

Obama's stimulus plan: Another windfall for big business

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In his first major policy speech since winning the presidential election, Barack Obama on Thursday pushed for speedy passage of his economic stimulus plan, painting a dire picture of the consequences should it fail to be rapidly implemented.

“We start 2009 in the midst of a crisis unlike any we have seen in our lifetime,” he declared, “a crisis that has only deepened over the last few weeks.... Now, I don’t believe it’s too late to change course, but it will be if we don’t take dramatic action as soon as possible. If nothing is done, this recession could linger for years... our nation will sink deeper into a crisis that at some point we may not be able to reverse.”

From one standpoint, the speech was a remarkable, if backhanded, acknowledgment by the incoming president of the failure of capitalist market economics and the prospect of a full-blown depression. The past year has exploded all of the nostrums—the infallibility of the market, the virtues of financial “risk-taking,” the wizardry of Wall Street—that for decades were promoted as incontestable truths.

“The result,” Obama said, “has been a devastating loss of trust and confidence in our economy, our financial markets, and our government.”

However, apart from a few general denunciations of “irresponsibility” and “greed,” made to appease public anger, Obama failed to make any analysis of the causes of the crisis or the social interests that are responsible for the unfolding disaster. There was a glaring contrast between the historic dimensions of the crisis, as portrayed by Obama himself, and the banal explanation he provided of its roots.

Obama failed to address the global dimensions of the crisis or deal at any level with the deep-seated structural contradictions of the US and world economy. He cited undeniable facts—“Wall Street executives made imprudent and dangerous decisions, seeking profits with too little regard for risk, too little regulatory scrutiny and too little accountability”—without attempting to explain the underlying processes that made such practices all-pervasive. There was no mention of the vast decline of America’s manufacturing base, itself inextricably bound up with the growth of financial speculation. He could not, therefore, present a coherent argument as to why the policies he was announcing could even begin to tackle the crisis.

On the contrary, Obama’s proposed solution—the American Recovery and Reinvestment Plan—will allocate hundreds of billions of dollars in public funds, the bulk of which will flow into the coffers of the very banks and corporations that reaped massive profits from the policies that precipitated the crash of 2008.

In a number of interviews leading up to Thursday’s speech, Obama made a point of stressing that in formulating his stimulus plan he had consulted Republican politicians and economists—that is, the very forces who have been the most ferocious advocates of the “free market” policies that contributed to the crisis and who most directly aided and abetted the corrupt practices he criticized in his address.

The modus operandi of Obama’s speech mirrored that employed three months ago to rush through Congress the Troubled Assets Relief Program (TARP), which transferred \$700 billion in taxpayer funds to the banks. At that time, Bush took to the airwaves to issue dire warnings of recession and mass unemployment should Congress fail to act immediately to bail out the banks. The aim was to create an environment of anxiety and preempt any public discussion of the causes of the financial crisis or the merits of the bailout bill. Obama, then the Democratic presidential candidate, joined with the Democratic leadership in Congress to support the Republican administration’s rescue of Wall Street.

Of course, the TARP windfall for the financial elite has done nothing to prevent the disaster it was supposed to avert. The stimulus plan announced by Obama on Thursday will likewise do nothing to solve the economic crisis. Once again, a dire economic crisis is being exploited to implement policies favorable to big business that could otherwise not be implemented.

In his speech, Obama did not put a price tag on his plan, generally estimated to total between \$675 billion and \$775 billion over two years. Indeed, his transition team has repeatedly delayed submitting an actual plan to the new Democratic-dominated Congress, while Obama has sought to accommodate its provisions to the most right-wing factions in both parties. Earlier this week he let it be known that some \$200 billion initially allocated as part of infrastructure funding will instead go toward tax breaks, bringing the total in tax windfalls to \$300 billion, half of which will go to business. Ordinary families will get a mere \$1,000 year in tax relief.

