

Wall Street crisis staggers Bush

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In the wake of George W. Bush's Wall Street speech July 9, it is becoming clear that his administration is in the grips of a political crisis that places its very survival in question.

The manner in which the administration has come unstuck over the past month has exposed all the claims of pundits and pollsters of its supposed invulnerability. Bush was already in deep crisis after his first nine months in office, shaken and perplexed by the collapse of the stock market boom, the onrush of recession and the increasing isolation of his government internationally.

The events of September 11 were a political godsend. They provided the administration with a *casus belli* to divert the attention of a benumbed public from the consequences of its reactionary policies and stampede the country into a bloody military adventure in Afghanistan. The government buried its problems behind the war and employed constant warnings of terrorist attacks to give itself a 10-month respite.

Bush's bellicose posture arose from weakness, not strength. The underlying economic and political contradictions continued to mount, and have now reasserted themselves at an even higher and more explosive level.

The verdict of the markets on Bush's effort to distance his administration from the corporate scandals and restore confidence in the "free enterprise" system was swift and brutal. On Tuesday, the day of his Wall Street speech, the Dow Jones industrial index plunged 178.8 points. This followed a fall on Monday of 104.6 points.

The Nasdaq composite index declined by 24.5 points, on top of the previous day's loss of 42.7 points. The Standard & Poor's 500-stock index dropped 24.1 points, doubling Monday's loss of 12 points.

The bloodletting intensified on Wednesday, with the Dow giving up 282.6 more points, the Nasdaq another 35.1 points and the S&P 500 falling by 32 points. By the end of Wednesday, both the Nasdaq and the S&P index were at five-year lows, and the technology-laden Nasdaq had lost nearly three-quarters of its value from its peak level in March of 2000.

These losses were fueled by the simultaneous political crisis and financial meltdown that have converged to stagger the government. Business confidence was dealt another blow Tuesday with the news that Merck, the drug giant, had fraudulently recorded more than \$12 billion in revenues it never collected. On Wednesday the Justice Department accused two accounting firms, KPMG and BDO Seidman, of flouting tax laws and illicitly helping hundreds of rich clients and companies to escape billions of dollars in taxes.

On Thursday, the Nasdaq and S&P indexes recovered somewhat,

and the Dow, which had fallen by more than 200 points in earlier trading, ended the day with a small loss of 12 points. But the markets were shaken when a top stock rating firm downgraded General Motors from "buy" to "hold," sparking a run on the auto maker's shares. The list of corporate giants under investigation grew with the announcement that the Securities and Exchange Commission (SEC) had launched a probe into drug-maker Bristol-Myers for inflating its revenues by \$1 billion last year.

Notwithstanding the somewhat improved results on Wall Street on Thursday, the general sentiment among investors remained grim. ABC Nightly News featured a business analyst who described the mood as one of "despair." It reported that investors were bailing out of stock-based mutual funds at record rates, to the tune of \$15 billion in the month of June alone.

The same report interviewed Kevin Phillips, author of the new book *Wealth and Democracy*, who noted that the average remuneration of the ten highest-paid CEOs in the US last year was \$155 million. CEO pay, he explained, has ballooned from 10 times that of the average pay of workers two decades ago to become 410 times as large today.

Bush's speech was widely criticized in the media and even by some Republicans for employing tough-sounding rhetoric, including the demand for stiffer prison terms for corporate lawbreakers, while omitting any serious proposals for increased government regulation of the accounting industry or restrictions on some of the worst corporate abuses. Bush, for example, did not mention the practice of accounting firms serving as paid consultants for the same companies they audit. Nor did he endorse calls for controls on stock options, which are currently handed out to top executives without being listed as corporate expenses.

Indicative of Bush's political weakness is the fact that Senate Republicans joined with Democrats on Wednesday to unanimously approve a number of anti-fraud measures that the administration has opposed.

Bush's speech had the effect of intensifying a raging conflict within the top echelons of the American ruling elite, which fears, as Bush himself put it in his press conference on Monday, that the country "could lose confidence in the free market system." There is a growing sense that the policies of the Bush administration, both at home and abroad, could lead to a social and political crisis on a scale not seen since the Great Depression of the 1930s.

Those within the corporate and political establishment with any sense of the mood of the general population—which is increasingly angered by obscene levels of corporate pay, revelations of swindling, fraud and self-enrichment, and the cover-up of business criminality that has been under way for decades—know that Bush's

absurd attempt to ascribe the crisis to a few “bad apples” will only make matters worse.

