

## Barack Obama's rich supporters fear his tax plans show he's a class warrior

Some of Barack Obama's richest supporters fear they have elected a "class warrior" to the White House, who will turn America's freewheeling capitalism into a more regulated European system.

By Leonard Doyle in Washington  
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Wealthy Wall Street financiers and other business figures provided crucial support for Mr Obama during the election, backing him over the Republican candidate John McCain as the right leader to rescue the collapsing US economy.

But it is now dawning on many among them that Mr Obama was serious about his campaign trail promises to bring root and branch reform to corporate America - and that they were more than just election rhetoric.



Barack Obama: some of his rich supporters fear he is becoming a class warrior Photo: AP

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A top Obama fundraiser and hedge fund manager said: "I'm appalled at the anti-Wall Street rhetoric. It was OK on the campaign but now it's the real world. I'm surprised that Obama is turning out to be so left-wing. He's a real class warrior."

Chris Edwards of the Cato Institute, a free enterprise think tank, said Democrats in Congress were unnerved by

the president's latest plan to raise \$210 billion over 10 years from multinational corporations.

The money is needed to pay for a national debt that will double over the next five years; and triple over the next 10 years to \$17.3 trillion. But the crackdown already faces fierce Democratic resistance.

"These big companies are based in New York Boston, Seattle and Silicon Valley, where Democrats dominate," Mr Edwards said. "Obama's tax plan is already cleaving him from his big corporate supporters," he said.

Mr Obama made no secret of his plans to raise taxes on the "working rich" (individuals earning more than \$200,000) by imposing a top income tax rate of almost 40 per cent, and there is little surprise that those plans remain on track, even during the worst economic crisis since the Great Depression.

But Democratic opposition is building in Congress to many of the President's proposals. A plan to reduce tax deductions for charitable gifts by richer people may have to be scrapped, because the charitable sector - which includes hospitals, museums and voluntary service groups - depends heavily on tax-deducted donations.

Charles Rangel, the New York chairman of the Ways and Means Committee, which drafts tax legislation, raised a red flag about the proposal last week. "I would never want to adversely affect anything that is charitable or good," he said.

Mr Obama also wants to "cap and trade" carbon emissions - seen by business as effectively yet another tax - to tackle global warming.

The president's plans are direct repudiation of the model of light touch regulation credited with creating economic growth and wealth in America in recent decades.

Setting out his thoughts on the economy, Mr Obama told the *New York Times* magazine last week: "There was always an unsustainable feel about what had happened on Wall Street over the last 10, 15 years, and it's not that different from the unsustainable nature of what was happening during the dot-com boom - where people in Silicon Valley could make enormous sums of money, even though what they were peddling never really had any signs it would ever make a profit."

A senior Wall Street executive who remains an admirer of Mr Obama, told *The Sunday Telegraph* that the reforms were necessary after years of excess. "I think its refreshing that he has the chutzpah to deal with the previously untouchable abuses of the system like tax dodging and excessive executive pay," he said.

"We badly need some European style social democracy, and Obama might as well start with health care reform."

That Mr Obama should have radical views on the shortcomings of the US economy is hardly surprising. As a young man he turned down a high paying career in the corporate sector to work as a community organiser in Chicago.

"I would imagine myself as a captain of industry, barking out orders, closing the deal, before I remembered who it was that I had told myself that I want to be," he wrote in his memoir *Dreams from My Father*.

With the Republican in deep trouble, the Obama administration is trying to capitalise on the problems in the economy to drive through far-reaching reforms that might otherwise be impossible.

Rahm Emanuel, the president's tough-as-nails chief of staff, has coined a phrase which has become a mantra for the administration. "Rule one," he declared, "Never allow a crisis to go to waste. They are opportunities to do big things."

Warren Buffet, the wealthy investor regarded by Americans as an economic seer, is among high profile Obama supporters worried that he is attempting too much by pressing ahead with other controversial reforms such as

healthcare.

"Job one is to win the war, the economic war, job two is to win the economic war, and job three," he said recently. "You can't expect people to unite behind you if you're trying to jam a whole bunch of things down their throat."

Mr Obama has so far pushed back against strong protectionist pressures in Congress seeking to force US companies to keep jobs at home. But the business community is alarmed by plans confirmed last week to close down the tax loophole which allows American multinationals to park hundreds of billions of dollars beyond the US tax man's reach in their overseas subsidiaries.

Under one of his tax reforms, companies based in the US would be required to pay US taxes on all their overseas earnings.

Among those affected by such changes would be some of Mr Obama's most powerful supporters in the election, such as Eric Schmidt, Google's CEO, and other "Silicon Valley" executives whose profits are mostly made abroad. They were taken aback when the President blasting companies for "shirking" their responsibilities by avoiding tax.

The plan to end tax breaks for US multinational companies has also drawn the ire of Democrats . Max Baucus, the powerful Montana Democrat who chairs the Senate Finance Committee, declared that "further study" was needed within minutes of the president announcing his proposals.

New York Democratic congressman Joseph Crowley said closing the loophole would hurt Citigroup Inc., his New York district's largest employer.

It has also dawned on wealthy Americans who flocked to the Obama campaign of "Hope" and "Change" that the president opposes the "trickle down" theories that have guided US economics since President Ronald Reagan was elected with a mandate to slash taxes.

Mr Obama said last week that it was "an aberration" that profits in the financial sector had grown so large over the last decade. It was ridiculous he suggested, that "25-year-olds (were) getting million-dollar bonuses, (and) they were willing to pay \$100 for a steak dinner and the waiter was getting the kinds of tips that would make a college professor envious."

He warned that by the time he was done with them, Silicon Valley and Wall Street would remain large parts of the US economy, but not "half of our economy".

Mr Obama has also focused his sights on wealthy individuals who use offshore tax havens to evade tax and is hiring 800 inspectors to track them down.

Mr Obama needs to find a way to pay for the \$750 billion spending spree Congress authorised after he took office to get the stalled economy going again.