



## Obama Challenges Republicans to Raise Taxes to Cut Debt

President singles out wealthy CEOs and hedge fund managers

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President Barack Obama on Wednesday called for tax hikes as part of the deal needed to negotiate a deal to raise the debt ceiling. In particular, he called for an increase on levies for wealthy CEOs and hedge fund managers, whose taxes, he said, are “lower than they’ve been since the 1950s.”



Challenging Republicans to consider increases on the wealthy, as well as ending tax breaks for oil and gas companies, he said, “Everybody else has been willing to move off their maximalist position—they need to do the same.”

Pointing out that Democrats had already accepted spending cuts to programs they hold dear, Obama (above) said, “You can’t reduce the deficit to the levels that it needs to be reduced without having some revenue in the mix. And the revenue we’re talking about isn’t coming out of the pockets of middle-class families that are struggling. It’s coming out of folks who are doing extraordinarily well and are enjoying the lowest tax rates since before I was born.”

Obama also said that cuts without revenues meant cuts to programs that run the gamut from scholarships to food safety and the National Weather Service, all of which are important to people regardless of their political affiliation.

“And I’ve said to some of the Republican leaders,” he added, “you go talk to your constituents, the Republican constituents, and ask them are they willing to compromise their kids’ safety so that some corporate jet owner continues to get a tax break. And I’m pretty sure what the answer would be.”

Obama’s stand on taxes drew mixed reactions from the financial community. **Bernard Kiely**, of **Kiely Capital Management** in Morristown, N.J., said that while he did not see Obama’s press conference, he had recently had a conversation with his daughter when she mentioned tax increases. He said he asked her, “What do you think happens when you punish success and reward failure?” “You get less success and more failure,” she replied.

The head of an independent broker-dealer, however, has a different opinion, at least regarding hedge fund managers. “I’ve thought for a long time that it isn’t right,” the broker-dealer head said, “that the hedge fund guys that walk away with huge amounts of money should also get preferential tax levels. I don’t think they need motivation to do a job like that, the kind of motivation that comes from preferential tax treatment.”

The IBD chief added that he feels hedge fund managers’ performance is due more to the “huge leverage” that comes with fund management than to extraordinary ability. He added, “I think that in and of itself is not a reason for people to have preferential tax treatment—because they can borrow more than the next guy, and take their shot, and pay less taxes than the next guy.”

The IBD chief also pointed out that those massive paydays make hedge funds less attractive as investments for the company’s clients. “The thing is,” he explained, we help people to invest, and when we look at what it is that they invest in, we look at the quality of companies, including their corporate management and the entire cost structure of the company. And I doubt that we would recommend investments in a corporate structure that’s as remunerative to the leaders as the hedge funds are—and in fact we don’t do any hedge fund investing. That’s a big reason.”

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