The stark divisions within ruling circles underlie the growing focus in the media on the personal business records of both Bush and Vice President Dick Cheney. After ignoring for years the dubious means by which Bush went from business failure to multimillionaire, including inside trading of Harken Energy stock while Bush was a director and paid consultant, major newspapers and the networks have taken to presenting lurid accounts of the president’s corporate past.

A number of articles and TV news reports have pointed out the hypocrisy of Bush calling on corporate compensation committees to end company loans to officers, as he did in his Wall Street speech, given that Bush himself was the recipient of more than \$180,000 in loans from Harken—all of which was later “forgiven” by the company.

Potentially even more serious, from a legal standpoint, are the charges against Vice President Cheney. On Wednesday the right-wing group Judicial Watch announced that it had filed a class action suit against Halliburton, the Dallas-based oil services firm, and its former auditor, Arthur Andersen, charging them with illegally inflating Halliburton’s revenues by more than \$400 million. Judicial Watch directly named Cheney, who was the CEO of Halliburton from 1995 to 2000, as one of those charged.

Last May the SEC announced that it had launched a probe into Halliburton for accounting fraud during Cheney’s tenure. That announcement evoked barely a ripple in the general media. But Wednesday’s announcement by a fairly obscure organization of a civil suit against Cheney was given headline treatment on most TV news stations, and was widely reported in the international press.

On Thursday night, ABC Nightly news ran a video that Cheney made while Halliburton CEO, in which he praises the accounting firm Arthur Andersen, which has since been convicted of obstruction of justice for shredding Enron documents.

Such is the degree to which the political winds, within the ruling elite itself, have shifted against the Bush administration. Judicial Watch is no friend of democracy or the working people. Financed by the far-right Republican multimillionaire Richard Mellon Scaife, it played a scurrilous role in supporting the Paula Jones lawsuit and promoting the political conspiracy against Clinton that culminated in the Monica Lewinsky scandal and impeachment.

That this organization decides to sue Cheney, and is given such prominence by the media, indicates that the conflict within the corporate establishment has assumed enormous proportions. Sections of the ruling elite have lost confidence in the Bush administration and are considering personnel changes at the very top of the government.

Ironically, the very methods that were used to witch-hunt Clinton are now coming back to haunt the Bush administration. A turning point in the Republican campaign against the Clinton White House was the 9-0 decision by the Supreme Court in May of 1997 supporting Paula Jones’s insistence that her civil suit go forward and not be delayed until after Clinton had finished his term of office. On the basis of this precedent, neither Cheney nor Bush can claim immunity from legal suits brought against them for their past business practices, and both could be forced to testify under oath.

The disarray of the Bush administration is an expression of a mounting crisis of bourgeois rule and the profit system itself. It is the product of decades in which the underlying contradictions of American and world capitalism have intensified, though partially concealed and temporarily offset by an explosive growth of fictitious capital. The very methods by which wealth and profits were generated—accounting tricks, inflated revenues and a general plundering of the American people—have only deepened the underlying crisis. Social inequality and class divisions in America have sharpened to unprecedented levels.

In tandem with the economic and social decay, the political system has degenerated to the point of becoming incompatible with democratic rights and the most basic needs of the vast majority of the people. In this process, the Democratic Party is no less complicit than the Republicans. Both have sponsored the looting of the US economy by the corporate elite and a vast redistribution of wealth from the many to the few. Today, the most important political asset of the Bush administration is the complicity and cowardice of its Democratic “opposition.”

The present situation is fraught with crisis. It presents the working class with a critical opportunity to intervene in behalf of its own interests. But the Bush administration is wounded, and therefore dangerous. It will fight back, looking for political scapegoats and new ways to extricate itself. There is an enormous danger that as it approaches the fall congressional elections and faces disastrous losses, it will mount a new diversion in the form of war—with Iraq as the prime target.

To the extent that the working class does not intervene as an independent force, i.e., independent of the Democrats and with its own political party, it will be the victim of the ruthless internal reshuffling carried out by the ruling elite. Given the opportunity, the corporate establishment will work out a solution at the expense of the working class. The urgent task posed before working people is the building of their own party armed with a socialist program that places democratic rights and social equality before the private accumulation of wealth.



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