

Congressional office admits:

Obama stimulus plan won't meet job-creation target

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The Obama administration and congressional Democrats began the final push for passage of an \$825 billion economic stimulus plan this weekend, but an analysis by the Congressional Budget Office (CBO) conceded that the measure would pump far less money into the economy over the next two years and create far fewer jobs than promised.

Obama devoted his first Saturday morning radio address to the legislation, which is to be voted on in the House of Representatives Wednesday. Senate consideration would begin after House passage, with the first action scheduled for Monday, February 2.

In the radio speech, Obama portrayed the economic crisis in stark terms. "If nothing is done, the unemployment rate could reach double digits," he said. "Our economy could fall \$1 trillion short of its full capacity, which translates into more than \$12,000 in lost income for a family of four. And we could lose a generation of potential, as more young Americans are forced to forgo college dreams or the chance to train for the jobs of the future."

Obama noted that new filings for unemployment compensation rose last week to the highest level in 26 years. "If we do not act boldly and swiftly, a bad situation could become dramatically worse," he warned. He did not explain, however, why more resources are being devoted to bailing out Wall Street than to providing jobs, health care and education for the vast majority of the American people.

At Obama's request, Congress has already approved the appropriation of another \$350 billion for the banks, completing action on the \$700 billion bailout approved initially last fall. Leading Democrats, including House Speaker Nancy Pelosi and Timothy Geithner, the nominee

for secretary of the Treasury, have said that a further giant allocation of funds to prop up the financial system will be needed soon.

While Democrats and Republicans squabble over whether the stimulus package can save or create four million jobs over the next two years—a drop in the bucket compared to the tens of millions of jobs needed—there is no such delay in action to rescue the banks. Unemployed workers are being told that there will be no help for them until 2011, if then, but Citigroup and Bank of America are showered with billions as soon as they pick up the phone and call the Treasury.

As he has throughout the transition period, Obama pretended in his radio speech that the only possible objection to his stimulus package could come from the right—from those who claim that too much money was being spent. "I know that some are skeptical about the size and scale of this recovery plan," he said. "We won't just throw money at our problems - we'll invest in what works."

This kind of language is a concession to the free market nostrums of the Republican right, which regards all government spending as wasteful unless it is on the military or a direct payoff to big business and the rich. Obama shares the same fundamental standpoint of defense of the profit system, while regarding some spending as necessary at this time to stave off a political explosion.

The argument between Obama and House Republican Minority Leader John Boehner is reduced to a debate over which measures—tax cuts or government spending—can best serve to revive the economy on a capitalist basis. Both parties claim to be intent on "job creation," but what they are really trying to create are conditions where the capitalist class is once again able to reap profits from the

production process.

For his own right-wing purposes, Boehner pointed out that the stimulus package "won't provide immediate relief to our ailing economy" and will create jobs at an exorbitant cost. "All told, the plan would spend a whopping \$275,000 in taxpayer dollars for every new job it aims to create," he said. Left unstated was the reason for this huge per-job cost: only a fraction of that sum will end up in workers' paychecks. The bulk of the funds will go into the coffers of corporate America.

From the beginning, Obama has disavowed any direct creation of jobs by government action, such as the launching of a major campaign of public works like those initiated during the Great Depression. The only public works measures in the stimulus bill are those already undertaken by state governments—mainly roads and other infrastructure—and those which will be contracted out by the federal government to private, profit-making corporations.

On Saturday the White House released a four-page summary of the stimulus package, based on the bill moving through the House of Representatives. Many of the measures provide relief, but not jobs, for the growing numbers of unemployed and poor: extended unemployment benefits, a one-year federal subsidy to pay for health insurance under the COBRA program, expanded eligibility for food stamps and Medicaid, and a \$450 increase in Social Security benefits for 7.5 million disabled and elderly. There is also a tax cut of \$500 for individuals and \$1,000 for families, taking the form of reduced withholding from weekly paychecks rather than a single refund check from the Treasury.

The other "public investment" portions of the legislation are disguised subsidies to various favored industries, including companies that weatherize and insulate buildings, produce "clean energy" technologies, lay upgraded transmission wires for the electricity grid or computerize healthcare records. Similar measures include modernizing 10,000 schools—a tiny down payment on the actual social need—and 1,300 wastewater projects.

According to the White House, some 90 percent of these funds will go to private corporations. These companies will have to bid for the contracts and subsequently hire the workers required to perform the work. It is this cumbersome approach that builds a lengthy delay into the stimulus package.

According to the report by the Congressional Budget Office, made public the day after the inauguration, only \$136 billion of the \$355 billion allocated by the House

bill to infrastructure spending and other discretionary programs would actually be spent by October 1, 2010, 18 months from now.

The CBO figures were seized upon by House Republicans who oppose increased infrastructure spending and want the stimulus package to consist entirely of tax cuts to big business and the wealthy. The White House responded by having Peter Orszag, the outgoing head of the CBO and the new head of Obama's Office of Management and Budget, issue a statement purporting to guarantee "that at least 75 percent of the bill would go directly into the economy within the first 18 months."

Even if this were true, it would mean that the Obama administration would require a year and a half to deliver less money to the broader economy than the Bush and Obama administration have handed over to the banks in a few months.

But still more money is to be funneled to the financial interests. The chairman of the House Financial Services Committee, Congressman Barney Frank, said Friday, "I don't think many people at the top of the Treasury or the Fed thinks this is the last amount of money they're going to need to deploy." Press reports suggest that the next request could be for as much as \$250 billion more.

The investment bank Goldman Sachs issued a projection last week that US banks will record an additional \$1.1 trillion in losses, while NYU professor Nouriel Roubini put the total at a staggering \$3.6 trillion, nearly half of the \$7.8 trillion in total bank lending.

A new bank bailout package is expected as soon as the House and Senate have passed the stimulus package. Both Lawrence Summers, director of the National Economic Council, and Sheila Bair, chairman of the Federal Deposit Insurance Corporation (FDIC), cancelled plans to attend the World Economic Forum next week in Davos, Switzerland so they could work on the next steps for handling the financial crisis.



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