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Why Congress Must End Bush Tax Breaks for the Rich

President Obama has proposed to eliminate the massive deficit-busting Bush tax breaks for the top 2 percent of Americans -- while maintaining tax cuts for 95 percent of Americans. He is spot on.

The Bush tax breaks are set to expire at year's end, so there is real pressure on Congress to act. Congress should maintain the cuts for individuals earning \$200,000 or less, and families earning \$250,000 or less. And it should restore the Clinton-era tax rates to the very rich.

It is the right thing to do economically, politically and morally.

First the economics. When it comes to creating jobs, the last people who need more money in their hands are the wealthiest 2 percent of Americans.

The Republicans charge that eliminating these tax breaks on the rich -- and returning them to Clinton-era levels -- would be a "job-killing tax hike in the midst of a recession." Let's recall that while the Clinton-era tax rates applied to the rich in the 1990's, the economy created more than 22.5 million jobs in less than eight years -- the most jobs ever created under a single administration. Moreover, the Federal deficit had turned into a surplus for as long as the eye could see. The number of private sector jobs created during the Bush years: zero. The Republican position amounts to nothing more than baseless pandering to the greed of their many wealthy donors.

To create more jobs, our economy needs more economic demand. We need people who are willing to go out and buy products and services. Our economic problem is not that we lack enough people who will go out and work to create the products and services we need to have better lives. Our problem is that there is not enough demand to entice businesses to increase their work forces or buy new plants and equipment.

The economy's fundamental problem is a "demand deficit." There is less economic demand for products and services than the ability we have to produce them. Every day that goes by with plants and workers lying idle, we lose the output they would have produced *forever* -- we squander precious resources that could go to build new homes, or produce more food or invent new sources of energy.

For three decades -- from Ronald Reagan through George W. Bush -- the American right wing peddled the notion that by transferring more money to the wealthiest among us, we would entice them to invest more and that the economy would grow. That was the fundamental premise of "supply side economics." In fact, of course, "supply side economics" was really a rationale for why rich people should be richer still.

The "supply side experiment" turned out to be a colossal failure. For eight years, George W. Bush applied the theory in its purest form: increase tax breaks to the rich, eliminate regulations on Big Oil, insurance companies and Wall Street.

The results are there for everyone to see.

The *New York Times* reported last year that, "For the first time since the Depression, the American economy has added virtually no jobs in the private sector over a 10-year period. The total number of jobs has grown a bit, but that is only because of government hiring."

In fact, since George Bush and the Republicans in Congress passed two massive tax cuts, we have seen a massive, secular decline in the creation of private sector jobs.

Of course it won't surprise anyone that this decline has been led by the reduction of American manufacturing jobs. There has been a decline of 3.7 percent in overall manufacturing jobs in the United States over the last decade.

Remember that we're talking here about an absolute lack of increase in private sector jobs -- zero increase in actual jobs -- even as the population of the United States has grown. Economists tell us that the economy must create 150,000 new jobs each month just to stay even with population growth.

The failure of the economy to produce any private sector jobs at all would have been even more devastating had it not been for a small but significant growth in public sector jobs at the state, local and federal levels. Of course these are precisely the kind of jobs that the Republicans and Right decry at every opportunity and claim to want to cut. "Everyone knows," they say, "that job growth is really driven only by the private sector." Wrong...maybe in the imaginary worlds of the Heritage Foundation or Cato Institute, but not in the real world of Republican economic policy.

And let's be clear, the Bush tax cuts didn't just produce fewer jobs than advertised. They didn't produce any private sector jobs at all. The whole experiment in handing over money to the wealthiest people in America so they could use it to benefit the rest of us was a colossal -- empirically verifiable -- failure.

Now compare that to the Clinton administration where the rich paid Clinton-era tax rates. Of the total of 22.5 million new jobs, 20.7 million, or 92 percent, were in the private sector.

Turns out that when they were given all of those tax cuts, the top two percent of the population used them to speculate in exotic derivatives, to drive up the prices of high-end real estate, pay exorbitant prices to the designers of \$4,000 blouses and \$2,000 shoes. There is absolutely no evidence that they made any more investments in new manufacturing plants, or started up any more businesses than they would have had they paid the same tax rates that they did when Ronald Reagan took office and private sector job growth was 3% per year.

No, instead the rich used the Bush Tax Cuts to create the gigantic economic "bubble" that ultimately burst and caused immeasurable hardship and suffering to millions of average Americans and everyday people across the globe.

