The war in Afghanistan and the crisis of political rule in America

Part 2

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Below we are publishing the second part of a lecture given January 18, 2002 by Barry Grey, a member of the International Editorial Board of the World Socialist Web Site *. The lecture was delivered at an international school held in Sydney by the Socialist Equality Party of Australia. The* first part *was posted on March 8, the* third part *on March 12 and the* fourth and concluding *part on March 13.*

Whether the unfolding scandal surrounding the bankruptcy of Enron will undermine the Bush administration remains to be seen. To date the liberal press and the Democrats have done what they can to shield Bush from the fallout from the Enron debacle, but this crisis has deep objective roots and even the best efforts of Bush's loyal opposition may ultimately fail to save his government.

In any event, the Enron crisis highlights a crucial aspect of the events of September 11 and all that has followed. In my lecture to the school last year [The world historical implications of the political crisis in the United States], I sought to demonstrate from a historical perspective that the decay of American democracy, which reached a turning point in the 2000 election, was an expression not of the strength of American capitalism, but rather the decline in its world position. Further, that the erosion of US capitalism's economic hegemony was a concentrated expression of the intensifying crisis and mounting contradictions of the world capitalist system.

What was the basic point of this analysis? That American capitalism, in the period of its rise to preeminence as an industrial and financial power, in the first third of the twentieth century, and in its period of economic hegemony, in the first decades after World War II, generally responded to political and social crises with an extension of constitutional safeguards and an expansion of the scope of political democracy. Of course, such measures were punctuated with brutal repression and violence whenever the ruling class felt its rule was in imminent danger, and the formal extension of democratic rights went hand in hand with chronic police brutality and severe economic deprivation for tens of millions of Americans. Still, such reforms as women's suffrage, popular election of senators, the civil rights acts of the 1960s and the extension of voting rights to 18-year-olds had a progressive, democratic content.

This trend came to an abrupt halt in the 1970s, corresponding to the collapse of the Bretton Woods system, the removal of the gold backing from the dollar, and the mounting economic problems that besieged the US ruling class seemingly from all sides in the ensuing years. As the US confronted a growing challenge from its imperialist rivals in Europe and Asia to its control of markets, not only abroad, but also at home, it began to ever more openly attack the democratic rights of the American working class. The attack on democratic rights at home went hand in hand with a predatory social and economic policy that redistributed the national wealth from the masses to the elites, fueling a new growth of economic inequality and further undermining the social foundations of bourgeois democratic institutions.

These tendencies expressed the mounting crisis of bourgeois rule in America. I would submit that in the Bush administration this crisis has reached an unprecedented level of intensity. A review of the record of this government, from its inauguration to the events of September 11, substantiates this assessment.

The foreign and domestic sides of government policy are inextricably linked and react upon one another. But for the purposes of this summary analysis, I propose to look at the two sides separately, beginning with domestic issues and events.

Looming above and dominating all of the events of the Bush administration's first eight months were the collapse of the stock market bubble and the onset of mass layoffs and recession. This crisis was compounded by the fact that it was a global recession. For the first time since the mid-1970s, economic downturns were occurring simultaneously in the US, Europe and Japan—in fact, in virtually every part of the world.

Along with the stock market meltdown came the disappearance of the budget surplus and the exposure of all the claims that Bush had made in his State of the Union address in February 2001 to justify his massive tax cut for the rich. I don't know if they showed this speech in Australia, but Bush was standing with a pointer showing how there was plenty of money in the federal till, and even if multimillionaires were given huge tax cuts, there would be lots of money left over for Social Security and Medicare. Nothing to worry about!

By the late spring and early summer of 2001 the surplus was already disappearing, and Bush officials were forced to admit they were breaking their promise not to raid the Social Security Trust Fund. They were, indeed, dipping into the fund to help pay for their tax giveaways to the rich.

The scale of losses on the stock market and the collapse of paper values was gargantuan. The combined losses on the New York stock exchanges are estimated at approximately $5 trillion. Largely as a result of this, US household wealth last year saw its first net decline since the federal government began keeping such figures in 1945.

To give an idea of the extent to which the incomes of ordinary people in the United States have been tied into the stock market, it is estimated that more than 60 percent of US household assets are accounted for by the stock market—that, at least, was the figure before the bubble burst. The plunge in share values has had a devastating impact on 401(k) retirement assets, under conditions where three-quarters of funds held by 401(k) plans are invested in the stock market.

The impact of losses in 401(k) accounts and individual investments is compounded by the unprecedented debt burden being carried by working people. Consumer debt in the US has doubled since 1990, to $7.5 trillion, which is more than $50,000 per household and over $25,000 for every man, woman and child in America.

The average American family now has debts that exceed its average after-tax income. This debt is unequally distributed—in a manner diametrically opposite to the distribution of income. The top 10 percent of the population own over 70 percent of the national wealth, while the bottom 90 percent of the population, with less than 30 percent of the wealth, owe 70 percent of the consumer debt.

