Banks repay TARP funds, government bailout of Wall Street continues

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Fourteen months after Congress authorized the $700 billion Troubled Asset Relief Program (TARP), the Obama administration is allowing the last of the big banks to repay their TARP funds and escape the token restraints on executive pay and bank operations that were imposed in return for the taxpayer bailout.

Last week, Bank of America, which received $45 billion in TARP funds as well as government guarantees on $118 billion of its assets, announced that it had repaid its cash infusion from the Treasury Department. This week, Citigroup, which received $45 billion in TARP cash as well as government backing for $301 billion of its assets, announced that it planned to repay $20 billion of the TARP money, the rest having been converted into common shares held by the government. Wells Fargo said it would repay its $25 billion TARP capital infusion.

The rush by the big banks to repay their TARP loans is not an expression of their subordination to the government, but precisely the opposite. It is the banks that are demanding the right to pay back their government handouts, despite the fact that they continue to hold billions of dollars in bad loans on their books and have refused to expand their lending to businesses and consumers. They are doing so in order to remove all limits on the dispensation of multi-million-dollar compensation packages and the pursuit of super-profits by means of high-risk bets with borrowed money—the very practices that precipitated the financial crash in the first place.

And, they are doing so with the blessings of the Obama administration.

Even sections of the establishment press have felt obliged to protest—mildly—against the government's unlimited largesse to Wall Street. The *New York Times* in an editorial Monday complained that the Treasury Department's approval of the banks' repayment plans is a "grim reminder of the political power of the banks, even as the economy they did so much to damage continues to struggle."

The *Times* continued: "The truth is that the taxpayers are still very much on the hook for a banking system that is shaping up to be much riskier than the one that led to the disaster… Their trading earnings are financed by more than a trillion dollars' worth of cheap loans from the Federal Reserve, for which some of their most noxious assets are collateral. They benefit from immense federal loan guarantees, but they are not lending much… The growth of the biggest banks ensures that the next bailout will have to be even bigger. These banks will be more likely to take on excessive risk because they have the implicit assurance of rescue."

The repayment of the TARP funds marks the completion of one stage of the biggest transfer of wealth from the public treasury to the financial elite in history. It is the result of a calculated policy to cover the bad debts of the financial aristocracy and guarantee it even greater profits and wealth at the expense of this and future generations of the American people.

The milestones in this process include congressional passage of TARP in October of 2008, led by the Democratic leadership in Congress and backed by then-presidential candidate Barack Obama, and in defiance of massive popular opposition; the transfer of $245 billion in TARP funds to the banks by then-Treasury Secretary Henry Paulson later that month, including $125 billion to the nine biggest banks; the so-called "stress tests" of the biggest banks carried out by the Federal Reserve in the spring of 2009 for the purpose of giving the banks a clean bill of health; the decision of the administration to allow ten TARP-funded banks,

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including Goldman Sachs, JPMorgan Chase and Morgan Stanley, to repay their government loans in June; and this month's decision to allow the rest of the major banks to get out from under the TARP provisions.

In the process, the government and the Fed expanded TARP to include a host of government subsidies to the banks and other financial firms, such as the insurance giant AIG, that are estimated by the special inspector general of TARP to add up to a potential government liability of $23.7 trillion.

Obama and his economic team intervened to scuttle bills in Congress that would have imposed limits on bankers' pay.

Obama's auto task force drove General Motors and Chrysler into bankruptcy in order to impose sweeping layoffs and cuts in pay and benefits on auto workers.

The Obama administration made its top domestic policy initiative the passage of a health care overhaul that will slash costs for the government and business and reduce benefits for millions of Americans, and has pledged to make 2010 the year of fiscal austerity, with the launching of plans to dramatically cut government expenditures on basic social programs such as Medicare, Medicaid and, ultimately, Social Security.

The administration has done nothing to stem the flood of layoffs and home foreclosures and ruled out any measures to address the growth of mass unemployment and poverty that might increase the budget deficit.

It is worth recalling the justifications that were given at the time for the passage of TARP. Then-President George W. Bush went on national television after the collapse of Lehman Brothers in the fall of 2008 and declared that Wall Street had to be bailed out in order to rescue Main Street. The alternative, he said, was mass unemployment and the worst recession since the 1930s. The taxpayers had to bail out the banks, he insisted, in order to allow them to offload their bad assets so they could begin lending again to consumers and businesses.

These claims were lies. The banks have used their government handouts to boost their profits and further enrich their executives, big shareholders and creditors. They have refused to expand their loans to small businesses and consumers, contributing to the worst jobs crisis since the Great Depression. They have refused to sell off or write down their bad assets, confident that, in the end, the government will make sure that they are able to palm them off at top dollar, or, in extremis, bail them out again.

A good portion of the banks' revived profits have come from the systematic and open gouging of the public. They have jacked up interest rates and fees on credit cards, imposed higher fees on checking account overdrafts, and gamed the foreclosure crisis in order to profit from the tragedy of families driven into homelessness and destitution.

The government has refused to enact any genuine reform of the banking system. The free rein for Wall Street that is the outcome of decades of deregulation remains intact. The central feature of Obama's financial regulatory overhaul is a mechanism to more easily and smoothly carry out government bailouts of major banks and financial companies in the future.

This is the record. These are the facts. They demonstrate that the Obama administration is an instrument of the American financial oligarchy, and that this minute social layer dominates every branch of government and both parties, and dictates government policy.

The working class will not accept a return to conditions of poverty and exploitation not seen since the 1930s. But as it comes into struggle, it must be armed with a socialist and revolutionary program. The fight for jobs and decent living standards is a fight against the Obama administration, the two parties of big business, and the ruling class which they serve.

The working class must mobilize its strength to break the stranglehold of the financial aristocracy by nationalizing the banks under the democratic control of the working population and reorganizing economic life on a socialist basis to meet the needs of the people, not the drive by the ruling elite for profit and personal wealth.

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