Two examples of the social chasm in America

Fed raises interest rates, White House and Congress strike budget deal

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Two events this week underscore the social gulf between the ruling elite and the mass of working people, which dominates everyday life in capitalist America but goes largely without comment in the media and in official Washington.

On Tuesday, the Federal Reserve Board decided to increase interest rates by a quarter point. Under conditions of record profits and record stock prices, while working class living standards are stagnating, the US central bank made clear that its principal concern was to create more unemployment in order to hold down wages.

Two days later, the House of Representatives passed a budget resolution worked out in talks between the Republican Party leadership and the Clinton White House, sending it on for final action by the Senate. Despite the largest federal budget surplus in half a century, the new budget provides virtually no additional funds for the social needs of the American people.

In social and class terms, these two actions have much in common. In both cases, the ruling class is demonstrating that even under economic conditions which official pundits declare to be the best in decades, American capitalism is incapable of providing even a modicum of assistance to hard-pressed working class and middle class families.

The Federal Reserve boosted interest rates for the third time in six months, following similar quarter-point rises in June and August. Its action was nakedly biased in class terms. The statement issued by the Fed's policy-making body, the Open Market Committee, made no bones about the purpose of the action.

Noting the drop in the official unemployment rate to 4.1 percent, the lowest in three decades, the Fed panel declared: "the pool of available workers willing to take jobs has been drawn down further in recent months, a trend that must eventually be contained if inflationary imbalances are to remain in check..." The Fed's intention, then, is to increase this pool of available workers, by putting more workers on the unemployment lines.

Press accounts of the action also highlighted the Fed's intention to throw more workers out of their jobs. "Shrinking Pool of Unemployed Spurs Increase," read the *Washington Post* headline. "The key to yesterday's action was a significant decline last month in the nation's pool of available workers who don't hold jobs," the *Post* commented.

The *New York Times* wrote: "the Fed emphasized a concern that Alan Greenspan, the central bank's chairman, has stressed repeatedly in recent months: that the nation is literally running out of workers and that, as it does so, wages ... will inevitably be pushed higher."

It is a remarkable fact of American life in 1999 that the deliberate decision to destroy the jobs of hundreds of thousands of working people, depriving them of their livelihood and in many cases, plunging them into poverty, arouses no protest in the political system or in official public opinion. The media discusses whether the timing of the Fed action was appropriate, but there is no argument about the basic rationale. On the contrary, the policy of deliberately creating more unemployment and social misery is reported as though it was a rational, dispassionate and even socially praiseworthy action.

No less significant is the budget adopted by the

House Thursday night by a vote of 296-135. Both parties gave majority support to the bipartisan budget, with Republicans voting 170-51, and Democrats 125-84, and the resulting bill is expected to pass the Senate easily. The package actually includes five separate appropriations bills covering seven federal departments and the foreign aid program.

Worked out in the course of nearly two months of tortuous talks between the White House and the congressional Republican leadership, the budget resolution covers the bulk of federal domestic social spending, including the departments of Health and Human Services, Labor, Education, Interior and Commerce. This completes congressional action on spending for the 2000 fiscal year, which began October 1.

Media coverage has focused largely on the tactical jousting of the Republicans and the White House over marginal shifts in funding, with Clinton getting his way on money for UN dues and implementing the Wye River accord between Israel and the PLO, as well as subsidies to local governments to hire more teachers and police, while Republicans prevailed on boosting military spending, restricting funding for family-planning services and imposing an across-the-board cut of $1.3 billion to meet spending targets.

These conflicts have only the narrowest political significance however, and concern only a tiny fraction of the total budget. The bottom line is this: with a federal budget topping $1.6 trillion, with a budget surplus of over $100 billion, the federal government will provide only a negligible increase in social spending. Of the total increase in spending of $36 billion, $17 billion goes to the military, $13 billion to hospitals, HMOs and other health care providers, and only $6 billion for all domestic social programs, far less than the rate of inflation.

The *New York Times* noted: “Despite the temptations posed by an era of federal surpluses, the package approved by the House tonight contains no expansive new spending programs.” In fact, no such programs were ever proposed by the Clinton administration at any stage in the budget process.

The Democratic and Republican parties claim to represent the interests of the people, and will spend several billion dollars in next year's election campaign appealing for votes. But sitting on a record federal budget surplus, neither party made any serious proposal to meet the urgent social needs of the people: nothing for the 43 million people without health insurance, the 30 million living below the official poverty line, the millions of children in overcrowded or crumbling schools, or the several million who live homeless or hungry in impoverished areas of major cities.

Meanwhile the full impact of measures already adopted to rip up the social safety net is beginning to be felt. Several million people have already lost the benefits formerly provided by the federal AFDC program, which was phased out beginning in 1996, and many more are losing eligibility for Food Stamps, Medicaid, housing subsidies and other benefits.

The result is that when the increase in unemployment sought by the Federal Reserve Board finally materializes, there will be little left of the federal programs which provided a shock absorber for American society as recently as the last recession, in 1990-91.