Corporate debt is also at all-time highs. In the boom of the 1990s, corporate debt increased rather than declining, as is usually the case during a sustained upswing in the business cycle. In this boom, companies did not issue stock to raise money, for fear of diluting share-holder value, i.e., causing a decline in the price of their stock. Instead, they went into debt to buy back their own stock so as to boost its price.

The response of corporate America to the onset of recession was to launch a new round of mass layoffs. By the end of 2001, some two million jobs had been wiped out in the course of the year. Retirement savings were gutted. Homelessness and hunger were sharply on the rise. No less important than the material impact of the recession were the consequences for the Bush administration and the ruling elite as a whole of the shattering of illusions in the capitalist market among broad layers of the population.

To better grasp the acute social contradictions exacerbated by the unfolding recession in the early months of Bush's term, it is necessary to focus on certain aspects of American life. First, and most important, is the growth of social inequality.

The Congressional Budget Office issued a report last year noting that, adjusting for inflation, the income of families in the middle of the US income distribution rose from $41,400 in 1979 to $45,100 in 1997, a 9 percent increase over the 18-year period. Over the same period, the income of families in the top 1 percent rose from $420,200 to $1.016 million, a 140 percent increase. The income of families in the top 1 percent was 10 times that of typical families in 1979, and 23 times and rising in 1997.

Another side of the same question is CEO pay. On May 2 of last year we posted an article headlined "Bonanza for US top executives continues despite falling corporate profits." We wrote:

"Chief Executive Officers of major US corporations extracted substantial increases in salaries, bonuses and stock options in 2000 even as stock prices fell, layoffs mounted and profits plummeted as a result of the economic downturn. While the typical hourly worker got a pay raise of 3 percent in 2000, the average CEO of a big company received a hike of 22 percent.... The continued rise in executive pay further undercuts the rationale that has been used to justify this gross waste of society's resources—that the massive payouts serve as an incentive to improve corporate performance. In many cases corporate executives receive huge payouts while presiding over substantial declines in the value of their company's stock.

"For example: William Esrey, the CEO of the US long distance phone company Sprint, was paid $53 million in cash and stock last year, even as the company's stock dropped 70 percent. Dennis Kowalski of Tyco International netted $125 million last year while his company's share values fell 24 percent.... According to an April 1 special report on executive pay in the *New York Times*, salaries and bonuses for CEOs increased 'while typical investors lost 12 percent of their portfolios last year, based on the Wilshire 5000 total market index, and profits for the Standard and Poor's 500 companies rose at less than half their pace in the 1990s.'"

The article gave another instance of the parasitism and criminality that have become rampant in US corporate circles: "One example cited was the case of financial wheeler-dealer David Rickey, boss of Applied Micro Circuits. While the shares of his company's stock were plummeting in 2000, Rickey sold them as fast as he could. Between July 2000 and March 2001 he unloaded 800,000 shares in the company, 99 percent of his holdings, making some $170 million in the process. At the same time AMC share prices dropped from $100 to just $29 per share. Rickey was meanwhile urging unwary investors to buy. 'I am very bullish about the company," he told one CNBC interviewer.'"

Even as tens of millions of working people watched the corporate elite indulge its greed in the midst of mass layoffs and growing social distress, they faced the consequences of the shredding over the past two decades of the social safety net. To give one indication of the degree to which government-subsidized benefits have been slashed, less than one in three unemployed workers in the US today receives unemployment benefits. Only 18 percent of low-wage workers receive such benefits, and only 12 percent of part-time workers.

Simultaneous with a rise in the unemployment rate, the recession brought to the fore the dark reality that had been obscured by record low official jobless rates during the boom of the 1990s: the enormous growth in the ranks of the working poor. The government unemployment figures conceal an unprecedented increase in part-time labor and the use of temps, day laborers and independent contractors. Overall, such workers now make up over 29 percent of the American workforce, i.e., some 34 million workers.

One study concluded that more than 70 percent of the new jobs created in the 1990s paid less than a livable wage.

The social crisis is compounded by the fact that the five-year deadline for welfare benefits under Clinton's so-called welfare reform has now arrived. This means hundreds of thousands, if not millions, of people are facing destitution, with no prospect for a job and no access to government assistance.

As the economic situation unraveled in the opening months of the Bush government, it was patently clear that the administration had no answer to the mounting social crisis. Its one and only domestic policy was to make deeper cuts in taxes for the wealthy and further rollbacks in government regulations on big business, at a time when the free-market nostrums of the previous two decades were being discredited in the eyes of broad sections of the population.

The combination of a rapidly worsening economic crisis and a government resting on an extremely narrow social base—one, moreover, tainted by the anti-democratic means by which it had come to power—was a formula for the eruption of social and political upheavals on a scale not seen since the 1960s, or even the Depression years of the 1930s.

The explosive implications of the economic and political crisis came to the surface in mid-April, less than three months into Bush's term and early on in the unfolding recession. For three days and three nights riots convulsed Cincinnati, Ohio following the killing of a black youth by a police officer. Martial law was declared and the city was occupied by National Guard troops. It was the biggest riot in the US since the Los Angeles upheaval of 1992.

