

Democrats take charge of pushing through Bush's bailout of Wall Street

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Democratic congressional leaders held a press conference late Sunday afternoon to announce agreement on a bill to hand over more than \$700 billion in taxpayer funds to US banks and finance houses and press for its passage by Wednesday.

The event underscored the leading role of the Democratic Party in pushing through the plan devised by the Bush administration to make the American working class bear the burden of the collapse of the capitalist financial system. In all essentials, the bill drawn up by the Democrats in closed-door negotiations with Treasury Secretary Henry Paulson and Republican congressional leaders, and in direct consultation with some of the most powerful figures on Wall Street, conforms to the plan first proposed by Paulson on September 19.

It gives him virtually unlimited powers to use public funds to buy mortgage-backed securities and other worthless bank assets whose value has collapsed as a result of the implosion of the housing bubble and the vast edifice of debt that was built up by Wall Street.

The Democrats' press conference was an exercise in deceit. Speaker of the House Nancy Pelosi, flanked by Senate Majority Leader Harry Reid and the chairmen of the House and Senate banking committees, Barney Frank and Christopher Dodd, presented the windfall for the richest people in the country as though it were a punitive measure aimed at reigning in corporate greed.

"The party is over," she proclaimed. "No longer will tax payers be forced to bail out reckless investors."

Both candidates of the two major political parties, Democrat Barack Obama and Republican John McCain, signaled their support for the bailout bill on Sunday. They echoed the line of President Bush, who said in his weekly radio address on Saturday, "The rescue effort we're negotiating is not aimed at Wall Street; it is aimed at your street."

Obama boasted on the CBS News program "Face the Nation" that he has been in constant communication with Paulson on the progress of the bailout bill.

The myth that the Democratic Party represents a "lesser evil" to the Republicans, let alone a "party of the people," is being shattered by its emergence as the most servile defender of the interests of the financial oligarchy.

The remaining obstacle to obtaining quick passage of the bill comes not from the Democratic Party, but rather from right-wing Republicans in the House of Representatives. They represent an

ultra-right libertarian wing of the party which identifies social spending and government intervention in the capitalist "free market" with what they consider the ultimate evil—socialism.

The emergence of the Democrats as the leading protagonists of the administration's bailout scheme has enabled the House Republicans to posture as opponents of Wall Street and appeal to popular opposition, while demanding billions of dollars in tax cuts for the banks and further deregulation as an alternative to using taxpayer funds to cover Wall Street's bad debts.

The content of the proposed legislation agreed upon by the Bush administration and the Democrats exposes the lies that are being employed to defend it. It contains no provisions to provide relief for homeowners who have been victimized by predatory lending practices and face foreclosure.

The two token measures initially proposed by congressional Democrats—enabling bankruptcy judges to amend mortgage terms to allow distressed homeowners to avert foreclosure and allotting 20 percent of any profits accrued by the government from the resale of bank assets to a housing fund—were stricken from the final deal under pressure from Wall Street and the Republicans.

Obama personally intervened last week to oppose the inclusion of the bankruptcy court provision, which has been fiercely opposed by the banking industry.

The Democrats dropped a proposal to impose a fee on the banks that will sell their junk assets, at inflated prices, to the government, and then profit from the eventual resale of the assets.

Supposed restrictions on pay and incentives for executives of firms that offload their debts to the government are toothless. There is no cap on salaries or other basic forms of compensation, and nominal limits on severance packages for "some" executives of "some" of the companies can be easily circumvented.

The so-called "independent oversight" panel of the bailout program is a fraud. It consists of the treasury secretary himself, the chairman of the Federal Reserve Board, the chairman of the Securities and Exchange Commission, the director of the Federal Home Finance Agency and the secretary of the Housing and Urban Development Department. All of these agencies are pliant tools of Wall Street and all have been instrumental in pushing the bailout plan.

The "Congressional Oversight Board" will consist of five "financial experts"—i.e., Wall Street bankers and big investors—chosen by the House and Senate majority and minority leadership. They are entrusted with overseeing the Wall Street

firms that will be hired by the treasury secretary to manage the bailout program.

Much has been made by the Democrats of the fact that “only” the first \$250 billion of Paulson’s \$700 slush fund will be allocated with the passage of the bill. This is being presented as a major protection for taxpayers.

