

Obama's response to financial meltdown: Deception and subservience to Wall Street

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As hundreds of millions of people in the US and around the world confront the onset of the worst financial crisis since the Great Depression of the 1930s, with all of its implications for their jobs, livelihoods and the future of their children, the Democratic Party and its presidential candidate Barack Obama have seized upon Wall Street's implosion as a means of reinvigorating their faltering campaign.

Obama has delivered a series of speeches and aired a new campaign ad blaming the economic meltdown on "bad decisions made in favor of big corporate special interests instead of America's working families."

The Democratic candidate has made the most of his Republican rival John McCain's bald statement Monday—in the wake of the bankruptcy of Lehman Brothers, the forced sale of Merrill Lynch and the free-fall of stock prices on Wall Street—that the "fundamentals of our economy are strong."

As the absurdity of these remarks became clear, the McCain campaign shifted gears, adopting an equally absurd pretense of anti-Wall Street populism. By Wednesday, speaking to employees at the General Motors plant in Lake Orion, Michigan, McCain was denouncing Wall Street's "casino culture" and declaring: "We are going to fight the special interests and corruption in Washington. We are going to fight the greed and irresponsibility on Wall Street." By Thursday, he was calling for the firing of the chairman of the Securities and Exchange Commission for having "betrayed the public trust."

Obama mocked McCain's phony populist rhetoric, while calling attention to the dominance of corporate lobbyists over his campaign and his close ties to the right-wing former Republican senator and architect of key financial deregulation legislation, Phil Gramm.

"At this rate, by the end of the week John McCain will be telling us how he and Phil Gramm and the seven lobbyists are planning to storm the Treasury Department with torches and pitchforks," said the Democratic candidate.

The sarcasm was apt, but the reality is that it cuts both ways.

If the cataclysmic events in the financial markets over the past week have revealed anything, it is the complete subservience of every branch of the US government and both major political parties to the banks and the biggest capitalist interests. Behind the façade of American democracy lies a dictatorship of finance capital that, under conditions of crisis, exerts its power directly and nakedly.

Thus, in the course of two weeks, the Federal government has doled out hundreds of billions of dollars in taxpayer money in bailouts and loans for failing financial institutions. It has carried out the unprecedented nationalization of the insurance giant American International Group (AIG) with what is widely seen as a down payment of \$85 billion. The firm holds nearly half a trillion dollars worth of questionable credit derivatives on its books.

Not a single vote was taken in either house of the US Congress on these measures, much less by the American people. Rather, the bailouts of Bear Stearns and Fannie Mae and Freddie Mac, like the takeover of AIG, have all been negotiated behind closed doors between Treasury Secretary Henry Paulson, Federal Reserve Board Chairman Ben Bernanke and Wall Street executives.

The *Washington Post* reported Thursday that congressional leaders were hastily informed of the deal to bail out AIG only after it had been struck.

"Lawmakers on both sides of the aisle expressed concern yesterday that they have had no control over when and how federal money has been used to curb the panic on Wall Street," the *Post* reported. "While many have been convinced that the moves so far have been necessary to prevent a wider financial meltdown, they said they felt confined to the sidelines as power to make momentous decisions has been concentrated in very few hands."

The impotence of Congress and the Democratic Party was expressed most nakedly by Senate Majority Leader Harry Reid (Democrat of Nevada), who declared Wednesday that in the face of the unfolding financial catastrophe, the Senate would go ahead with its planned pre-election recess. There was no point in staying in Washington as "No one knows what to do at the moment," he said. The Democratic leadership indicated that it would probably not reconvene until January, unless summoned by Paulson, Bernanke and Wall Street.

At the same time, leading Democrats—including Congressman Barney Frank, chairman of the House Financial Services Committee, Senator Christopher Dodd, head of the Senate Finance Committee, and Senator Charles Schumer, chair of the Joint Economic Committee—have signaled their support for a massive, wholesale bailout of Wall Street through the creation of a new federal agency to buy up all of the banks' worthless mortgage-backed assets.

The plan has been widely compared to the creation of the Resolution Trust Corporation (RTC) nearly 20 years ago to deal with losses from the savings and loans crisis of the 1980s.

