

The two Americas

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Two reports last week, just over one year since the onset of the financial crisis, shed light on the nature of American and world capitalism.

According to an article in the *Wall Street Journal* on Wednesday (“Wall Street on Track to Award Record Pay”), the top 23 Wall Street banks and financial firms are expected to hand out a record \$140 billion in compensation this year—\$10 billion more than the previous record year, 2007.

The rapid recovery in bank pay has been “boosted by a stronger stock market, thawing credit market, a resurgence in deal making and the continuing effects of various government aid programs,” the *Journal* noted.

The *Journal* article came as the largest banks posted their third-quarter earnings. Banks most heavily involved in trading and other forms of speculative activity fared the best, with Goldman Sachs reporting \$3.2 billion and JPMorgan Chase \$3.6 billion in profits.

On Friday, *USA Today* published a front-page article (“Wages Head to 20-Year Tumble”) reporting that average weekly wages for non-management workers in the US have fallen by 1.4 percent so far this year. If wages continue to fall at this rate, it will be the sharpest decline since 1991.

“Wages are usually the last thing to deteriorate in a recession,” economist Heidi Shierholz of the Economic Policy Institute told *USA Today*. “But it's happening now, and wages are probably going to be held down for a long time.”

This report only hints at the social crisis facing millions of people. Official unemployment is close to 10 percent, and real unemployment is much higher. Employers are seizing on the weak labor market to cut benefits and reduce hours across the board. Initiating a trend that could well catch on, Colorado last week became the first state to lower its minimum wage since

the federal law was introduced in 1938.

The coming together of record Wall Street profits and the soaring stock market, on the one hand, and increasing unemployment, falling wages and growing social misery, on the other, has prompted some liberal supporters of the Obama administration to express concern about the social and political implications of these trends.

Several commentators have warned that unless Wall Street develops a social conscience and Obama shows more “backbone,” the divergence in the “two Americas” could have explosive results. Such appeals ignore the real character of the American and world capitalist economy and the role of the Obama administration as the representative of the US financial aristocracy.

The economy of the entire planet is subordinated to the interests of a tiny layer of the population. The interests of this parasitical financial elite can be guaranteed only at the expense of the productive sections of society, principally the working class.

As the financial crisis erupted last year, it became clear to the American ruling class that nothing short of a massive diversion of public resources to the banks could stave off a collapse. The decision to let Lehman Brothers fall was bound up with a deliberate campaign, led by the Bush administration and backed by then-presidential candidate Obama, to create a climate of panic. The aim was to create the political conditions for Congress to sanction a series of bailout measures. The Treasury was placed at the disposal of Wall Street and trillions of dollars were handed over to the financial institutions.

The big banks have used government money to return to profitability and the stock market has risen more than 50 percent since last March. The market has been pushed up by investors awash in cash who have no

productive outlet for their money. But its extraordinary rise is also a vote of confidence in the Obama administration by bankers and big investors who have been reassured that it is fully committed to protecting their interests.

And no wonder. Obama has opposed all caps on executive compensation and rejected any serious reform of financial regulations or restraints on the banks, including those bailed out by the government. The Obama administration has blocked bills in Congress to stop AIG and other companies from paying hundreds of millions in bonuses to its traders and executives.

At the same time, the administration continued and expanded the government bailout programs, pledging up to \$23 trillion. In doing so, it has extended an implicit guarantee that the largest financial institutions are “too big to fail,” and that their bad debts will be covered once again in the event of a new crisis.

These resources will be paid for, in one way or another, by the working class. Obama pushed through the forced bankruptcy of General Motors and Chrysler, demanding that workers accept sharp cuts in wages and benefits, along with the elimination of tens of thousands of jobs. This was a signal for corporate America as a whole to use mass unemployment to carry through similar measures.

The administration has refused to give any aid to the states, forcing them to balance their budgets by cutting their workforces and slashing spending on education and health care. At the federal level, the government is determined to reduce spending on social programs, including a health care overhaul principally aimed at eliminating hundreds of billions of dollars from Medicare.

Treasury Secretary Timothy Geithner stressed this point on Friday, when he said that the US must “live within its means.” In response to a record \$1.4 trillion deficit—due in no small part to the bank bailouts—and in order to preserve global confidence in the dollar, Geithner said, “The president is committed to working with Congress to bring [deficits] down to a sustainable level...” This can only mean cuts in social programs upon which millions of people rely.

A solution to the crisis facing working people must be based on: 1) A political break with and struggle against the Obama administration and the two-party

system; and 2) a program that directly attacks the financial elite and the capitalist system on which it is based.

This requires the confiscation of the wealth of the financial aristocracy, accumulated by fraud and parasitism, through a massive increase in taxes on the wealthy. Control over the main economic levers of society must be taken out of private hands and placed under the democratic control of the working class, so that they can be directed to meeting social needs, rather than generating corporate profits and ever greater wealth for the rich.

If there is one lesson that must be drawn from the experience of this crisis, it is that the interests of the working class—in the US and around the world—cannot be advanced within the framework of the present economic and political system. It is necessary to fight for the only alternative to capitalism—that is, for socialism.

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