

The capitalist market and Obama's stimulus plan

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Even before the Obama administration's economic stimulus package comes to a vote, the rapidity and scale of job losses in the US makes it clear that it will be woefully inadequate. On Monday alone, corporations including Caterpillar, Pfizer, Home Depot, SprintNextel and GM, announced 74,000 new job cuts.

Even if the White House were to achieve its aim of creating or saving 3-4 million jobs over the next two years, it would not make up for job losses that could be twice as large by the end of 2010. The pace of job-cutting has sharply accelerated since the end of 2008—a year that saw 2.6 million jobs lost, the highest number since 1945.

The overriding principle of Obama's plan is that nothing will be done that impinges on the wealth and prerogatives of America's financial elite. He made this clear in his inaugural address when he hailed the "free market," saying its "power to generate wealth and expand freedom is unmatched." Meanwhile, the new president has dropped any mention of his campaign pledge to rescind Bush's tax cuts for the wealthy.

Despite the talk of a "21st century New Deal," the \$825 billion package includes no proposals for government public works projects, let alone plans to hire the millions who have lost their jobs. Ninety percent of the newly created jobs will be in the private sector. Major corporations are already lining up and licking their chops in anticipation of profit windfalls as private contractors for government-funded programs.

A third of the package will be used to pay for tax cuts, half of which are for big business. The House bill includes \$7.7 billion in grants for investors in renewable energy, while the Senate Finance Committee inserted a provision that would give companies tax relief on forgiven debt, a measure for which the US Chamber of Commerce and casino giant Harrah's Entertainment lobbied hard.

Less than a third of the proposal—including just \$30 billion for roads and \$10 billion for transit and rail—will

be used for infrastructure repair, under conditions in which the American Society of Civil Engineers estimates that it would cost at least \$1.6 trillion to bring the country's crumbling bridges, roads and schools back to "good condition." Robert Yaro, the president of the Regional Plan Association, which has guided civic projects in the New York metropolitan area since 1929, told the *New York Times*, the infrastructure proposal was a "drop in the bucket."

There is no aid for homeowners facing foreclosure—a number which could rise to as many as 10.2 million in the next four years, according to estimates by Credit Suisse—nor the tens of millions more who owe far more on their homes than they are worth due the sharpest decline in housing prices since the Great Depression. Millions more have seen their life savings wiped out due to the falling value of their 401 (K) retirement plans, but they merit no help either.

The stimulus package provides only minimal relief to the unemployed in the form of extended jobless benefits and money to help laid off workers keep their medical coverage. In addition, there is about \$87 billion to help states pay increasing Medicaid health insurance for the poor.

None of these measures are a solution to the crisis because they do not address its source: the decades-long decline of American capitalism and the systematic drive by the corporate and financial elite to starve industry and basic infrastructure of investment in order to reap billions in the most parasitic forms of a financial speculation.

It is striking that the stimulus plan includes no measures to rebuild the shrunken industrial base of the country. This is one more indication of the degree to which it is tailored to the needs of the financial aristocracy. The financial elite has no interest in rebuilding basic industry because it can amass far higher profits from financial speculation than it can from investment in basic production—even as it uses mass unemployment and the

threat of bankruptcy to drive down the wages and increase the exploitation of the working class.

Moreover, there is no merely national solution to the crisis, which is a catastrophic failure of the world capitalist system.

In the 1930s, the New Deal measures taken by Franklin Roosevelt put nearly 4 million unemployed workers to work building roads, bridges, dams, schools and other public projects. However, even these measures—possible only in a country with unmatched industrial and financial resources—failed to end the Great Depression. A partial recovery collapsed in 1937, and unemployment once again surged. It took a world war and the deaths of nearly 80 million people to revive the world capitalist economy and create the conditions for the post-war boom.

Unlike the 1930s, however, the US is not the rising economic hegemon, but the world's most indebted nation. Moreover, the American ruling class—which has enriched itself over the last three decades through the systematic dismantling of the reforms of the past—has no intention of allowing any encroachment on its power and wealth. A huge amount of the stimulus money will find its way into the bank accounts of major financial houses, corporations and the wealthiest one percent of the population.

What then are the motives behind the stimulus package?

The first is to stave off a complete collapse of consumer spending and avert a deflationary spiral that would lead to a full-scale depression.

The second is to provide at least the semblance of relief for those facing economic distress in order to contain growing social discontent over a disaster precipitated by the recklessness and avarice of the super-rich.

Finally, the measure is aimed at providing political cover as the White House and Congress prepare to launch another, even more massive bailout of Wall Street and the banks.

The stimulus package pales in comparison to \$8 trillion already handed out in loans, grants and financial guarantees to the banks, which have used the public assets not to free up credit for consumers and businesses—bank loans have actually decreased—but to finance a wave of mergers that are further consolidating the grip of financial and corporate monopolies over the economy.

The cost of the bailout will be borne by the American public itself, as Obama and his advisors have made clear in public statements calling for cuts in vital social programs such as Social Security and Medicare.

There is increasing speculation in the media that the Obama administration might be forced to "nationalize"

the banks. If carried out, this measure would have nothing to do with exerting public control over Wall Street. Instead, taxpayers would assume responsibility for the worthless assets held by the banking giants so they could take these liabilities off their books and once again become profitable. After a temporary period of government direction, the banks would be turned over once again to private investors, who would buy the now lucrative shares for pennies on the dollar.

As the *New York Times* noted Monday, "Mr. Obama's advisors say they are acutely aware that if the government is perceived as running the banks, the administration would come under enormous political pressure to halt foreclosures or lend money to ailing projects in cities or states with powerful constituencies, which could imperil the effort to steer the banks away from the cliff."

The stimulus package, like the bailout of the banks, is predicated on the profit interests of the most powerful sections of the capitalist class. There cannot be any rational or socially progressive solution to the crisis within the framework of the present economic and political system.

To assert their own interests working people will have to break with the Democrats and Republicans and mobilize their strength against the Obama administration. Only the creation of a workers' government and the establishment of real democratic rule by the majority can break the power of the financial aristocracy and make possible the reorganization of economic life to meet the needs of society as a whole.

A socialist policy will include the nationalization of the banks and basic industries under public ownership and democratic control by the working class, the input of working people into all economic decision-making, and emergency measures to protect the jobs and homes of workers, including a reduction in work hours with no loss of pay and a ban on all home foreclosures and evictions.

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