In fact, the next \$100 billion will automatically be allocated once Bush requests it, and Congress’ ostensible power to withhold support for the final \$350 billion is rendered meaningless, since it will be subject to presidential veto.

The text of the measure declares that Congress authorizes Paulson or his successor to spend the full \$700 billion, and the figure of \$700 billion is itself a fictional limit. A more realistic estimate of the sums to be handed over to Wall Street can be seen in the bill’s provision to increase the US public debt from \$10 trillion to \$11.3 trillion—a rise of \$1.3 trillion.

The bill includes huge windfalls for the banks that are being concealed from the public. It authorizes the Securities and Exchange Commission to suspend accepted accounting standards in order to permit the banks to value their asset-backed securities at the price of purchase, rather than their actual market value.

And it includes tax breaks for companies that hold preferred stock in Fannie Mae and Freddie Mac, the mortgage finance giants that were taken over by the government earlier this month.

These two provisions alone will give the banks a freer hand to engage in accounting fraud and speculation and reward them with billions in windfall profits.

The corrupt character of the process by which this handout to Wall Street is being carried out was indicated in a report in Saturday’s *New York Times*. The article dealt with the lobbying campaign of the American Bankers Association, and noted: “As of Friday night, it appears the association got nearly everything it wanted.”

It gave a small glimpse of Wall Street’s bribery of congressmen, including those spearheading the bailout. “The association also hosts many fund-raising events,” it said, “like a \$1,000-a-ticket fund-raising luncheon last March at Johnny’s Half Shell Blue Room on behalf of Representative Barney Frank, chairman of the House Financial Services Committee and a key player in the bailout package.”

What is taking place is a vastly undemocratic process. As even the US media has acknowledged, the bailout is opposed by the vast majority of the American people. They, however, have absolutely no say in the matter.

In secret discussions, behind the backs of the people and within a few weeks of a national election, an unprecedented bailout of the most powerful financial interests is being rammed through. Its content and far-reaching implications are being concealed by a barrage of banalities and lies.

This infusion of cash into the US banks will do little if anything to stave off an economic catastrophe that is enveloping the working people of the United States and the entire world. Tens of millions face the loss of their jobs, their pensions and their life savings. But their crisis is not addressed by the bailout program.

Moreover, the bailout has set into motion a further monopolization of financial resources in the hands of a few

banks—JPMorgan Chase, Bank of America, Citigroup. What is being presented as a solution to the financial crisis is a reorganization of power within the ruling class that will lead to an even greater concentration of wealth and a further deterioration of the conditions of working people.

No serious explanation of the historical origins of the crisis is being offered by the political establishment or the media. The unfolding disaster has not just developed over a period of weeks, months or even a few years. As those who follow the *World Socialist Web Site* are aware, we have been explaining the historical roots and tracing the development of the crisis of American and world capitalism since the inception of the WSWs more than a decade ago.

In “Notes on the political and economic crisis of the world capitalist system and the perspective and tasks of the Socialist Equality Party,” posted last January 11, the WSWs anticipated the outbreak of the current crisis. We wrote:

“2008 will be characterized by a significant intensification of the economic and political crisis of the world capitalist system. The turbulence in world financial markets is the expression of not merely a conjunctural downturn, but rather a profound systemic disorder which is already destabilizing international politics....

“Sixteen years after the dissolution of the Soviet Union, an event which supposedly signaled the definitive and irreversible triumph of global capitalism, the world economy is in shambles.”

For tens of millions of people in the US and all over the world, the events of the past week have come as a shock. Not since the 1930s has the bankruptcy of the capitalist system been so clearly exposed. These events will be followed by a growth of social struggles. But the critical issue before the working class is to draw the necessary conclusions about the nature of the capitalist system and the urgent need for a socialist alternative.

The election campaign of the Socialist Equality Party and its presidential and vice presidential candidates, Jerry White and Bill Van Auken, is being conducted in order to develop an understanding among working people of the roots and implications of the crisis of the capitalist system and the need to build an independent political movement in opposition to the ruling elite and its two-party system, based on a socialist program.

We urge all those who see the need for a socialist alternative to support our election campaign and join the SEP.



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