

# Obama administration targets the working class

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The expected bankruptcy filing Monday by General Motors—for decades the largest US corporation and one of the country's biggest employers—marks a turning point for both American capitalism and the American working class. Its significance is not only economic and financial. It is also a political milestone. The US government set the June 1 deadline which has forced the bankruptcy filing.

The Obama administration holds the whip hand, having advanced \$40 billion in bailout funds to the auto bosses, and the White House will effectively control GM, holding 72.5 percent of its stock and appointing a majority of its board of directors. In return for their collaboration, the administration is awarding the United Auto Workers executives a 17.5 percent stake in the downsized GM.

In compelling GM to file for bankruptcy, Obama is giving the signal to all of corporate America to attack the jobs, wages, pensions and health benefits fought for by working people in the course of more than a century. The full power of the US government is being used to set an example of making the working class pay for the crisis of capitalism.

Not since Reagan fired the striking PATCO air traffic controllers in 1981, giving the signal for a wave of corporate union-busting and wage-cutting, has an administration intervened so openly to attack the jobs and living standards of American workers. That assault—aided and abetted by the trade union bureaucracy—led to a permanent reduction in the social position of the working class. Similarly, the current government-corporate offensive is aimed at fundamentally restructuring class relations in the US. There is to be no return to the conditions that existed prior to the current economic crisis. The aim is nothing less than the destruction of all that remains of the gains

won by previous generations of workers and the impoverishment of the entire working class.

Tens of millions voted for Obama and the Democrats last November in the hope that the Democratic Party would reverse the policies of the Republican Party and the Bush administration: militarism, attacks on democratic rights and the destruction of the living standards of working people. But the promises of “hope” and “change” have proven to be illusions.

Trillions have been turned over to Wall Street in the form of loans, guarantees and cash handouts from the Treasury and Federal Reserve. But what have the first four months of the Obama administration brought for the working class? Economic figures published this week suggest the answer:

- Some 13.5 million people are unemployed, according to the Bureau of Labor Statistics. In addition, another 6.7 million people were working fewer than 35 hours a week in April because of “slack work or business conditions,” and more than 2.1 million are classified as “discouraged” and not seeking work. That brings the total unemployed or underemployed to more than 22 million people.

- A recent survey of 518 large companies by Hewitt Associates, a human resources consulting firm, reported in the *New York Times* Friday, found that 16 percent of employers had cut pay and 20 percent had cut hours or imposed furloughs, far higher figures than in previous recessions.

- The Mortgage Bankers Association reported that 5.4 million of the 45 million US home loans were either delinquent or in foreclosure in the first quarter of this year. The 12.07 percent delinquency and foreclosure rate is expected to rise sharply under the impact of rising unemployment.

- Subprime and adjustable-rate mortgages are no

longer the principal driving force of the foreclosure crisis. In the first quarter of 2009, the foreclosure rate for prime fixed-rate mortgages doubled compared to a year before, to 6.06 percent, and these loans for the first time make up the largest share of new foreclosures.

- Home prices dropped 18.7 percent in March, compared to the year before, according to Standard & Poor's Case-Shiller Index, covering 20 large metropolitan areas. A research note by Ian Shepherdson of High Frequency Economics predicted weaker consumption as a result: "Were this pace to continue, the loss of housing wealth this year would be roughly equal to the entire GDP of China."

- Credit card defaults are nearing the 10 percent mark for the first time in the 20-year history of Moody's Credit Card Index, hitting a record 9.97 percent in April, the fifth consecutive monthly record. Further increases in unemployment are expected to drive credit card defaults higher through the second quarter of 2010, Moody's predicted.

It is critical for working people to understand the political meaning of these figures. Obama has summed up his economic philosophy as putting an end to unsustainable levels of consumption spending. It is clear *whose* consumption is to be cut: Not the luxuries and perquisites of the super-rich, but food, shelter, clothing, transportation, education and other basic necessities of the broad masses of working people.

This reality underlies the most under-reported policy decision of the Obama administration this week. Its flat refusal to provide a bailout for the state of California, which now faces bankruptcy because of two decades of tax cuts for the wealthy, enacted by Democratic and Republican state legislators, has left the state without sufficient revenue to pay for essential services. The White House is essentially telling Republican Governor Arnold Schwarzenegger to intensify an austerity policy that has already resulted in widespread furloughs and pay cuts for state employees and the closing of state offices.

Working people must recognize the Obama administration for what it is—the spearhead of an assault by the financial aristocracy. Obama's policies are not the result of inadequate understanding or bad advice. He is a conscious and willing political servant of the multimillionaires, doing what is necessary to defend their class interests both at home and abroad.

The defense of jobs, living standards and basic democratic rights begins with a decision to break with the Democratic Party, oppose the Obama administration, and build an independent mass political movement of the working class, based on a socialist and internationalist program.

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