though the previous day the chair of the Senate Finance Committee released data

showing that the average income reported on financial statements by corporations making more than \$1 billion was nearly \$9 billion, but they paid an average effective tax rate of just 1.1 percent, in large part through the use of accelerated depreciation.

Sinema is a well-known shill for the hedge fund and finance industry, having received over \$2.3 million in campaign cash from these sources since 2017—more than any other senator.

However, it would be very mistaken to believe that Manchin and Sinema are outliers when it comes to whoring for big business.

The *Wall Street Journal* reported on Sunday that Blackstone Chief Executive Stephen Schwarzman personally received nearly \$150 million in carried interest and incentive-fee compensation in 2021 alone, according to securities filings. The managing director of government relations at Blackstone is Alex Katz, who for five years served as a senior adviser to—Chuck Schumer.

One must not neglect to include in the ranks of this illustrious company the blowhard Bernie Sanders.

As expected, Sanders took advantage of the hours of amendments to the bill from the Senate floor—the so-called “vote-a-rama”—to demagogue as the supposed tribune of the working man. Knowing that his proposals would be voted down by his fellow Democrats, as well as the Republicans, and having already pledged to vote for the final bill regardless, he delivered lengthy speeches calling for the restoration of social measures in earlier versions of the Biden bill—dubbed Build Back Better—which he had hailed as the most progressive legislation by the most progressive administration since Roosevelt’s New Deal.

Indeed, the list of social measures discarded over the past year seems impressive: free community college, extended and expanded child tax credits, universal pre-kindergarten, paid sick and family care leave, Medicare expansion to cover dental, vision and hearing, major tax increases on the rich.

These were, as Sanders well knew, empty promises designed to delude the masses while the administration prepared for war against Russia and China, the dropping of all public health measures to contain COVID-19 and the propping up of the corporatist unions to suppress the movement by workers for wage increases and decent working conditions.

Sanders implored his fellow Democrats, saying, “We must show them that we are capable of representing the needs of ordinary Americans and not just wealthy campaign contributors.” They answered by joining with the Republicans to unanimously vote down all of his amendments.



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