

US Congress passes two-month extension of jobless benefits and payroll tax cut

By Barry Grey
24 December 2011

Under pressure from senior Senate Republicans and sections of the corporate media, Republicans in the House of Representatives on Friday dropped their opposition to a two-month extension of federal jobless benefits and reduced Social Security payroll taxes for employees. After the Senate approved by unanimous consent a slightly altered version of the bipartisan bill on extended benefits and the payroll tax that it had passed on December 18, the House followed suit.

The passage of the measure averts the January 1 expiration of a federal program the demise of which would deprive 3.3 million long-term unemployed of benefits. It also averts the termination of a 2 percent cut in payroll taxes that would affect 160 million Americans and cost the typical worker earning \$50,000 about \$1,000, or \$20 a week.

It also avoids, for the present, a 27 percent cut in Medicare fees to doctors that would make it difficult for millions of older people to obtain care from their physicians.

The measure, however, does nothing to create jobs or provide serious relief for millions of Americans who are being driven into poverty by mass unemployment and the indifference of the Obama administration and the entire political system to their plight. The very fact that it has become almost impossible to extend benefits to millions of long-term unemployed workers, in the midst of the worst crisis since the Great Depression, demonstrates the de facto dictatorship wielded by the financial oligarchy.

When it was a question of using taxpayer funds to pay off Wall Street's bad debts, it took only days for Congress to allocate \$750 billion in the Troubled Asset Relief Program. Under Obama, the total funneled to the banks in Federal Reserve loans has grown to \$7.8 trillion, according to Bloomberg News.

The two-month extension will be devoted to an attempt to reach agreement between the White House and the Republicans on new cuts in social programs and new regressive fees on ordinary people to cover the estimated \$200 billion cost of extending jobless benefits and the payroll tax cut for a year. The *Hill* web site reported Thursday that Democratic and Republican leaders have identified \$100 billion to \$120 billion in cuts toward this end. They remain deadlocked on how to pay for the rest.

The cuts to be imposed to help pay for a one-year extension are only part of \$1 trillion in deficit-reduction measures already agreed. They are a prelude to an additional \$3 trillion in spending cuts—including for Medicare, Medicaid and Social Security—and tax increases on working people to be worked out after the 2012 elections, regardless which party controls the White House.

Obama and the congressional Democratic leadership have already dropped their earlier call, made for electoral and propaganda purposes, for an income tax surcharge on those taking in more than \$1 million. Senate Majority Leader Harry Reid said Friday that Congress will have to be “somewhat inventive” to reach a compromise. That “inventiveness” will likely include concessions to Republican demands that the number of weeks the long-term unemployed can collect extended benefits be scaled back, as well as other restrictions on jobless pay.

As it is, only 22 percent of the long-term unemployed receive any jobless benefits, according to a recent study by the Kaiser Family Foundation. This is at a time when the rate of unemployment beyond six months and the average duration of unemployment (41 weeks) are at record highs.

The two-month extension, with an estimated cost of

\$33 billion, is to be paid for by a regressive charge that will impact ordinary home-buyers. A fee charged to lenders by the government-backed mortgage finance giants Fannie Mae and Freddie Mac will be increased. That cost will then be passed on to home-buyers, raising the average mortgage payment on a \$200,000 house by an estimated \$17 a month.

The Democratic Senate leadership pledged to quickly begin negotiations with the House, once Congress reconvenes in January after the holiday break, on an extension of the tax cut and jobless benefits through the end of 2012. House Republicans, who control the lower legislative chamber, had on Tuesday rejected appeals by President Obama and Senate Republican leaders to approve the two-month extension passed by the Senate, on the pretext that only a one-year extension of the payroll tax cut and jobless benefits made sense.

They demanded that the Democratic-led Senate, which had already adjourned for the winter break, return and negotiate on a bill passed earlier by the House that would extend the programs for a year. That bill reduced the maximum length of jobless benefits from 99 to 79 weeks, placed new obstacles before laid off workers applying for benefits, extended a pay freeze imposed by Obama on federal civilian workers, and required those workers to pay more into their pension funds.

With consummate cynicism, Obama and the Democrats cast themselves as protagonists of tax cuts for the middle class, while playing down the issue of unemployment benefits.

Senior Republicans, including the party's presidential candidate in 2008, Senator John McCain, Bush adviser Karl Rove and others, publicly castigated House Speaker John Boehner and his fellow House Republicans for allowing themselves to appear as opponents of a tax cut. The *Wall Street Journal* on Wednesday demanded that the Republicans drop their opposition to the two-month extension approved by the Senate.

The following day, Republican Mitch McConnell, the Senate minority leader, publicly called on the House to approve the Senate bill. Soon after, Boehner signaled his agreement.

With the inveterate falseness that is a hallmark of his presidency, Obama hailed the deal Thursday night and again on Friday. He issued a statement declaring the

agreement "the right thing to do to strengthen our families, grow our economy, and create new jobs."

On Friday, speaking from the White House briefing room, he cited the people who had responded to a White House appeal for the public to write in and say what an extra \$40 in their biweekly paycheck would mean to them. "I think it takes real courage to believe that your voice can make a difference," Obama said. "And I promise you, the American people, your voices made a difference on this debate... you reminded people in this town what this debate and what all of our debates should be about—it's about you. It's about your lives. It's about your families."

As the *New York Times* described the scene: "The revving of engines could be heard outside, as a helicopter warmed up on the South Lawn for Mr. Obama's quick holiday getaway to his family in Hawaii."

"Aloha," Obama called out as he left the briefing room, heading for his stay in a five-bedroom beachfront house down the street from the Paradise Point Plantation Estate in Kailua, which he had made his "Winter White House" in 2008 and 2009. The gated luxury resort has as its motto: "For those who desire nothing less than paradise."

To contact the WSWWS and the
Socialist Equality Party visit:

<http://www.wsws.org>