

US House backs Wall Street bailout

Democrats credit Obama with shifting vote

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In its second vote in five days, the US House of Representatives approved a massive bailout package for the major banks and finance houses. The legislation, passed by a vote of 263 to 171 Friday afternoon, gives US Treasury Secretary Henry Paulson virtually unrestricted powers to use at least \$700 billion to buy up largely worthless paper assets from Wall Street using taxpayers' money.

The approval of the measure by a wide margin followed the defeat in the House of what was essentially a similar bill on Monday. Then, on Wednesday, the Senate approved a revised bailout package that was supplemented by nearly \$150 billion in tax cuts and other measures aimed principally at winning support from the Republican right.

These revisions brought the total price tag for the package to more than \$850 billion, with many predicting that it will end up being only the first installment on a continuing transfer of public wealth to the coffers of the country's major private banks.

Bush signed the measure into law barely an hour after it cleared the House. While uncharacteristically praising Democratic congressional leaders for pushing the bailout through, Bush warned in a statement from the White House, "Americans should also expect that it will take some time for this legislation to have its full impact on our economy."

Earlier, White House spokesman Tony Fratto, a former official in the US Treasury Department, all but acknowledged that the measure is not aimed at ameliorating the increasingly dire conditions facing millions of American working people confronted with the loss of jobs and foreclosures on their homes.

Responding to a question as to whether the bailout would affect rising unemployment--reflected in jobless figures released Friday showing another 159,000 jobs destroyed--Fratto responded: "No one should be over-promising what this bill will do. It's not been sold as giving a boost to the economy--it's to avoid a crisis."

There is little evidence that the plan will accomplish even that, as was reflected in the continuing fall of the stock market Friday and the widespread skepticism expressed by financial experts that the bailout could resolve the credit crisis.

The legislation--formally known as the Emergency Economic

Stabilization Act--was first proposed by Treasury Secretary Paulson, the former CEO of Goldman Sachs, which will be one of the act's prime beneficiaries. While proposed by the administration, the bailout became law thanks principally to the efforts of the Democratic leadership in Congress, which became its main political sponsor.

In Friday's vote, Democrats supported the measure by nearly a three-to-one margin, with 172 voting in favor and 63 against. The Republicans opposed the measure introduced by their own administration by a margin of 108 to 91.

In a press conference held immediately after the vote, House Speaker Nancy Pelosi, Majority Leader Steny Hoyer, Financial Services Committee Chairman Barney Frank and other members of the Democratic House leadership engaged in a round of mutual back-slapping while cynically proclaiming that the aim of the legislation was to protect the American people.

The bill was passed not for Dow Jones, but "on behalf of Mr. and Mrs. Jones of Main Street," declared Pelosi.

In reality, the bailout is aimed at shifting the full burden of the meltdown of the capitalist financial system onto the backs of working people, while providing a windfall to the wealthiest interests in the country.

The claims by the Democratic leadership of "improvements" in the bill are fraudulent. In all essentials, it is the same plan as that presented by Paulson in closed-door meetings with congressional leaders two weeks ago.

Following the bill's defeat in the House on Monday, the strategy used to ensure its passage was to offer concessions to the Republican right in the form of tax cuts, mostly benefiting corporate interests, and other measures aimed at bolstering the balance sheets of the banks at taxpayer expense.

Attempts by Democratic opponents of the original measure to attach provisions to the bill providing aid to families facing foreclosure on their homes were rejected by the Democratic leadership as impermissible.

The attitude of the Democratic leaders to the broad and deep-felt popular opposition to the bailout was one of utter indifference. Many spoke of their repudiation of the will of the American people as a hallmark of true leadership.

The events of the past week have provided the clearest confirmation that the Democratic Party is completely

subservient to big business and the financial oligarchy. This was underscored by the role of the party's presidential nominee, Senator Barack Obama, who returned to Washington on Wednesday to cast his own ballot in favor of the bailout and lobbied to shift the votes of a number of House Democrats.

On Thursday, Obama held a conference call with a group of freshmen Democratic House members to press them to support the bill. He reportedly made a strong pitch to members of the Congressional Black Caucus--which accounted for a dozen of the changed votes.

On Friday, a number of the 32 Democratic representatives who switched their votes to support the legislation cited Obama's appeal in explaining their decision.

Congressman John Yarmuth of Kentucky declared that he still "hates the bill," but said he was convinced by a discussion with Obama to vote for it. He said the candidate had assured him that "he does not view [the bailout] as the end of road."

Others said that Obama had promised he would seek to advance social measures, including revisions in bankruptcy laws, if and when he enters the White House in January. Appearing on CNN Friday morning, Representative Jesse Jackson, Jr. invoked the plight of people in his district facing foreclosure on their homes and then indicated that Obama had convinced him to change his vote. Asked whether the Democratic presidential candidate had promised him that he would enact legislation to halt foreclosures, Jackson acknowledged that he had not.

In reality, the handover of hundreds of billions of dollars in public funds to Wall Street will preclude the use of those funds to aid working people. If he is elected in November, the legislation that Obama has helped to pass will in large measure set the agenda for his administration. It will be one of harsh austerity, budget cuts and attacks on essential social services.

Also at work in the shifting of votes was a combination of cajoling and blackmail on the part of big business and the banks, which waged a massive lobbying campaign on Capitol Hill after Monday's vote.

Republican Representative Joe Knollenberg of Michigan said that he had decided to change his vote after being contacted by a number of top auto industry executives. "I've never talked to so many bank presidents in my life," he added.

The debate on the House floor on Friday was marked by duplicity and servility to big business interests. Many representatives from both parties acknowledged that they were voting for legislation that was opposed by their own constituents.

Representative Barbara Lee, who was among those saying she had been convinced by Obama to change her vote, admitted that efforts by her and others to introduce an economic stimulus package into the legislation had been quashed.

"Be honest," she said. "We don't know if this is the appropriate action. Some economists say yes and some economists say no." She expressed pride that her original "no"

vote had "helped to slow this bill down," but said she now agreed with Obama that it was time to "put out the fire," while worrying about punishing the "arsonists" later.

"I am confident that this is not the popular vote, but it is the right vote," she concluded.

Among the Democrats voting against the measure was Rep. Brad Sherman of California--who earlier in the week reported that members of the House were warning that failure to pass the bill could result in "martial law." In his speech to the House Friday, he made a reactionary appeal to nationalism, proclaiming that the \$700 billion would go "not to save America, but to buy toxic assets currently in safes in London, Shanghai, and Riyadh, Saudi Arabia."

New York Representative Jerry Nadler, a Democrat who supported the bailout, cited his previous votes against the authorization of the Iraq war, the Patriot Act, the FISA domestic spying amendments and other legislation, in which he said Congress had been "railroaded into unwise actions through the use of fear tactics." He added, "But I do not believe that to be the case now. Now we face a very real crisis."

This is precisely what is happening, however. The administration has invoked the worst economic crisis since the Great Depression in an attempt to terrorize the American people into accepting the greatest transfer of public resources to the financial elite in history. The bailout will do nothing to stave off the social catastrophe that confronts millions of working people in the US and internationally. It will not protect their jobs, their pensions or their homes. Instead, it will facilitate an ever-greater concentration of wealth that can only produce a drastic deterioration of living conditions and the undermining of basic democratic rights.

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