

The case for nationalizing the banks

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Less than four months after Congress passed the Bush administration's Troubled Asset Relief Program (TARP), authorizing the Treasury Department to spend \$700 billion in taxpayer money to bail out the banks, the same banks that received the government handouts are reporting massive losses and the incoming Obama administration is preparing to funnel hundreds of billions in additional funds to Wall Street.

In the interim, the financial crisis has deepened and precipitated a global recession that is acknowledged to be the worst since the Great Depression of the 1930s. Millions more workers, told last fall by Bush and Obama that the government bailout, supposedly designed to benefit "Main Street" and not "Wall Street," would avert a financial meltdown and mass unemployment, have lost their jobs, their homes and their life savings. Meanwhile, the bankers have refused to use their windfalls to lend to businesses and consumers and have instead either hoarded the government cash or used it to buy up smaller firms.

None of the CEOs and speculators whose corrupt and reckless policies brought their own institutions and the global economy to ruin, while they rewarded themselves with seven- and eight-figure compensation packages, and none of the government regulators who colluded in the plundering of the economy have been called to account. The bankers, with the complicity of the government, flatly refuse to reveal what they have done with the money they received from the Treasury.

The vote by the US Senate on Thursday, after intensive lobbying by the Obama transition team, to release the second \$350 billion installment of the \$700 billion slush fund sets the stage for an even more massive bailout. In a taste of things to come, the day after the Senate vote, the Treasury agreed to hand over another \$20 billion to Bank of America as part of a new rescue package that will have the government absorb up to \$118 billion of the bank's losses. Economists and Federal Reserve officials are openly saying that TARP will have to be followed by many more such

bailout funds.

All of this adds up to a colossal fraud perpetrated on the American people—who overwhelmingly oppose the bailouts—for the sole purpose of protecting the interests of the financial aristocracy. There is not now, and there never was, a considered, worked-out plan to solve the financial crisis and avert a social catastrophe.

When Treasury Secretary Henry Paulson, the former CEO of Goldman Sachs, and Federal Reserve Chairman Ben Bernanke called an emergency meeting of congressional leaders in mid-September to demand that they sign off on their proposal to authorize the use of \$700 billion in public funds to rescue the banks, the document they presented was less than three pages long.

Just three weeks after Congress passed the TARP legislation, Paulson announced that the plan he and Bernanke had put forward as the solution to the crisis was being scrapped. Instead of using the money to buy "troubled" subprime and other asset-backed securities from the banks, he decided to simply hand the banks billions in cash, with virtually no strings attached.

Suddenly a political and media establishment that had for decades lambasted the notion of "throwing money" at social problems and opposed any government intervention into the market spoke with one voice of the need for massive government action to place the resources of the people in the hands of the Wall Street elite. When it came to protecting the wealth of the bankers and big shareholders, the operative phrase was "anything goes."

The reality of class relations in America is being mercilessly exposed. The cost of the multi-trillion-dollar handout to Wall Street is to be borne by the working class. Obama cites the vast rise in budget deficits and government debt as a result of the bailouts as justification for sweeping cuts in social programs—including Social Security, Medicare and Medicaid—upon which tens of millions of workers and retirees depend.

The new wave of bank bailouts will do no more to solve the crisis than the last one. None of the measures being devised can seriously address the deepening economic catastrophe because they leave untouched the basic interests of the ruling class, which are rooted in its private ownership and control of the financial system.

For the same reason none of the financial wizards on Wall Street, in academia or in government can give a coherent explanation of the crisis. As defenders of the capitalist system, they dare not acknowledge that the global financial meltdown is an expression of the breakdown of the capitalist system itself.

The current crisis is the inevitable outcome of two inter-related processes: The protracted decline of American capitalism and a crisis of profitability in basic production that is rooted in fundamental contradictions of the capitalist system. Behind the colossal growth of financial parasitism and outright criminality is the attempt by the American ruling elite to overcome the mounting contradictions of its system by shifting investment from manufacturing to ever more exotic forms of financial speculation. Particularly over the past three decades the financial power brokers, supported by the government, have dismantled much of the industrial base of the United States to seek higher rates of profit from various forms of financial manipulation. The creation of wealth for the ruling class has been largely separated from the creation of real value in the production process.

Now the countless trillions of paper values are collapsing, leaving in their wake an economic and social disaster. To even begin to offset these losses the ruling class must intensify its exploitation of the working class, spreading unemployment, poverty and social misery.

No progressive economic plan to solve the crisis can be developed apart from taking the major banks and financial institutions out of private hands. They must be nationalized and transformed into public utilities under the democratic control of the working population. The vast financial resources that the banks control must be used to provide decent education, housing, health care, retirement benefits and well-paying jobs for all.

This should be carried out without compensation to their former owners, while securing the deposits and savings of working people and small business owners.

The books of the major banks, financial firms, insurance

companies and hedge funds must be opened to public examination to lay bare their illegal and socially destructive activities.

There must be a public accounting of the fraud and corruption that have fueled the crisis, and those responsible must be held accountable, including by means of criminal prosecution.

The billions of dollars in social wealth diverted into the private accounts of speculators and bankers must be recovered, to be used for the expansion of social programs that benefit the masses.

This is not merely, or even primarily, a technical task. It is a political and revolutionary one. The power of the financial aristocracy must be broken. As with the ancien régime before the French Revolution, the continued sway of the American financial elite stands as an absolute obstacle to any socially progressive and rational economic policy. The financial elite adamantly opposes any measures that impinge on its wealth and prerogatives, regardless of the cost to society at large. Indeed, it is plotting every day, in league with its bribed agents in the Democratic and Republican parties, to exploit the crisis of its own making to monopolize an even greater share of the national wealth.

The prerequisite for the nationalization of the banks and their subordination to the needs of society is an independent political movement of the working class on the basis of socialist policies. It is a question of state power. No capitalist government can or will carry out this task. What is required is a political and revolutionary struggle to establish a workers' government.

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