Most economists agree that the best way to close the "demand deficit" that is at the root of our economic problems is to put money into the hands of people who will spend it -- because they need to. Mark Zandi, Chief Economist for Moody's who was economic adviser to former Republican presidential candidate John McCain, argues that the most efficient way to create immediate growth in demand are investments in food stamps and unemployment benefits. In fact, he estimates that every dollar of spending on unemployment benefits increases overall economic growth by \$1.61. That's because people who get unemployment benefits need to spend the money, and the people who receive it from them spend it as well, and so on.

You don't create more demand by giving money to rich people who don't spend it -- or for that matter, to corporations who sit on huge sums of cash. And that is one of our current economic problems. Corporate bank accounts are bulging with cash. And remember, corporate profits have actually gone up in the last quarter -- mostly by cutting back the costs -- and especially cutting jobs.

But that approach is not sustainable over the long run -- even for the corporations. To have sustainable growth, the economy needs consumers with money to spend -- with rising income, not just credit cards in their pockets. Long-term growth requires widely spread prosperity -- not ever-increasing concentration of income at the top of the income pyramid. One of the leading causes of the current economic disaster was the transfer of income from average middle class people to the very rich. Over the eight years of Bush, even when the overall economy grew, the incomes of working Americans actually dropped in real terms by \$2,197 per year since 2000.

Eliminating the Bush tax breaks for the very rich would save the taxpayers more than two thirds of a trillion dollars over the next decade. That money would make a substantial dent into the long-term budget deficit. And it could be used to make the desperately needed public sector investments we need to assure long term economic success -- investments in education, infrastructure, health care and new sources of energy.

The politics. If Republicans want to campaign this fall defending tax breaks for the rich -- bring 'em on.

This is an issue that should be used to divide the sheep and the goats. There should be no question that Democrats support continuing tax relief for everyday people and eliminating Bush's outrageous tax breaks for millionaires.

Everyday voters are furious at wealthy special interests -- and especially Wall Street. A huge portion of the Bush tax breaks went to the "geniuses" on Wall Street whose recklessness sunk the economy but even now continue to rake in multi-million dollar bonuses.

Then there is the inheritance tax. In a brilliant stroke, Bush guru Karl Rove managed to get the media to refer to the inheritance tax as the "death tax." Democrats need rebrand the attempt to eliminate or substantially cut the inheritance tax for what it is: an attempt to hand billions of dollars in tax savings to the sons and daughters of multi-millionaires.

By definition the sons and daughters of multi-millionaires -- the Paris Hiltons of the world -- are the *only* people who would benefit by eliminating or cutting the inheritance tax since it only affects multi-millionaires. America is sick of bonuses and perks for multi-millionaires. Nobody wants to use precious tax dollars to provide tax breaks to help Paris Hilton jet around the world and go to more exclusive parties.

Right and Wrong. The elimination of the Bush tax cuts for the rich is good economics and good politics. But this is also about right and wrong.

It is just plain wrong for our government cut back on food programs for children to give Paris Hilton more money to buy another pair of \$1,300 Manolo Blahnik shoes.

It's just wrong for Republicans to deny unemployment compensation to victims of the recession because they say we can't afford them, and then turn around and extend billions of tax breaks to multi-millionaires.

It's just wrong for us to lay off teachers -- and deny our children the educations they need to have fulfilling productive lives in order to allow John McCain to add to his collection of seven homes.

It's wrong to propose cutting Social Security payments for seniors who get an average of \$13,000 a year in benefits in order to make it easier for one of the "masters of the universe" on Wall Street to fly around the world in his Gulfstream VI private jet.

In the end, good politics and good economics are not about lists of policies and programs -- they are about right and wrong.

People are not "inputs" in the economic process -- their welfare is the goal of economic policy -- and the products and services they create represent the sum total of everything that the economy is about.

And in the end, more than anything else, politics is about whether people believe that candidates are on their side and stand up forcefully for the values they hold dear.

President Obama, House Speaker Nancy Pelosi, and Senate President Harry Reid have all called on Congress to do what's right. Time for every Member of Congress to stand up straight and eliminate the Bush tax cuts for the rich that did so much to harm to our economy, our people and our sense of justice.

Robert Creamer is a long-time political organizer and strategist, and author of the recent book: "Stand Up Straight: How Progressives Can Win," available on Amazon.com.

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