

# Obama calls for austerity in Washington jobs speech

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President Barack Obama's Tuesday speech to the Brookings Institution in Washington, D.C., which was touted as a major address on job creation, outlined an agenda that will only exacerbate the nation's unemployment crisis.

Obama made no suggestion that the government would allocate significant funds to directly promote job creation, much less undertake any major public works program such as those that typified Franklin Roosevelt's New Deal during the Great Depression.

Instead, Obama repeated the free market mantras that "there is only so much government can do" and that "job creation will ultimately depend on the real job creators: businesses across America." These callous remarks come from a president who has handed over trillions to the finance industry, under conditions in which nearly 30 million people in the US are either unemployed or underemployed.

Obama used the speech to emphasize "restoring fiscal responsibility," and reaffirmed his commitment "to halving the deficit we inherited by the end of my first term." Given his extraordinary outlays for Wall Street and to the war in Afghanistan—which will cost at least \$1 trillion over the next decade—this can only entail a relentless drive to cut all forms of social spending.

Obama acknowledged popular anger toward the Wall Street bailout, while attempting to obscure the nature and dimensions of what has been, in fact, the largest plundering of public wealth in the history of the nation.

"There has rarely been a less loved or more necessary emergency program than TARP [Troubled Asset Relief Program]," Obama said. "[But] as galling as the assistance to banks may have been...[it] is on track to actually reap billions in profit for the taxpaying public."

This is a lie. In fact the \$700 billion TARP was just one small part of a federal bailout of the finance industry that relied far more heavily on the Federal Reserve Board of Ben Bernanke.

According to Neil Barofsky, the inspector general appointed to make an accounting of the Wall Street bailout, the federal government is potentially on the line for nearly \$24 trillion in the form of loans, direct cash infusions, and guarantees on debt.

The resulting deficits will be paid for not by the financial elite who have benefited from these policies, but by the working class. This Obama alluded to cryptically by discussing the need to "solve tough problems," and confront "hard choices." "We have begun to make the hard choices necessary to get our country on a more stable fiscal footing in the long run," Obama said.

In the days leading up to the speech, a handful of Congressional Democrats had suggested that money from from TARP might be diverted to pay for jobs programs or for specific forms of social relief. TARP is over-funded by an estimated \$200 billion, largely the result of a number of major banks repaying their loans to avoid relatively toothless government restrictions on executive pay.

Such a jobs program the Obama White House has ruled out categorically, according to an article Tuesday in the *Wall Street Journal*. The White House and Congressional leaders have determined that their "ability to use Wall Street bailout funds for a new job-creation initiative will be strictly limited by budget rules and the terms of the original bailout legislation"—i.e., the rules and terms they themselves drafted in collaboration with the Bush administration. Instead, "bailout funds are likely to be restricted mainly to a new small-business lending effort."

This proved to be the central theme of Obama's speech, the president declaring that he would order Treasury Secretary Timothy Geithner "to continue mobilizing the remaining TARP funds to facilitate lending to small business."

Here it is noteworthy Obama said the money will be used to *facilitate* lending, rather than lent to small businesses directly. This is because Obama's "help" for small businesses is in fact a means of turning the money repaid by the likes of Goldman

Sachs and Bank of America back to the finance industry.

The Small Business Administration, which Obama indicated would disburse the remaining TARP funds, does not loan to small businesses. It instead guarantees such loans to participating banks, who in turn try to sell packaged loans to larger financial institutions. The administration “hopes that by supporting the secondary market [i.e., the big banks], lenders will gain their confidence back and make new loans,” as a *Business Week* analysis put it in describing this element of TARP in March.

Whatever remains from TARP not allocated to the SBA will be used to pay down the federal deficit, Obama indicated.

Other elements of Obama’s speech ostensibly aimed at small business included a proposal for “the complete elimination of capital gains taxes” on small businesses, and tax credits for businesses that hire workers.

Only after discussing policies that will benefit Wall Street and private industry did Obama call for a “boost in investment in the nation’s infrastructure,” in addition to what was appropriated through the American Recovery and Reinvestment Act. He offered no figure, and did not say how this would be paid for, besides excluding TARP as a source.

The amount of money set aside in the Recovery Act for infrastructure—between \$70 billion and \$111 billion depending on the estimate—is not only a small fraction of the Wall Street bailout. It is a drop in the bucket set against both the needs of the country’s physical wellbeing (crumbling roads, transportation system, water supply, schools, hospitals) and the vast unemployment crisis.

Even according to the Obama administration’s own imaginative (and dubious) accounting methods, the Recovery Act has so far “created or saved” between 600,000 and 1.6 million jobs. However, the economy has shed well over 3 million jobs since Obama’s inauguration, and has purged more than 7 million since the economic crisis began in late 2007 during the presidency George W. Bush.

As for the infrastructure, according to the American Society of Civil Engineers’ “2009 Report Card for America’s Infrastructure,” infrastructure needs require \$2.2 trillion in investment over the next five years to stop the advanced decay of roads, bridges, water, and sewerage, or at least 20 times the outlay of the Recovery Act. (See: “America’s crumbling infrastructure”.)

The third point in Obama’s “jobs” speech was a plan to encourage homeowners to “retrofit their homes.” This so-called

“cash for caulkers” program would offer government rebates to lessen the cost of making homes energy efficient. In this portion of his speech, Obama also mentioned encouraging the production of “wind turbines and solar panels.”

Even those enthusiastic about Obama’s “green economy” proposals concede that there is little chance they will fundamentally alter unemployment levels.

The fourth point on Obama’s agenda was relief. He dedicated only one sentence to the subject, stating that he favors the extension of “emergency assistance to seniors, unemployment insurance benefits, COBRA, and relief to states and localities to prevent layoffs.”

In fact, COBRA benefits—through which the federal government makes contributions to the health care premiums of laid off workers—last week began expiring for hundreds of thousands of households, with neither the Obama administration nor Congressional Democrats taking any action to extend the benefits.

As for state and municipal governments, they are buckling under record budget deficits that have been translated into unprecedented cuts to social programs and public education.

Just before Obama delivered his speech, the U.S. Conference of Mayors published a report showing a 26 percent increase in demand for food assistance in one year. It follows recent reports by the US Department of Agriculture, the *New York Times* and Feeding America, a major food charity, in revealing a dramatic increase in hunger in the US over the past two years.

With the scourges of joblessness, hunger, and homelessness at levels not seen since the Great Depression, Obama’s closing words can only be deemed provocative.

“The storms of the past are receding,” the president said. “The skies are brightening. And the horizon is beckoning once more.”



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