Why Obama fears AIG “backlash”

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AIG's plan to award hundreds of millions of dollars in bonuses to the financial wizards responsible for bankrupting the company is an "outrage," Barack Obama declared on Monday. The US president said he had instructed his treasury secretary to "pursue every single legal avenue to block" them. He suggested the government had some "leverage," a remarkable understatement given that it now owns 79.9 percent of AIG's shares and has bailed out the insurance giant to the tune of nearly $180 billion and counting.

Obama's feigning of fury over the AIG bonuses came only one day after his leading economic advisors insisted that in a "nation of laws" and given the sanctity of contracts nothing could be done about these bonuses, no matter how "outrageous" they might be.

Lawrence Summers, director of the White House National Economic Council, declared in a CBS television interview, "The easy thing would be to just say, you know, ‘Off with their heads,' and violate the contracts. But you have to think about the consequences of breaking contracts for the overall system of law."

With this turn of phrase invoking the guillotine, Summers inadvertently put his finger on an essential element of the AIG bonuses furor. Like the nobility at the time of the French Revolution, America's ruling financial oligarchy is an entirely parasitic social layer, whose relentless defense of its wealth and privileges stands as the basic impediment to meeting the most basic needs of society as a whole.

In reality, the AIG bonuses are hardly an aberration. Citigroup's CEO Vikram Pandit hauled in $10.82 million of compensation in 2008, Reuters reported Monday. This payout came as the bank received a $45 billion capital injection from the US government.

Bank of America Corp. CEO Kenneth Lewis fared only slightly worse, getting $9.96 million as his bank also received $45 billion in bailout funds.

Moreover, these obscene pay packages and bonuses are only a small part of the money handed out to the financial elite.

With 20,000 people losing their jobs every single day, the essence of the Obama administration's economic program—in continuity with that of the Bush White House before it—is a vast transfer of wealth from the masses of working people into the coffers of failed banks and Wall Street finance houses. The so-called stimulus package and similar measures amount to little more than window-dressing, designed to provide political cover for this reverse Robin Hood operation.

This was made clear once again late Sunday with AIG releasing a long list of payouts it made with the taxpayers' money. The *Wall Street Journal* calculated that "roughly two-thirds" of the nearly $180 billion in government aid AIG received has been transferred to its trading partners, most of them banks and investment companies. At the top of the list was Goldman Sachs, getting $12.9 billion. AIG essentially paid these firms 100 percent on irresponsible investments in mortgage-backed securities and other forms of securitized debt—what are now known toxic assets—that in most cases would be lucky to fetch five cents on the dollar.

Not coincidentally, the bailout plan for AIG was crafted by Bush's treasury secretary and former Goldman Sachs chairman Henry Paulson—with Obama's treasury secretary, then New York Federal Reserve Bank president Timothy Geithner, acting as Paulson's accomplice. Edward Liddy, the government installed AIG CEO who defended the bonuses last week, was brought to the company from Goldman Sachs' board of directors.

Providing an insight into the decision to send Obama out to rail against AIG, the *New York Times* published an article Monday reporting that his administration "is increasingly concerned about a populist backlash against the banks and Wall Street, worried that anger at financial institutions could also end up being directed at Congress and the White House and could complicate President Obama's agenda."

Administration officials and the corporate media characterizes the growing popular anger against AIG and the bailout of Wall Street as "populist" in an attempt to de-legitimize it, portraying it as backward or ignorant, implying that it could disrupt supposedly necessary measures to revive the economy.

But what are these measures? One measure initiated by the Obama administration will divert at least a trillion dollars more to the Wall Street banks through a program to entice hedge funds and private equity firms into purchasing toxic assets from the banks. The hedge funds will be given cheap loans from the government and will be guaranteed against major losses. The scheme, like all of the previous measures, is designed to privatize profits and socialize losses, guaranteeing that the interests of the financial parasites will not be impinged upon in the slightest.

The fear that popular outrage over the AIG bonuses could interfere with this program is well-founded because they are of a piece, both involving the bailout of a wealthy oligarchy at the expense of the rest of the population.

The *Times* article on the "AIG backlash" concludes by citing the concern of Obama aides that, if the Democratic president "were to become identified as an advocate for the banks and Wall Street, people could take out their anger on him."

What they fear is that all of the rhetoric about "change" and "hope" notwithstanding, Obama will be seen more and more for what he is: a front man for finance capital who is implicated in its criminality and fraud and is carrying out a naked class policy to defend its interests.

Millions of people bearing the full brunt of the economic crisis through the destruction of their jobs, living standards and basic rights are being confronted with the real social interests represented by the Obama administration. This is setting the stage for a new period of class struggle and the emergence of a mass socialist movement in America.

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