To further reassure the right wing and Wall Street, Obama on Wednesday held his first Washington press conference to announce

that he would move to offset the increase in the federal budget deficit resulting from his stimulus plan by shrinking or eliminating scores of social programs and slashing spending for the core components of what remains of the American social safety net—Social Security, Medicare and Medicaid.

In his speech on Thursday, while seeking to cast his plan as a boon to working people, Obama reiterated his intention to attack social programs, saying, “And as I announced yesterday, we will launch an unprecedented effort to eliminate unwise and unnecessary spending... We cannot have a solid recovery if our people and our businesses don’t have confidence that we’re getting our fiscal house in order.”

He offered no explanation as to why it was the social programs on which tens of millions of workers and retirees depend that had to be cut to offset the expansion of budget deficits resulting from cash infusions to the banks and corporations.

The “recovery” Obama envisages will, in fact, do little to relieve the distress and suffering of working class families. He declared his plan would “create or save at least 3 million jobs over the next few years.” But the US economy lost nearly 2.5 million jobs in 2008 alone and, as Obama hinted, it will continue to lose millions of jobs in the coming years. “It will take time—perhaps many years” before “we can restore opportunity and prosperity,” he declared, adding at another point that “it is altogether likely that things may get worse before they get better.”

In other words, even if Obama’s plan is enacted immediately and in full, unemployment will continue to soar for the foreseeable future.

Obama outlined in vague terms his plan to invest in “green” energy, education, health care and infrastructure (repair of bridges, roads, schools) and provide relief to states and localities. This, however, was framed by repeated assurances to the corporate elite that all spending on infrastructure would be funneled through the private sector, providing lucrative opportunities to cash in on the crisis.

He went out of his way to signal that he was far from proposing a new “New Deal,” contrary to the claims of his supporters among “left” and liberal groups. “It’s not just another public works program,” he said, adding that “the overwhelming majority of the jobs created will be in the private sector...” and that his goal “is not to create a slew of new government programs, but a foundation for long-term economic growth.”

While claiming his plan would address the foreclosure crisis, he qualified any government aid to families facing eviction by limiting it to “responsible” families.

Obama declared that he would oversee regulatory reform to halt “reckless greed and risk-taking” by banks and financial institutions, while reassuring Wall Street that the public funding spigots would remain open to bail out the most powerful firms. “It means preventing the catastrophic failure of financial institutions whose collapse could endanger the entire economy,” he said.

He essentially whitewashed the pervasive fraud and criminality of the US financial elite and the collusion of the US government, saying,

“No longer can we allow Wall Street wrongdoers to slip through regulatory cracks. No longer can we allow special interests to put their thumbs on the economic scales.”

As though the plundering of the US economy over the past thirty years was a matter of a few “wrongdoers” and “cracks” in the government regulatory machinery! In fact, parasitism and fraud on a colossal scale have become the mode of operation of the banks and the dominant feature of an economic system whose decay is expressed in the destruction of industry and the basic productive forces. Successive administrations, Democratic as well as Republican, have systematically dismantled regulatory oversight of the banks, and the role of government regulators has been to facilitate fraudulent practices and shield the most powerful and influential perpetrators.

Throughout his speech, Obama was careful not to raise the basic social and class issues that dominate American society and underlie the crisis. Thus, in his potted review of the financial meltdown, he made no mention of the most important result of decades of economic parasitism and political reaction—the immense growth of social inequality.

Obama’s speech was laced with rhetorical generalities, evasions and non sequiturs. What he could not say was that the responsibility for the crisis rests with the capitalist system.

There is no way out of the social disaster that is enveloping working people within the framework of the existing economic and political system. The economic crisis in the US is part of a global failure of the capitalist system. The only answer is a socialist program, including the nationalization of the major corporations and banks and their transformation into public institutions under the democratic control of the working class. The control and management of the economy must be taken out of private hands so that economic life can be organized and developed to meet social needs, not private profit.

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