

# Obama Is Against a Compromise on Bush Tax Cuts

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WASHINGTON — [President Obama](#) on Wednesday will make clear that he opposes any compromise that would extend the Bush-era tax cuts for the wealthy beyond this year, officials said, adding a populist twist to an election-season economic package that is otherwise designed to entice support from big businesses and their Republican allies.

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Mr. Obama's opposition to allowing the high-end tax cuts to remain in place for even another year or two would be the signal many Congressional Democrats have been awaiting as they prepare for a showdown with Republicans on the issue and ends speculation that the White House might be open to an extension. Democrats say only the president can rally wavering lawmakers who, amid the party's weakened poll numbers, feel increasingly vulnerable to Republican attacks if they let the top rates lapse at the end of this year as scheduled.

It is not clear that Mr. Obama can prevail given his own diminished popularity, the tepid economic recovery and the divisions within his party. But by proposing to extend the rates for the 98 percent of households with income below \$250,000 for couples and \$200,000 for individuals — and insisting that federal income tax rates in 2011 go back to their pre-2001 levels for income above those cutoffs — he intends to cast the issue as a choice between supporting the middle class or giving breaks to the wealthy.

In a speech in Cleveland on Wednesday, Mr. Obama will also make a case for the package of roughly \$180 billion in expanded business tax cuts and infrastructure spending disclosed by the White House in bits and pieces over the past few days. He would offset the cost by closing other tax breaks for multinational corporations, oil and gas companies and others.

While the speech will be centrist in its policy prescriptions other than the [Bush tax cuts](#), Mr. Obama's language will be partisan as he seeks to sharpen the contrasts between Republicans' record and efforts by Democrats to create more jobs, aides said.

White House officials have strenuously avoided labeling the proposal a second [stimulus plan](#), a phrase that has taken on negative political connotations since the original roughly \$800 billion recovery plan and subsequent additions have failed to push unemployment down substantially.

But it would provide his party with an agenda for the home stretch of the midterm campaign — though one with a small chance of being enacted quickly or helping the economy before Election Day if it were.

The two major pieces of the package — expanding and making permanent a popular credit for businesses' research and experimentation expenses, and allowing them to write off the full value of new equipment purchases through 2011 — have longstanding Republican and corporate support.

The administration calculated that the package had to be attractive to Republicans and business groups if it has any chance of passage in the short time Congress will be in session before lawmakers go home to campaign.

Politically, however, the president is, in effect, daring Republicans to oppose the plan, in that way proving Democrats' contention that they will block even their own ideas to deny Mr. Obama any victories. And by proposing business tax breaks that, according to nonpartisan analyses, would do more to stimulate the economy than extending the Bush tax rates for the wealthy, Mr. Obama hopes to buttress Democrats' opposition to extending those rates.

With its tilt toward business tax cuts, the package that Mr. Obama is proposing risks discouraging liberals in his party who want more spending for projects that provide jobs, especially for a construction industry still staggered by the collapse of the housing boom.

They are not likely to be satisfied by another of the president's proposals: to provide \$50

billion immediately to build roads, air traffic control systems, waterways and more, and, for the long term, to create a national infrastructure bank. That is another bipartisan idea that would leverage federal money with state, local and private-sector investments to finance projects.

In any case, the administration acknowledges that its blueprint might not pass before Election Day, or even in the lame-duck Congress afterward.

“This is about long-term economic growth,” [Robert Gibbs](#), the White House press secretary, said on Tuesday. “This isn’t about the next 60 days or the next 90 days. This is about how do we get our economy fully back on track, how do we get the millions that want to work back to work, and how do we repair the economic damage that’s been going on not just over the past two years but over the past 10 years.”

Republicans’ early reactions were hostile, especially to Mr. Obama’s proposals to close corporate tax loopholes to offset any costs.

“If the offsets for this new package are other tax increases, then it’s a nonstarter,” Senator [Charles E. Grassley](#), a senior Republican of Iowa, said in a statement.

[Douglas Holtz-Eakin](#), a former director of the [Congressional Budget Office](#) and an adviser to Republicans, predicted in an interview that “nothing is going to happen between now and the election,” except perhaps for passage of a separate administration package of tax cuts and lending for small businesses. Senate Republicans had been blocking that legislation.

Nigel Gault, chief economist for IHS/Global Insight, an economics consulting firm, said he liked both the infrastructure and R&D proposals but “they’re not going to kick-start the economy.”

Mr. Gault and other economists questioned why the administration was not proposing a major payroll tax cut to spur hiring. The White House considered the idea, officials said, but dismissed it in part because it would reduce revenues to [Social Security](#) and [Medicare](#).

Martin Feldstein, who was economic adviser to President [Ronald Reagan](#), said all the Bush tax cuts should be extended for two years because even letting those for the wealthy lapse would be “a blow to a very fragile economy.”

To the chagrin of the White House, Mr. Obama’s recently departed budget director, [Peter R. Orszag](#), took the same stance on Tuesday in a column in The New York Times.

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