Obama’s housing plan and the American ruling class

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US President Barack Obama's Homeowner Affordability and Stability Plan (HASP), announced Wednesday, will do little to alleviate the enormous financial pressures on working class families caused by plummeting home prices.

It does not reduce the outstanding debt, or principal, that homeowners owe the banks, which for millions of Americans now surpasses the value of their homes. Even in its modest stated aims—to reduce monthly mortgage loan payments for a portion of embattled homeowners—HASP will in most cases depend on the voluntary participation of private banks. It does nothing for the hundreds of thousands of renters thrown out onto the streets by evictions and foreclosures against their landlords.

While complete details of the plan for loan modifications from private banks will not be released until next month, it is already clear that there will be innumerable hurdles designed to make it very difficult for homeowners to qualify. Anyone who is deemed able to "afford" their present rates will not qualify. If a mortgage company decides that refinancing a loan will cost them more than sending the house into foreclosure, moreover, they will be free to deny refinancing.

The haphazard and ineffectual character of Obama's proposal for the housing crisis, like his stimulus bill, does not arise from mere technical deficiencies. Rather, it is conditioned by the demands of the financial elite that Obama represents, which will brook no limit—no matter how mild—to its power and prerogatives.

Thus, HASP—which the Obama administration crafted in close consultation with the banks—is loaded with measures designed to win the support of financiers and investors. For the financial elite, the bill sets aside the lion's share of a $75 billion appropriation. The banks will not be required to write down the values of vastly overpriced loans, much less relinquish control over the securities built up through the home lending industry.

The proposal on housing, moreover, is part of an overall plan being developed by the Obama administration to funnel trillions of dollars into the hands and accounts of the financial institutions and investors who precipitated the crisis.

The *New York Times* on Friday ran a front-page analysis of the Term Asset-Backed Securities Loan Facility, or TALF, which is set to hand over more than $1 trillion in low-cost loans to major hedge funds and other holders of debt-based securities. Securities investors in the credit card and auto loan markets, among others, will be able to borrow against as much as 95 percent of the face value of their overpriced securities, and would be liable for as little as 5 percent of any losses.

Commenting on the program, the *Times* noted that the administration would be "effectively subsidizing the profits of big private investment firms in the bond markets." TALF is part of the massive bank bailout proposal outlined by Treasury Secretary Timothy Geithner earlier this month.

Wall Street's varying reactions to HASP and TALF are revealing. In spite of the fact that HASP, like TALF, is tailored to appease the finance industry, it has been met with hostility from sections of the elite who view the program as a "bailout" for "irresponsible" homeowners. Of course, Wall Street offers no such protestation when it comes to the ongoing bailout of irresponsible and incompetent banking executives and investors to the tune of trillions.

A moment on CNBC, which has since been widely broadcast in the American media, graphically captured the perspective of the financial elite. An animatedly angry correspondent, Rick Santelli, denounced Obama's tepid mortgage reform from the floor of the Chicago Board of Trade. Speaking on behalf of the traders, Santelli yelled, "We really [don't] want to subsidize the losers' mortgages... and reward people that should carry the water instead of drink the water." Santelli continued, "This is America! How many of you people want to pay for your neighbor's mortgage that has an extra bathroom and can't pay their bills?" As he spoke, the traders cheered him on and interjected insults toward those facing foreclosure. America, indeed.

As it has been picked up in the media, the incident has been presented as an example of widespread popular opposition to the aiding homeowners. The ranting of the cable news commentator on a channel that functions as a mouthpiece for Wall Street, was the lead news item on NBC that evening. Santelli himself declared that the stock traders represented a "cross section of America." This places reality on its head. While the media sought to smother or downplay the enormous popular hatred for the bank bailouts, it is seeking to manufacture public opposition to aid for homeowners.

Such comments are part of an attempt to place the blame for

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the economic crisis on the supposedly profligate American consumer. This sentiment was in fact echoed by Obama himself, who spoke in his inaugural address of the "collective failure to make hard choices."

