

Obama touts economic “recovery”

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The Obama administration and the media have seized on second quarter gross domestic product (GDP) data to promote the notion that the recession is ending and “recovery” is underway. This effort is summed up by the cover of the current edition of *Newsweek*, which carries the banner headline, “The Recession is Over!”

The claim that the recession is ending is being used to reject any serious relief for workers who are being devastated by layoffs, wage reductions, home foreclosures and cuts in basic social services, and to set the stage for unprecedented attacks on social programs such as Medicare and Social Security to pay for the multi-trillion-dollar bailout of the banks.

On Friday, the Commerce Department reported that GDP declined by 1 percent from April to July, less than the 1.5 percent predicted by economists. This marks the fourth straight quarterly decline in GDP, making the current recession the longest since the 1940s.

The Commerce Department revised sharply downward its estimate for GDP for the first quarter of 2009, from the 5.5 percent decline it had reported initially to minus 6.4 percent, and for all of 2008 from positive 1.1 percent to minus 0.4 percent.

The report showed that while the plunge in economic activity in the first quarter had slowed, businesses slashed spending on buildings, equipment and software by 8.9 percent from April to July, portending more mass layoffs and a further rise in unemployment.

And it showed that the impact of the economic crisis on ordinary Americans is deepening. Personal consumption expenditures fell 1.2 percent in the quarter—twice the anticipated rate of decline—and purchases of durable goods dropped 2.5 percent.

The *New York Times* on Sunday reported one index of the impoverishment of growing sections of the population. Tens of thousands of laid-off workers have already exhausted their meager jobless benefits—on

average about \$300 a week—and a half a million will do so by the end of next month and 1.5 million by the end of the year.

Nevertheless, Obama used his weekly address on Saturday to hail the GDP figures as a vindication of his economic policies. He said that his stimulus package and his “other difficult but important steps” had “put the brakes on this recession.”

“We took unprecedented action,” he continued, “to stem the spread of foreclosures by helping responsible homeowners stay in their homes and pay their mortgages. We helped revive the credit markets and open up loans for families and small businesses. And we enacted a Recovery Act that ... provided relief to struggling states to prevent layoffs of teachers and police officers and made investments that are putting people back to work rebuilding and renovating roads, bridges, schools and hospitals.”

One can only wonder: What country is Obama talking about? State and city governments are slashing jobs and social programs to meet the most crippling budget deficits in modern history. New data released this week reveal that bailed-out banks continue to deny loans to consumers and are hoarding cash more now than at the beginning of the year. As for helping “responsible” homeowners, foreclosures in the first six months of this year hit a record 1.5 million.

The supposed success of his policies, Obama suggested, vindicated his unquestioning support for the profit system and his drive to relieve businesses of their health care obligations to workers. That this is the underlying aim of his health care proposals was made clear by his call for “a health care system that makes it possible for entrepreneurs to innovate and businesses to compete without being saddled with skyrocketing insurance costs.”

These themes were underlined by top administration economic officials who made the rounds of the Sunday

TV talk shows. Lawrence Summers, the director of the White House's National Economic Council, appeared on both NBC's "Meet the Press" and CBS's "Face the Nation," while Treasury Secretary Timothy Geithner appeared on ABC's "This Week with George Stephanopoulos," where he was followed by former Federal Reserve chairman Alan Greenspan.

Summers, Geithner and Greenspan all hailed the government's "success" in rescuing the banks, and the latter two pointed to the sharp rise in stock prices in July as evidence that the recession was ending. Geithner sought to reassure the corporate elite, stressing that the administration was seeking a "private-sector-led recovery."

Neither Obama in his Saturday address, nor his economic officials on the Sunday talk shows, made mention of the report issued last Thursday by New York Attorney General Andrew Cuomo showing that the nine major banks which received a combined \$175 billion in government cash last year paid out nearly \$33 billion in bonuses.

Summers and Geithner were at pains to dampen expectations that the so-called recovery would mean a return to normal levels of unemployment. Summers, speaking on "Meet the Press," warned that "the jobs picture's going to be serious for a long time to come." Nevertheless, Summers said the administration had no plans for a second stimulus package.

Instead, both he and Geithner stressed the need, in the "medium term," for "painful" cuts in social spending. They made clear that Obama's health care cost-cutting drive was only the beginning.

Geithner spoke of "very hard choices" needed to get the country "living within our means," involving "not just health care reform" but "a range of other things." Summers said that to tackle the soaring budget deficit, "You look... at health care... You look at entitlements."

Greenspan was more blunt, declaring that the "core of the deficit problem" was Medicare and complaining that Obama's austerity plans "don't go far enough." He added, "Very significant additional actions are required." Prompted by Stephanopoulos, he said that on the tax side he could support a value-added tax—a regressive tax that falls disproportionately on working people.

That such comments portend an unprecedented attack on Social Security, the bedrock federal program

for retirees dating from the Great Depression, was underscored by two articles posted Sunday on the *Washington Post* web site. One, entitled "Don't Expect Retirement Help," declared, "Uncle Sam won't be of much help" to the millions whose retirement savings have been decimated, "with Social Security likely to face cuts in benefits." The other was ominously headlined "A Flimsy Trust: Why Social Security Needs Some Major Repairs."

It should be noted that these individuals—Obama, Geithner, Summers and Greenspan as well as the talk show moderators—are all multi-millionaires. The "hard choices" they speak of will not impact their lives in the least.

Beginning with Obama, they all exhibit a combination of callousness and ruthlessness that bespeaks not only themselves, but the ruling class whose interests they defend. Their touting of an economic "recovery" for the wealthy at the expense of the broad mass of the population must be taken as a warning.

All of the policies of the Obama administration have been focused on protecting the interests of a financial aristocracy that exercises a de facto dictatorship over the social and political life of the country. Now, the crisis which the bankers precipitated is being used to effect a permanent reduction in the living standards and social position of working people.

There will be no return to the already depressed wage levels and paltry social benefits that existed prior to the crash of 2008. Instead, a further redistribution of wealth from the bottom to the top will be carried out through the destruction of all that remains of past social gains and an immense intensification in the exploitation of the working class.

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