However, there are critical differences. The sums involved in absorbing the mortgage-backed securities are astronomically higher. Moreover, while the RTC was established to deal with the fallout from savings banks that had already failed, the new agency is designed to bail out ongoing financial institutions that have profited off of these “toxic” speculative investments.

Reports that the enactment of such a plan is imminent sent stocks soaring by 410 points Thursday, the market’s biggest rally in six years. The exuberance on the floor of the stock exchange amounted to the celebration of a system in which massive profits accumulated by Wall Street’s wealthiest by means of reckless speculation and outright criminality remain privatized, while their losses are socialized, with American working people forced to foot the bill.

Obama and the Democrats are full partners in this system. Behind all of the Democratic candidate’s rhetoric about Wall Street not “minding the store” and how “CEOs got greedy,” his campaign enjoys ample support from finance capital, and his administration would, no less than the Republicans, represent its fundamental interests.

The Obama campaign has raised close to \$10 million from the Wall Street investment houses, nearly 50 percent more than the amount they have given to Republican McCain. Three senior executives at the now bankrupt Lehman Brothers raised more than \$1.5 million for the Democrat.

The Center for Responsive Politics, which tracks campaign contributions, listed Goldman Sachs as the top source of campaign funds for the Obama campaign. The watchdog group added that Wall Street’s stake in the Democratic candidate is probably even larger. “Since his campaign has ignored repeated requests... to disclose his bundlers’ employers and occupations,” it pointed out, “these figures are probably undercounts.”

In addition to Wall Street, the Obama campaign has raised some \$13.4 million from the finance, insurance and real estate sector and \$2 million from the commercial banks, again outstripping McCain.

Given this financial banking, Obama’s posturing as a champion “Main Street” and the scourge of “special interests” is just as absurd as McCain’s vow to fight “greed” on Wall Street.

Equally dishonest is the Democratic candidate’s repeated assertion that the present crisis is the outcome of policies pursued simply over the past eight years. Conveniently ignored is the fact that the frontal assault on the working class that lay the foundations for the present economic setup in America was initiated under the Democratic Carter administration 30 years ago and that the most sweeping deregulation of the financial markets was carried out under the Democrat Clinton.

The results of this process, which has seen the increasing deindustrialization of the US economy, the ever growing weight of financial parasitism and the unprecedented widening of social inequality, will not be cured by the modest increase in regulation being proposed by some Democrats.

Obama has given his backing to the bailouts carried out to date, while remaining silent on plans for a government takeover of mortgage-related investments. The Democratic candidate has said nothing about holding accountable those who profited off of this unfolding calamity, much less proposing that their profits be

seized.

In his speech Wednesday in Nevada, Obama declared that the tumultuous events on Wall Street represented a “final verdict” on the “economic philosophy” of McCain and the Republicans, while proclaiming his conviction that “our free market has been the engine of America’s great progress. It’s a market that has created a prosperity that is the envy of the world.”

What “free market” is he talking about? It is “free” only in the sense that society exercises no control over its predatory and socially destructive misallocation and misappropriation of the wealth created by the working class.

In a serious crisis, all talk about the evils of “big government” and the virtues of “self-reliance” and “private initiative” is dropped and a vast expansion of government power is carried out to intervene in the “free market” in order to rescue the financial aristocracy, with the American people footing the bill.

As for American prosperity being the “envy of the world,” people around the globe are watching with horror and disbelief as millions of Americans are kicked out of their homes, poverty and unemployment worsen, and the country’s infrastructure collapses—while corporate CEOs rake in eight-figure salaries.

The devastating crisis that is gripping Wall Street and the world’s financial markets is a verdict on this “free market.” The capitalist system, based on private ownership of the productive forces, production for profit and the subordination of all social needs to the accumulation of private wealth, is threatening to unleash a catastrophe upon the working class in the US and around the world.

One thing is certain, the plans to rescue Wall Street that are now being prepared with Democratic support will be paid for by working people, through the destruction of their jobs and living standards and the gutting of Social Security, Medicare, Medicaid, and what little else remains of social benefits in America.

A new social catastrophe even greater than the Great Depression can be averted only through a break with the Democratic Party and the fight for a socialist program that ends the subordination of the economy to the dictates of private profit. Only in this way can the vast wealth created by working people be utilized for the benefit of all. This is the program fought for only by the Socialist Equality Party.



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