Meanwhile, an escalating energy crisis was reaching the breaking point in California—a crisis resulting from the deregulation in that state of the electricity and natural gas markets. Energy traders, most prominently Enron, had jacked up wholesale prices for electricity and gas and made a fortune, while major utility companies were being thrown into bankruptcy and consumers, both industrial and residential, were suddenly faced with soaring prices and dwindling supplies. California is the most populous state in the US. Were it an independent country, its economy would rank among the 10 largest in the world. Now the state was experiencing rolling blackouts, industrial shutdowns and power cutoffs affecting thousands of families.

The response of the Bush administration was to line up behind Enron, opposing price caps on electricity and gas, blaming California's Democratic governor, and attributing the disaster to a deregulation scheme that did not go far enough in freeing the hands of the energy speculators.

In late May, James Jeffords of Vermont, one of the few remaining moderate Republicans in the Senate, defected from the Republican Party in protest over the far-right social agenda of the Bush administration. He declared himself an independent, but the effect was to transfer control of the upper chamber of Congress, which had been evenly divided between the two parties, to the Democrats.

This move by Jeffords, a long-time senator and figure of some prominence within the political establishment, was not simply the action of an individual. It reflected very sharp divisions within ruling circles over Bush's course, both domestic and foreign. As we explained at the time, it constituted an attempt to impose a course adjustment on the Bush administration. The aim was to bring forward the Democrats to restrain Bush and contain a festering crisis that otherwise threatened to cripple the White House.

As one of the more perceptive observers of Washington affairs, columnist David Ignatius of the *Washington Post*, noted on May 27: "Jeffords' defection turned the United States momentarily into a parliamentary democracy. It was the equivalent of a vote of no confidence, and it shattered the conservative 'mandate' that the Republicans had imagined for themselves—oblivious to the fact that their candidate had actually lost the popular vote in last November's elections."

The government crisis simmering behind the scenes revealed itself in July, when the *New York Times* published an extensive exposé detailing how the military brass had worked with the Bush campaign in November and December of 2000 to steal the election in Florida. The article documented how, at the height of the crisis over the results of the Florida vote, military officials organized the mailing of absentee military ballots that had, in fact, been cast after Election Day. Hundreds of ballots of military personnel stationed overseas were received at the last minute by Florida election officials, who insisted that they be counted, despite the fact that they bore no postmark or failed to meet other legal requirements mandated by state election laws.

The facts set forth in the *Times* article made implausible any innocent explanation for the influx of faulty overseas ballots. Military officials were clearly involved in an illicit plot to give Bush an extra margin to overcome any additional votes Gore might pick up from recounts in contested districts.

True to form, the *Times* account included caveats asserting that there was no evidence of wrongdoing by anybody in the military—claims that flew in the face of the body of evidence outlined in the rest of the article. Nevertheless, the publication of the article underscored a political fact of immense significance: six months since officially taking office, the Bush administration had failed to dispel widespread doubts about its legitimacy. The stolen election of 2000 continued to haunt not only the Bush White House, but the entire bourgeois establishment.

There were other signs of dissension and disarray. In June, the US Civil Rights Commission issued a report denouncing the Republican administration of Florida, which was headed by Jeb Bush, the president's brother, for disenfranchising thousands of black and other minority voters in the 2000 election.

In August, the Enron crisis began to emerge on the public stage. Newly appointed CEO Jeffrey Skilling suddenly resigned, citing "personal reasons." Shortly thereafter Texas Senator Phil Gramm, a right-wing Republican who has held a Senate seat for many years, announced that he would not run for reelection in 2002. His wife, Wendy, happens to be on the board of directors of Enron.

These events coincided with the eruption of an open conflict between Congress and the Bush White House. The General Accounting Office (GAO), which is the investigative arm of Congress, demanded that Vice President Cheney turn over information concerning closed-door meetings held the previous spring by his energy task force. This task force, set up by the White House under Cheney's leadership, had issued a policy statement calling for faster deregulation, the opening of the Artic Wildlife Reserve in Alaska and other public lands to private exploitation, an expansion of nuclear power, and other measures for which the big oil and energy corporations had long lobbied. It had been widely reported that Cheney and his aides had met repeatedly with top oil executives, including Enron Chairman Kenneth Lay, in the process of drawing up the administration's energy policy.

Bush and Cheney refused to turn over to the GAO any information concerning the secret meetings with oil magnates.

These political conflicts in the summer of 2001 coincided with a growing panic on the stock market and a virtual explosion of corporate job-cut announcements. The economic traumas reached a high point of intensity in August and the beginning of September. On Friday, September 7, the Labor Department released the unemployment figures for August, reporting that the rate had jumped to 4.9 percent and the jobless total had risen by over 500,000 in just one month. The 500,000 figure was three times greater than the consensus among economists in surveys published the previous week.

The dramatic and unexpectedly large increase in unemployment unnerved the stock market, which fell 250 points on September 7. Big investors reacted above all to the prospect of a collapse of consumer spending, the only factor that had, up to then, prevented the downturn from turning into something far worse.

To be continued