The crisis in the American housing market in fact represents the intersection of powerful objective processes that have been ripening for more than 30 years.

One has been the long-term erosion in the living standards of the working class. Since the 1970s, social inequality has increased and wages have stagnated, in spite of increased worker productivity. To counteract their declining social position, workers were compelled to seek out individualistic "coping mechanisms." They have labored for more hours at more jobs, wives and mothers have entered the workforce by the millions, and, most important, workers have increasingly relied upon credit to support consumer spending, tuition payments, cars, and even major health procedures.

This latter tendency, the turn toward credit debt, was promoted by American capitalism as a critical component in the financialization of the economy, a process set into motion by the historic decline of American capitalism in the latter half of the twentieth century. In the 1970s, American industry was weakened by powerful rivals in Japan and Germany, relentless downward pressures on the rate of profit, and a combative working class.

Financialization was the bourgeoisie's response to these crises. A landmark in this development came in 1980, when Federal Reserve Chief Paul Volcker—currently a top economic advisor to Obama—introduced interest rate "shock therapy" to the economy. By laying waste to basic industry and creating mass unemployment, Volcker aimed to break the resistance of the working class. But the American bourgeoisie had also learned that enormous fortunes could be made through the transfer of social wealth from industry and the working class into various forms of financial speculation, including the manipulation of debt.

These interconnected processes came to a head in the collapse of the US housing market. In order to maintain themselves and their families, workers were compelled to build up ever greater levels of debt. The bubble in the housing market became the final means by which many workers offset declining living standards, leveraging their homes against rapidly rising values in order to make ends meet.

American banks, investors, real estate firms, mortgage companies and politicians relentlessly promoted this through sub-prime and other adjustable rate mortgages. The resulting loans were then sold, bundled, and resold, drawing the entire world financial system atop a profoundly unstable system. The process fueled a massive bubble in home prices.

New layers of billionaires and multi-millionaires were created on the basis of speculation in mortgage securities, stocks, and various forms of derivatives. The American capitalist class as a whole was enriched beyond comprehension. In the process, a modern aristocracy consolidated its control over every aspect of official political, cultural and economic life.

The immediate cause of the economic crisis was the bursting of the bubble in the housing market, as growing numbers of impoverished workers could no longer afford their home loans. After the collapse of the housing market bubble, the exotic securities instruments built up on the basis of the housing market turned out to be scarcely worth the paper upon which they were printed. This spread through the entire financial system. It soon became clear that the incalculably large quantities of paper value built up in the stock market, the hedge funds, mortgage financing concerns, and the banks, represented claims on precious little of value.

The American financial aristocracy, however, will not politely acknowledge its culpability and allow for the amelioration of the conditions of the working masses the world over. With the breakdown of the mechanisms by which it defrauded the working class of vast social wealth, the capitalist class is ruthlessly utilizing its control over the state to seize for itself new resources at home and abroad.

Barack Obama, who was elected by appealing to a popular rejection of the Bush administration's economic and military policies, is the new political frontman for the financial aristocracy. His mortgage plan aims to lend the appearance of "change," but his overriding concern is the defense of finance capital.

The resolution of the housing crisis, like the larger economic crisis of which it is part and parcel, is not simply a technical matter. It is a class question. The working class must articulate and fight for its own program.

The massive resources accumulated by the ruling class through fraud and swindling must be recovered and placed under the democratic control of the working class. These resources should be deployed to meet pressing social needs, including the basic need for housing. Immediate relief must be provided to homeowners, including a massive reduction in home and other forms of debt owed by working people.

This can only be done on the basis of an independent and revolutionary political movement of the working class fighting for socialist policies, including the nationalization of the banks and large corporations under the democratic control of working people, in opposition to the ruling class, the Democratic and Republican parties, and the capitalist system that they defend.

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