Obama, Bush team up behind another $350 billion for the banks

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First things first. Even before President Bush makes his farewell address on Thursday and Barack Obama is sworn in as the 44th president next Tuesday, the outgoing and incoming administrations are engaged in a concerted drive to release the second $350 billion installment of taxpayer funds to bail out the banks.

Obama telephoned Bush Monday morning and asked that he formally request the second half of the $700 billion Troubled Asset Relief Program (TARP) windfall for Wall Street approved by Congress on October 3. Bush complied almost immediately, starting the clock on a 15-day period during which Congress can block the Treasury Department from transferring additional billions to financial institutions only if both houses reject the president's request. Even in that highly unlikely event, the president can vacate the congressional action by issuing a veto, which would require a two-thirds majority in both the House of Representatives and the Senate to override—virtually a political impossibility given overwhelming Democratic support for the bailout and Democratic control of both congressional chambers.

Such is the priority given to the bailout money for the banks that Obama and his top economic aides are devoting themselves nearly full-time to meeting with leading Democrats and Republicans and lobbying Congress for support. Obama's $800 billion economic stimulus package, itself tailored to the demands of big business, can wait until mid-February, but Senate Majority Leader Harry Reid has pledged to hold a vote on the TARP money by this Friday at the latest.

The joint Bush-Obama push for the second half of the TARP money has occasioned a flurry of complaints from both sides of the congressional aisle over the refusal of the banks to use the billions they received in the first installment to increase their lending and protests from Democrats over the failure to provide relief for homeowners facing foreclosure—the ostensible purposes of the program. There is also much bluster over the lack of any restrictions on how the banks used the money, the absence of serious limits on executive pay and the fact that the banks were not even required to inform Congress or the public what they did with the government funds they received.

Of the $350 billion already distributed, $250 billion went to banks and financial institutions, including $125 billion to the nine biggest banks. Another $40 billion was added to the $100 billion previously paid out to rescue the insurance giant American International Group, $19 billion went for emergency loans to General Motors and Chrysler, $20 billion went to other firms, and $25 billion was injected into Citigroup as part of a bailout involving over $300 billion in government loans and guarantees.

It is well established that the banks used the money to shore up their reserves and, in the case of some of the biggest firms, to buy up smaller institutions with the aid of a tax break unilaterally enacted by Treasury Secretary Henry Paulson, formerly the CEO of Goldman Sachs, to facilitate a further concentration of financial power on Wall Street.

Obama himself on Monday noted "the absence of clarity, the lack of transparency, the failure to track how the money's been spent and the failure to take bold action with respect to areas like housing," saying he was "disappointed." He promised to "fundamentally change some of the practices in using this next phase of the program."

This, and similar statements from leading Democrats in Congress, are little more than window dressing designed to placate public anger over the handover of federal funds to shore up the balance sheets of the very institutions whose pursuit of super-profits and financial Ponzi schemes precipitated the deepest economic crisis since the Great Depression. Some political cover is needed to continue placing the assets of the American people at the disposal of this discredited financial elite.

But such demagogy and associated political maneuvering cannot disguise the total subordination of the government and both parties to the most powerful sections of the ruling class. The indecent haste with which both the outgoing and incoming administrations are rushing to satisfy the demands of Wall Street for a new infusion of cash provides an object lesson on the class relations that underlie American "democracy."

One day before Obama requested $350 billion more for the banks, he explicitly affirmed that his administration would seek to impose major funding cuts and structural "reforms" on the bedrock social programs—Social Security, Medicare and Medicaid—upon which tens of millions of workers and retirees depend. In an

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interview on the ABC News "This Week" program, Obama was asked whether he would carry out "entitlement reform, including Social Security and Medicare, where everybody in the country is going to have to sacrifice."

"Yes," Obama replied, adding that "what you describe is exactly what we're going to have to do... Everybody is going to have to give."

Everybody, that is, except for the multi-millionaires and billionaires who comprise the financial aristocracy.

There is not even an attempt to explain why it is the critical social programs on which the working class relies that must be cut to offset the explosive growth of budget deficits resulting from cash infusions to the banks and corporations. Indeed, as with the initial passage of the TARP program, there is to be no public discussion or serious congressional debate—no assessment of the failure of the first installment to prevent the economic catastrophe it was supposedly implemented to avert, or explanation of how the second installment will work, whom it will benefit and how it will address the economic crisis any better than the first half of the Wall Street slush fund.

Once again, a proverbial gun is being held to the head of the American people. In a letter to congressional leaders, Obama's top economic adviser, Lawrence Summers, wrote that "President-elect Obama believes the need is imminent and urgent. We cannot afford to wait."

In his letter to Congress, Summers wrote that companies receiving "exceptional assistance" would be subject to "tough but sensible" limits on executive pay and other restrictions. One can judge how much such assurances are worth from the resumés of Summers and Obama's designee as treasury secretary, Timothy Geithner, who will head up the TARP program.

As treasury secretary in the Clinton administration, Summers promoted the dismantling of bank regulations and the cheap credit policies that fueled the housing and credit bubbles which imploded 18 months ago. Geithner, as president of the Federal Reserve Bank of New York, played a central role along with Paulson and Fed Chairman Ben Bernanke in engineering the government loans, cash infusions and guarantees to the banks and financial markets that now total some $8 trillion.

Bernanke weighed in on Monday to push for the additional TARP money. In a speech at the London School of Economics, he endorsed Obama's stimulus plan but added that further taxpayer infusions into the banking system were essential. Bernanke suggested that the second installment should be used to buy up bad mortgage-related bonds and other "toxic" assets weighing down the balance sheets of the banks. This was the plan originally marketed by Bernanke and Paulson, only to be dropped within days of congressional passage in favor of direct cash infusions into the banks.

Whatever form the next transfusion of cash takes, it will not solve the deepening economic crisis. It will not, and cannot, address the fundamental contradictions and deep-seated structural problems of American and world capitalism. No amount of handouts to the banks can resolve the crisis of profitability in basic production and the conflict between globalization and the nation-state system that underlies the crisis, or reverse the massive decay of manufacturing in the US that is the product of decades of financial speculation and parasitism.

Like every other measure taken since the crisis erupted, it will be directed toward defending the interests of the financial elite and leave untouched the foundations of a failed economic and political system.

From its origins, TARP was conceived not as a serious solution to the economic and social crisis, but rather as a means of exploiting the crisis to implement a vast transfer of wealth to the financial aristocracy that would have been impossible under normal conditions. The cost of this plundering of the economy is to be borne by the working class.

The united front of Obama and Bush behind the bank bailout is yet another demonstration of the fraud of Obama's pose as the agent of "change" and one more expression of the basic continuity between the outgoing and incoming administrations. More fundamentally, it underscores the fact that government policy cannot be changed in any progressive way by elections or the replacement of the Republicans by the Democrats. Behind the increasingly worm-eaten façade of American democracy, all essential questions of social life, of war and peace, of democratic rights are determined by the class interests of the ruling elite.

This situation can be changed only through the independent political and revolutionary mobilization of the working class in the fight for socialism.

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