

Obama floats economic plan: tax breaks and austerity

Bill Van Auken, Socialist Equality Party candidate for vice president
15 October 2008

On the eve of the Bush administration's announcement that it is plowing another \$250 billion into the banks to stave off an imminent financial meltdown, Democratic presidential candidate Barack Obama unveiled his own economic plan, touting it as a "rescue plan for the middle class."

In reality, the proposals that he and other Democrats are now putting forward amount to little more than window dressing for the real rescue plan--that is, transferring hundreds of billions of dollars in public funds into the private coffers of Wall Street.

Whatever campaign promises he--or for that matter his Republican rival McCain--makes in the closing weeks of the election campaign, the reality is that the overriding task of the next administration will be to impose the full burden of the bank bailout onto the backs of American working people.

Economists universally acknowledge that the latest proposal to inject \$250 billion directly into the banks, coming on the heels of the Federal Reserve's pumping of hundreds of billions of dollars more in liquidity into the financial sector, will at best prevent the seizing up of credit markets. It will not prevent the continuing downward spiral of the so-called real economy, resulting in millions of job losses and a sharp decline in the living standards of the great majority of the population.

Under these conditions, the proposals put forward by Obama are striking above all in their timidity and inadequacy in the face of the worst economic crisis confronting American and world capitalism since the Great Depression of the 1930s.

Rolling out his so-called rescue plan in a speech delivered in Toledo, Ohio on Monday, Obama began by acknowledging the depth of the crisis already confronting large sections of the population, including the three quarters of a million workers who have lost their jobs over the course of this year.

"Unemployment here in Ohio is up 85 percent over the last eight years, which is the highest it's been in 16 years," said Obama. "You've lost one of every four manufacturing jobs, the typical Ohio family has seen their income fall \$2,500, and it's getting harder and harder to make the mortgage, or fill up your gas tank, or even keep the electricity on at the end of the month."

But given this brutal reality, the fact of the matter is that Obama's rescue plan for the "middle class" is an after-thought in relation to the rescue operation that has been mounted for the

financial aristocracy. In this effort, he has played a pivotal political role, first endorsing and rounding up Democratic votes for the \$700 billion plan to buy up Wall Street's "toxic assets" and now backing "plan B" to plow \$250 billion directly into the banks as well.

On Tuesday, after the announcement of the latest plan, Obama issued a statement: "Injecting capital into our financial institutions is essential to stabilizing our economy, but we must make sure we are not giving sweetheart, insider deals that shift the risk to taxpayers without giving them sufficient upside." Of course his admonitions against "insider deals" and shifting the risk to the taxpayers are meaningless, given that the entire plan is predicated on just that.

These plans essentially preclude any genuine relief for the millions confronting unemployment, poverty, foreclosures and homelessness today, not to mention the tens of millions who will soon be joining them as a result of the economic crisis. The vast expenditures on behalf of the bankers and their major shareholders ensure a rise in interest rates and inflation, along with mounting layoffs and ballooning deficits. According to the best current estimates, the US budget deficit will rise to \$2 trillion in 2009, twice as large in terms of its share of the gross domestic product as the previous record set 25 years ago. The inevitable reaction of both big business parties will be the demand for increased austerity and budget cuts.

This is what is reflected in Obama's plan. Pride of place in his supposed program for rescuing the middle class goes to another round of tax cuts for business.

These include tax credits for corporations in return for hiring workers in the US. Further, Obama proposes the elimination of capital gains taxes for "start-up" companies and the "fast-tracking" of loan guarantees for the auto companies.

A centerpiece of Obama's proposed aid to families "struggling to pay the bills" is a plan to allow them to draw up to 15 percent out of their IRAs and 401(k)s up to a maximum of \$10,000--without suffering tax penalties or fines. While no doubt many would take advantage of this retrograde innovation, the fact is that it represents nothing more than allowing people to mortgage their futures in order to keep their heads barely above water in the present.

As for the growing wave of home foreclosures, Obama

bragged about the supposed improvements that he and other Democrats made on Treasury Secretary Paulson's original bailout plan. "Now the Treasury must use the authority it's been granted and move aggressively to help people avoid foreclosure and stay in their homes," he said.

This will prove cold comfort for the millions facing the threat of being thrown out of their homes. The reality is that the Democrat leadership in Congress abandoned the only real and binding provision that they initially proposed to protect homeowners-allowing bankruptcy judges to rewrite the terms of mortgages. Wall Street vetoed the measure. Instead, the Democrats added on a series of corporate tax cuts in order to win more support in Congress from the Republican right.

The rest of the Obama foreclosure plan consists of a piddling tax write-off for "struggling homeowners" worth just 10 percent of the interest paid on their mortgages and a proposal for a 90-day moratorium on foreclosures, which by itself would only postpone the inevitable for the majority of those losing their homes.

Finally, Obama concluded with the real thrust of his economic policy. He affirmed that the present financial crisis was due to the fact that "everyone was living beyond their means--from Wall Street to Washington to even some on Main Street."

The "era of easy money" was over, he declared, saying this was true for working people who "have been forced to turn to credit cards and home equity loans to keep up, just like our government has borrowed from China and other creditors to help pay its bills."

This false equation is the clearest expression of the real class position of the Democratic presidential candidate. Working people have been forced into debt as a result of a protracted attack on real wages and social conditions that has been carried out by Democratic and Republican administrations alike in the interests of a thin layer of multimillionaires and billionaires at the top of the financial ladder. The recycling of debt in the form of borrowing from China is part and parcel of the financial parasitism that has served to enrich this same social layer.

Yet, Obama suggests, all will now be forced to tighten their belts in the name of equality of sacrifice.

"Once we get past the present emergency, which requires immediate new investments, we have to break that cycle of debt," said the Democratic candidate. "Our long-term future requires that we do what's necessary to scale down our deficits."

"We'll have to set priorities as never before, and stick to them," said Obama, adding that this meant "scouring the federal budget, line-by-line, ending programs that we don't need and making the ones we do work more efficiently and cost less."

Behind the Democratic candidate's feigned concern for the "middle class" and his rhetoric about "recognizing that common stake that we have in each other's success"-the supposed tie that binds the billionaire on Wall Street to the worker on the

unemployment line-Obama is preparing to implement the kind of brutal austerity policies that will be demanded by the corporate and financial elite, no matter who is elected in November. These will unquestionably include a frontal assault on core social service programs such as Social Security, Medicare and Medicaid, as well as a drive to further reduce the real wages of the working class.

Significantly, on the same day that Obama floated his "rescue plan," the *Wall Street Journal* reported the results of a poll conducted among the rich and the super-rich on the upcoming election.

The survey, conducted by Prince & Associates, found that while more than three quarters of those with assets ranging between \$1 million and \$10 million supported the Republican McCain, two-thirds of those with assets of more than \$30 million said they planned to vote for Obama.

The poll responses indicated that the merely rich were concerned that Obama would increase their taxes, but the super-rich apparently believed that Obama would better defend their interests and protect their money.

The *Journal* commented: "Of course, in today's populist politics, the only thing worse than being the candidate of the wealthy is being the candidate of the super-wealthy. You can bet this is one poll that neither candidate will repeat on the campaign trail."

Such is the dirty and increasingly ill-concealed secret of American politics. The election is a contest between two parties committed to defending the interests of a narrow financial elite at the expense of working people, the vast majority of the population.

Given the deepening economic crisis, the American working class is headed for a direct confrontation with the incoming administration, no matter whether it is headed by McCain or Obama. The Socialist Equality Party is participating in the election to build up a political alternative and leadership to prepare for this struggle.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact