

US Senate passes Wall Street bailout bill

Obama backs the bailout

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The Democratic-led US Senate approved a slightly modified version of the Wall Street bailout Wednesday, reviving the \$700 billion windfall for the wealthy only two days after it was defeated in the House of Representatives. The 74-25 vote saw both the Democratic presidential candidate Barack Obama and the Republican presidential candidate John McCain voting to approve the bailout.

A host of leading liberal Democrats joined in approving the bill, the largest single transfer of wealth to the financial elite in US history, including Democratic vice presidential candidate Joseph Biden, Hillary Clinton, the 2004 Democratic presidential candidate John Kerry, Majority Leader Harry Reid, Majority Whip Richard Durbin, Charles Schumer of New York, and Dianne Feinstein and Barbara Boxer of California. Only a handful of Democrats opposed the bill, joined by about 20 conservative Republicans.

Barely 48 hours after the House defeated the bailout bill-at least in part because it is overwhelmingly unpopular with the American people-congressional leaders are now engaged in an anti-democratic effort to push the legislation through over mass opposition.

In one indication of the attitude of the congressional leadership to the public, the computer servers that route email traffic to the web sites of individual congressmen were shut down-on the pretext that they were overwhelmed by the high volume of traffic-with the result that constituents were no longer able to send emails opposing the bailout.

Majority Leader Reid, a Nevada Democrat, exercised his authority to attach the bailout plan to an unrelated piece of legislation already on the Senate calendar, a bill that mandated equal treatment by healthcare insurers for mental and physical illnesses. This parliamentary maneuver allowed the Senate to evade the constitutional requirement that all spending legislation originate in the lower house.

The House is expected to take up the bill Friday, with both Democratic and Republican leaders pledging to shift enough votes in each party to overturn the previous 228-205 vote rejecting the bailout. On Monday, House Democrats supplied more than two-thirds of the votes in favor of the bailout, with 140 Democrats and 65 Republicans supporting it, while 95 Democrats and 133 Republicans were opposed.

As has been the case throughout the two-week political crisis over the bailout, the Democratic Party leadership has partnered with the Bush administration to do the bidding of the financial elite. The result is a bailout plan, now on the verge of passage, identical in its fundamentals to the three-page outline first submitted by Treasury Secretary Henry Paulson September 19.

Paulson will be given the authority to buy unlimited quantities of "troubled assets" held by various financial firms, with the restriction only that the Treasury can hold no more than \$700 billion at any one time, and that purchases must be reported to an oversight panel and posted on the Internet. The panel has no authority to overrule Paulson's decisions.

The cosmetic measures added to the legislation last weekend-relating to executive pay and "golden parachutes," the oversight board, and suggestions that the Treasury secretary treat homeowners facing foreclosure with leniency-were not strengthened in the Senate bill, as some liberal congressmen had suggested, but remain unchanged.

Concessions to the Republican right

The only significant concessions to the House vote are aimed at appeasing the bill's right-wing Republican opponents. The Senate bailout bill incorporates more than \$100 billion in tax cuts contained in a separate bill passed by the Senate last week, but blocked by the House because the tax cuts were not fully offset by tax increases or spending cuts, as required by congressional budget rules.

The bulk of the tax breaks, \$78 billion, extend existing tax breaks for business and for renewable energy efforts. There is also \$8 billion in tax relief for victims of natural disasters, including Hurricane Gustav and Hurricane Ike, and an extension of relief from the Alternative Minimum Tax, which benefits several million upper-middle-income families.

The other major change from the House bill is an increase in the amount of insurance for bank accounts provided by the Federal Deposit Insurance Corporation (FDIC), from \$100,000 per account to \$250,000, a measure that is of no benefit to the

vast majority of families whose bank deposits are far smaller.

According to a report in the *Wall Street Journal*, the FDIC will also be allowed to borrow unlimited amounts from the Federal Reserve in an effort to forestall widespread bank runs after the collapse of a series of major banks—Washington Mutual, Wachovia and IndyMac, to name only the largest.

While as many as 50 House Democrats voted against the bailout on the grounds that it was too favorable to Wall Street and did not assist struggling homeowners and the unemployed, there are no concessions in the Senate bill in that area. On the contrary, the main concern of congressional Democratic leaders was that a section of conservative House Democrats, the so-called Blue Dogs, might oppose the revised bailout measure because the tax provisions violate "pay-as-you-go" budget rules. Many of the Blue Dogs opposed the original bailout bill in Monday's vote.

In a further demonstration of bipartisan support for the bailout, the chairman of the Democratic Governors Association, Joe Manchin of West Virginia, joined with the chairman of the Republican Governors Association, Rick Perry of Texas, in a letter to Congress urging passage.

Obama backs the bailout

The most politically significant feature of the Senate debate on the bailout Wednesday was the speech delivered by Obama, reiterating his support for the bill.

Obama said that now was not the time to pinpoint causes or assign blame for the crisis, comparing it to a house fire, where the community must come together to put out the blaze before determining what caused it. The metaphor was an exceptionally poor one, given that the bill provides no relief at all for the millions of homeowners facing foreclosure, while giving a bounty to the Wall Street arsonists.

Obama said that once the bailout had been approved, it would be necessary to rescue families "on Main Street" who were having trouble paying their bills because of rising unemployment, gas prices, health care costs, etc. But he did not explain the priority: why the needs of the billionaires on Wall Street were so much more urgent than those of the unemployed, low-paid, uninsured and those facing foreclosure and eviction.

Moreover, as he well knows, the allocation of what will likely amount to more than a trillion dollars in public funds to absorb part of Wall Street's losses will bankrupt the federal government. One reason he and the Democratic leadership as a whole are pushing to pass the bailout measure before the election is so that after Election Day, should he win, he will be able to declare that his "hands are tied" and he has no choice but to repudiate his campaign promises and adopt austerity measures.

The Democratic candidate warned that passage of the bailout was needed to "prevent the crisis from turning into a catastrophe," adding, "We can't afford to take the risk that the worldwide economy could be plunged into a very deep hole."

In reality, the bailout will not resolve what is a systemic crisis of the capitalist system or prevent it from enveloping millions of working people in the US and around the world. The most powerful sections of the US financial elite are utilizing the crisis as an opportunity to offload their bad debts onto the government and impose the burden of the financial meltdown, for which they are responsible, on the working class. There is already much commentary in the media and among economists to the effect that this bailout is little more than a stop-gap, and even greater transfers of wealth to Wall Street will be required.

Obama admitted, "Even if we get this in place, we could still have enormous problems and probably will have enormous problems over the next few months and potentially longer."

He then declared, as he has in several speeches and in his debate last week with McCain, that the cost of the bailout would make it necessary to cut back on future plans to spend money on federal social programs. The programs he has promised in the course of the election campaign "may have to be delayed or stretched out," he said. He added that an Obama administration would carry out a program of budget-cutting and fiscal austerity.

In a speech earlier in the day in La Crosse, Wisconsin, Obama fostered illusions in the bailout, telling his audience, "This is not a plan to just hand over \$700 billion of your money to a few banks. If this is managed correctly, we will hopefully get most or all of our money back--we might even turn a profit on the government's investment--every penny of which will go directly back to you, the investor."

Such lies only underscore the fundamental political reality of the 2008 campaign: The working class has no choice between Obama and McCain, both of whom are proven defenders of corporate America. Obama is emerging at this point as the more likely victor in the election, not by proposing any program to defend the interests of the vast majority of the American people, but by presenting himself to big business as a more consistent and effective defender of the interests of the American ruling elite.



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