A tale of two bailouts

25 November 2008

Barack Obama used his press conference Monday to deliver a sharp rebuke to the US auto industry, ruling out any "blank check" to rescue it from bankruptcy. Virtually in the same breath, the president-elect reiterated his support for just such a "blank check" to US banks and financial institutions, insisting that he would do "whatever it takes" to save them.

There is nothing unique in this blatant double standard. Obama's statements only underscore the essential continuity between the policies of his incoming administration and those that have been pursued by Bush.

Obama's remarks likewise dovetail with the stand taken by the Democratic-led Congress, which last week turned its back on the auto industry, preferring to risk the bankruptcy of the Big Three and the potential destruction of three million jobs than approve a $25 billion bailout package for the carmakers. Obama praised Congress for refusing to vote on the package.

All are agreed: When it comes to Wall Street, no limits will be placed on the amount of taxpayers' money that will be doled out with no strings attached. For the auto industry, however, any government aid is too much, unless it is paid for through merciless concessions imposed upon its workers.

In his press conference, Obama also vowed that his administration "will honor the public commitments made by the current administration to address this crisis." He said a mouthful.

According to a report published Monday by *Bloomberg News*, the US government has already committed $7.4 trillion—more than 10 times the amount approved by Congress in the Wall Street bailout—to rescue the banks and finance houses.

This gargantuan amount is equivalent to half of the entire US gross domestic product and represents an outlay of $24,000 for every man, woman and child in the country.

The lion's share of that money has come from the Federal Reserve, which has pledged $4.4 trillion. According to *Bloomberg*, the Fed is now lending money at 1,900 times the average weekly rate of a year ago. This flood of cash has been unleashed without so much as a vote in Congress, much less the approval of the American people. The Fed even refuses to disclose which banks have benefited, how much they have been given and what the government has obtained as collateral to secure this massive handout of credit.

The latest installment has come in the form of the massive bailout for Citigroup announced on Sunday.

We hold no brief for auto bosses, nor do we support any bailout of their profit interests. Nonetheless, the disparity between the disdain accorded to the CEOs of GM, Ford and Chrysler and the solicitous treatment accorded to Citigroup is noteworthy.

Unlike the auto CEOs, who faced two days of scolding at congressional hearings before leaving Washington empty-handed last week, the head of Citigroup, Vikram Pandit, didn't even have to put in an appearance, much less wait for a congressional vote. All of the terms for the bank's bailout were negotiated behind closed doors with Treasury Secretary Henry Paulson, the former CEO of Goldman Sachs, and other senior officials.

While the auto executives were lectured about everything from their management failures to flying to Washington in private jets—and the media shrieked outrage over the "gold-plated benefits" of auto workers—no one grilled Pandit on how he could dare ask for a taxpayer-funded bailout as head of a crisis-ridden bank that awarded him a bonus of $30 million worth of stock at the beginning of this year, on top of the $165 million it paid him for his hedge fund as part of the deal to hire him. There were no sneering comments from the cable news "pundits" about how someone living in an $18 million apartment next to New York's Central Park could come "cup-in-hand" to the government.

And, while Obama and the Democratic leadership in Congress demanded that the auto companies submit "a plan for future viability" before they receive a dime, no such plan was forthcoming from Citigroup. All that has been released to the public is a half-page joint memo from the Treasury Department, Federal Reserve and FDIC which announces the government bailout while committing Citigroup to nothing.

How is this blatant double standard and hypocrisy to be explained? Some have suggested that the Big Three deserve to fail because of gross mismanagement. But what can one say of the management at Citibank, which managed to lose more than 90 percent of the company's value—from $244 billion to $20.5 billion—in the space of two years? More importantly, the source of these huge losses is largely the bank's reckless speculation in the form of subprime lending and securitization—all in pursuit of astronomical bonuses for Citigroup's traders and senior executives.

No, if the government—with the support of Obama and the Democrats—is socializing Citigroup's losses while leaving their profits private, while at the same time leaving the Big Three to dangle in the wind, it is on behalf of definite class interests.

In the impending bankruptcy of the auto companies, the ruling elite sees an opportunity to carry out a massive attack on living standards, working conditions and social benefits, thereby forcing the working class to pay for the crisis.

The aim is to make an example of the auto workers, whose compensation historically has been a benchmark for the working class as a whole. This can be achieved either through outright bankruptcy and the potential liquidation of millions of jobs, or through a so-called rescue, extended in exchange for the decimation of wages, the ripping up of health and pension benefits for those on the job and the elimination of pensions and health insurance for hundreds of thousands of retirees.

Such an assault would be used as a precedent for similar attacks against every section of working people throughout the country.

This strategy is bound up with the decline of American capitalism, deindustrialization and the increasing financialization of the US economy, all of which have made the speculative activities of Citigroup and other major banks a far more important source of profit for America's ruling elite than the manufacturing operations of firms like GM, Ford and Chrysler.

The claims that government bailouts—both those freely offered to Wall Street and the one being withheld until the Big Three, in tandem with the United Auto Workers union, comes up with sweeping concessions—are aimed at protecting average working people from the impact of the financial crisis is a lie. They are being carried out to defend the interests of the top 1 percent at the expense of the vast majority of the population.

To defend itself against a return to the conditions of the Great Depression of the 1930s, the working class must advance its own solution to this crisis. In opposition to the bailout of the capitalist owners, it must demand the nationalization of the auto industry, taking it out of private hands and transforming it into a public utility under the democratic control of working people.

Citigroup and the other major banks and financial institutions which still threaten to plunge the economy into the abyss and throw tens of millions into unemployment and poverty must likewise be nationalized, without compensation to their executives and big shareholders.

Only in this way can the wealth created by the working class be utilized to provide jobs with decent wages, housing, health care, education and a secure retirement for all.

The political precondition for such a struggle is a decisive break by the working class from the Democratic Party and the building of its own party to fight for the establishment of a workers' government.

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