

The Senate bailout bill: How the Democrats do the bidding of Wall Street

Barry Grey
3 October 2008

The revised Wall Street bailout bill passed by the US Senate on Wednesday goes substantially beyond the version voted down Monday by the House of Representatives in committing taxpayer money to prop up the banks. It also adds \$150.5 billion in tax breaks, mainly for corporate interests.

All of the changes from the defeated House bill incorporate pro-business proposals pushed by right-wing Republican House members who opposed the original measure, as well as provisions for which banking and corporate interest have been lobbying.

For example, the Senate bill raises the limit on bank accounts insured by the Federal Deposit Insurance Corporation (FDIC) from \$100,000 to \$250,000, a measure that largely benefits the wealthy and provides a bigger backstop to the speculative activities of the banks.

The banks will not be forced to pay premiums to finance the increased government insurance for their deposits. Instead, the FDIC will be given an unlimited line of credit by the US Treasury--meaning taxpayer money will be used to cover the billions of dollars in deposits squandered by failing banks. This provision could add many billions to the price tag to be picked up by the American people.

The Senate bill urges a change in accounting rules, to allow the banks to value their assets at the price at which they purchased them, rather than the price they can now fetch on the market. The banks have been lobbying furiously for this provision, because it will allow them to conceal their losses on their balance sheets, overvalue their asset-backed securities and other speculative holdings, and offload a portion of them to the Treasury at inflated prices.

The tax breaks are apportioned to a variety of business interests, including, according to the *Wall Street Journal*, "research-and-development tax credits coveted by high-tech companies and drug makers." Other tax windfalls reported in the press include incentives to Hollywood to make films in the US.

There are no doubt many more handouts to corporate interests buried in the 451-page bill. It should be recalled

that when Treasury Secretary Henry Paulson first presented his three-page bailout proposal to congressional leaders two weeks ago, and some Democrats called for the addition of measures to help distressed homeowners, he and President Bush put their foot down, demanding a "clean" bill with no "irrelevant" or "controversial" add-ons. The Democratic leaders of the House and Senate banking committees quickly responded with promises not to "Christmas tree" the bill.

Now, at the bidding of big business, the Democrats have loaded the bill with ornaments, all of them directed to powerful financial interests.

By contrast, not a single concession has been made in the revised bill to accommodate the massive popular opposition to the bailout. Proposals advanced by Democratic opponents of the House bill to impose some penalties on Wall Street speculators and provide a measure of relief for distressed homeowners have simply been ignored.

As in the House, the drive to push through the Senate bill was spearheaded by the Democratic leadership, working in close collaboration with the Bush administration and Paulson, the former Goldman Sachs CEO who authored the scheme to use at least \$700 billion in taxpayer money to buy worthless securities from the banks.

The Democratic Party leadership has thus responded to the defeat of the original House bill--in large part at the hands of congressmen who feared being tossed out of office in November by constituents furious over a bailout of the richest people in the country--by refashioning the measure in advance of Friday's revote in the House to provide an even bigger windfall for the American financial elite.

How is this to be explained?

It cannot be accounted for on the basis of the numerical division of the House between the two parties. The Democrats have a clear majority, 235 to 200. The bailout bill was defeated Monday by a vote of 228 to 205. The party leadership could seek to obtain the additional 13 votes it needs by winning over some of the 95 Democrats who opposed the bill, many on the grounds that it was too blatant a handout to Wall Street and lacked any provisions to

address the crisis facing ordinary working people.

But the Democratic leadership never considered such a move. Rather, its response to the defeat of the initial bill was consistent with the position it has adopted unwaveringly since Paulson first broached his scheme to bail out Wall Street. That is, unqualified support for the basic framework of the Paulson plan, with a few cosmetic gestures toward "transparency" and "oversight," supposed restrictions on executive pay that can easily be circumvented, and token provisions for homeowner relief, which were subsequently dropped at the insistence of Paulson and Bush.

Why the utter indifference to the plight of the American people--6 million of whom are expected to default on their mortgage payments this year and next--and complete subservience to a few thousand multi-millionaires and billionaires on Wall Street?

There is really no mystery here. The Democratic leadership--from its presidential and vice presidential candidates Barack Obama and Joseph Biden, to House Speaker Nancy Pelosi, Senate Majority Leader Harry Reid, House Financial Services Chairman Barney Frank, Senate Banking Committee Chairman Christopher Dodd, Hillary and Bill Clinton and on down--has deliberately worked to pass legislation whose sole purpose is to protect the interests of the most powerful sections of the American financial elite.

They have even agreed to an unconstitutional provision that will make it virtually impossible to challenge the bailout program, its overseers and the participating banks in court--a measure that amounts to a blank check for self-dealing and corruption.

They are well aware that the bailout will do nothing to resolve the economic crisis that is deepening by the day and threatening the working class, both in the United States and around the world, with a social catastrophe. But that is not the real purpose of the plan.

Besides covering a portion of Wall Street's bad debts, the bailout serves a broader strategy of utilizing the financial crisis as a means of increasing the economic and political power of the most dominant banks and financial institutions. A process is well underway by which economic power in the US will be concentrated in the hands of a few banking behemoths, enabling them to set interest rates and fees and exercise dictatorial control over the economy.

All of these measures are things the leadership of the Democratic Party wants to see enacted. They have formed a united front with Wall Street's representative Paulson and Bush because they and the party they lead are, as the *World Socialist Web Site* pointed out on October 1, "deeply embedded in the milieu of Wall Street and consider their most critical constituency to be the financial aristocracy and

the richest layers of the upper middle class."

To cite some illustrative facts: Rahm Emanuel, the chairman of the House Democratic Caucus and one of the leaders of the drive to pass the bailout plan, leads all congressmen in the amount of cash received from banking and securities firms. According to the web site MapLight.org, over the past five years he has taken in \$1,636,000 from these sources. Barney Frank, who has led the bailout effort for the Democrats, ranks fourth, with a take of \$1,033,000.

The Democratic Party is a party of the American financial oligarchy. For four decades it has moved ever further to the right, aligning itself more closely with Wall Street while repudiating any program of social reform. Its trajectory has reflected the evolution of sections of the middle class that long constituted a core constituency. These layers enriched themselves, benefiting from booming stock prices based on financial speculation and parasitism.

The Democrats have sought to obscure their class position and right-wing orientation by adopting liberal positions on so-called "social issues"--abortion, gay rights, affirmative action--all of which are defined within the framework of identity politics. Barack Obama, whose posture of "change" and "new politics" is based entirely on his identity, and whose policies of militarism and defense of corporate interests are virtually indistinguishable from those of his Republican opponent, embodies the duplicitous and reactionary nature of the Democratic Party.



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