

Will Obama's Corporate Tax Breaks Create Jobs?

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Global Research, February 04, 2010

4 February 2010

Region: [USA](#)

Theme: [Global Economy](#)

Optimism dominated Obama's State of the Union address. He confidently stated that the financial system had stabilized, and economic growth had begun. It was the same "we've turned the corner" cheerleading that begun on day two of the recession; and the same corner has been proclaimed "turned" and returned dozens of times since by the media, politicians, and Wall Street CEO's.

In the real world, the economy remains lifeless — over 10 million jobs remain lost. Those lucky enough to have jobs are working harder with longer hours, while wages and benefits are being downsized.

Obama too, gave quick acknowledgement to this in his speech, and his thundering proposal for jobs received a thundering applause from Congress. Obama's "solution" received an even bigger ovation, not for its audacity, but for its meagerness.

His plan would be laughable were not the stakes so high and were not millions of people suffering. That night Obama essentially told millions of U.S. workers to "eat cake." Most of the Republicans refused to applaud for anything Obama said; but they must have been smiling brightly inside given that he had plagiarized their ideas.

The core of Obama's "bold plan" to create jobs does not create a single job. Rather, it encourages corporations to hire workers by giving them a variety of tax credits or tax breaks — the same solution proposed by the previous two Bush's and Reagan; a building block of Conservative Ideology.

The reason that Obama's plan is bound to fail is that businesses need more than merely encouragement to hire workers, they demand profits. A recession is defined by an absence of profits, without which corporations lay off workers or hibernate until a more profitable environment reappears. This is capitalism 101.

This recession will last longer than previous ones because the environment of profitability that existed pre-crash, no longer exists. The main driving force of the economy was consumer spending, which accounts for 70 percent of the U.S. economy! Anybody can plainly see that the consumers — working class Americans — are going broke. They cannot continue to prop up the economy.

For years the U.S. working class took on enormous debt as they tried to compensate for their shrinking wages, or exploding healthcare costs. They took on second mortgages, credit cards, student loans, etc. This debt was single-handedly fueling the economy. It could not all be paid back, especially since wages continued to decline; better times refused to come. The banks realized that many of the loans they made were not getting paid back; they

stopped giving loans, and the house of cards collapsed.

The Federal Reserve has tried to re-inflate the debt bubble by making money cheap for banks, but they still refuse to lend. And why should they? Why make loans if consumers are broke and can't pay them back? Why make loans to small businesses if consumers cannot buy their products? Under capitalism, banks are run for profit, not social service.

This economic reality, obvious to anyone who looks around, was unmentioned by the President in his speech. If Obama were serious about returning the economy to a "sound foundation," he would need to create living wage jobs by the millions, which now exist in dwindling numbers and face extinction. If workers have living wages, they can afford houses, cars, food, loans, and other products that corporations need to sell in order to make profits, and thus hire workers.

But corporations aren't hiring. The supply of corporate goods is still much higher than demand on the market, i.e. what workers can afford. A recession equals a failure of the market economy. When something fails, it is helpful to try something new. Obama, however, is using Republican-inspired "free market solutions" to tackle the crisis, akin to using a flamethrower to put out a fire.

The U.S. economy cannot correct itself; much more than "encouragement" is needed. Workers demand intervention. The highly-touted 5.7 percent growth in fourth quarter U.S. GDP was revealed as a fraud by Wall Street, which saw stock prices fall that day. Instead of expanding, and hiring, companies were only re-stocking empty inventories, causing a temporary surge in spending. Don't forget that this 5.7 percent "surge" was accompanied by the loss of hundreds of thousands of jobs.

Why does Obama refuse to intervene? Why will he not create a real stimulus plan, i.e., a massive, federally-run jobs program? There are two answers.

First, Obama has promised the rich investors who fund America's debt that they are the priority. These investors demand that America's debt be managed — by trimming the budget. Instead of cutting back on war spending or bank bailouts, or taxing the rich and corporations, Obama is freezing social spending, while refusing to spend money to create jobs.

The second reason that Obama will not create millions of new, living wage jobs is more ominous. To the President, low wages do not present a problem, but an opportunity. Although low wages destroy domestic demand for consumer goods, they create the potential for a new kind of demand internationally.

Since corporations can no longer sell their products to American workers, they are trying to switch gears, and sell more of their products abroad. This is the grand solution that Obama speaks of whenever he talks about "increasing exports," which he mentions often now.

Exports can only be increased if U.S. workers make even lower wages, since U.S. products must compete on the world market with the slave wages of China and India. Implied in this plan is a major restructuring of the American working class. Living standards must drop further and faster. This plan is unknown to most Americans, but it's already begun.

Unemployment caused by the recession is being used as a blunt object to pressure workers

to accept lower wages. Workers everywhere are not complaining about these conditions since they fear being fired, knowing that a thousand unemployed workers would do the job for half the wage (thus the importance of unions). Public workers are being fired or having their wages slashed due to the state budget crises.

The Democrats are watching this dynamic take place and doing nothing about it. They are merely overseeing phase one of Obama's plan to increase corporate exports. They strain to make sad faces when talking about joblessness, but shrug their shoulders and blame the federal deficit.

But something must be done. The Democrat's plan must not go unchallenged. Labor unions must mobilize their ranks and the community around them to demand jobs, living wage jobs. Unorganized workers must be organized, as should the unemployed.

If labor and community groups unite and put forth aggressive demands, and the Democrats still fail to act, then everyone will recognize the need to finally leave this corporate party, and start one that serves working people.

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