

Liberalism and Wall Street

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16 January 2010

In an op-ed piece published January 10 entitled “The Other Plot to Wreck America,” *New York Times* columnist Frank Rich denounces the criminal actions of Wall Street executives and the official cover-up of their operations. He correctly asserts that the havoc created by the bankers poses a threat to the American people “on a more devastating scale than any Al Qaeda attack.”

He writes: “Americans must be told how Wall Street gamed and inflated the housing bubble, made out like bandits, and then left millions of households in ruin.”

He accuses both parties and, by implication, the Obama administration of aiding and abetting the looting of the country by the banks. He points out, for example, the key role played by Clinton’s treasury secretary and former Citigroup executive, Robert Rubin, in dismantling the last vestiges of the Roosevelt-era bank reforms, and the complicity of Obama’s treasury secretary, Timothy Geithner, in secretly funneling tens of billions of taxpayer dollars to Wall Street banks in the government bailout of the insurance giant AIG.

Rich paints an accurate picture of the American political system, “where the banking lobby rules in both parties and the revolving door between finance and government never stops spinning.”

Among liberal commentators, including fellow columnists at the *New York Times*, Rich is unusual. A talented writer, he has the ability, no doubt related to his past career as the newspaper’s drama critic, to make acute observations.

Yet when it comes to drawing political conclusions from his portrait of a society dominated by a financial oligarchy, his analysis collapses into banality.

What is his answer to the irresponsible and destructive tyranny of the banks? It is to entrust his hopes, and the fate of the American people, to the deliberations of the latest bipartisan congressional panel set up to carry out an official whitewash. “It is against this backdrop,” he writes, “that this week’s long-awaited initial public

hearings of the Financial Crisis Inquiry Commission are so critical.”

No serious observer can place the slightest confidence in this body, set up almost as an afterthought last May by the Democratic leadership of Congress, after they had authorized the doubling of both the federal budget deficit and the national debt to rescue Wall Street. Rich admits that the panel’s funding is derisory. Its \$8 million budget, he points out, is less than the combined amount spent by three of the major banks in the first nine months of 2009 to lobby Congress against any genuine banking reform.

In the event, the commission’s first hearing, held Wednesday, provided yet another occasion for the bankers to equivocate, lie and lord it over their servile inquisitors. (See: “Wall Street CEOs testify before financial crisis commission”).

The strange and obvious contrast between Rich’s ability to make astute observations about American society and the intellectually and politically impoverished conclusions he draws reflects more than his personal limitations. It reflects the fate of liberal thought in America.

A hundred years ago, it was widely accepted that the roots of poverty, exploitation and political corruption lay in the nature of the capitalist system. There was any number of liberal and left thinkers who clearly understood that the profit system was fundamentally at odds with socially progressive and democratic values. Muckrakers such as Upton Sinclair and Ida Tarbell, while by no means revolutionaries, contributed to the development of a socialist movement through their brilliant exposures of the crimes of big business.

In the 1920s and 1930s, the liberal philosopher and educator John Dewey argued that liberalism had to disassociate itself from capitalist private ownership and production for profit. He insisted that liberal values were incompatible with capitalist economics.

Dewey criticized Roosevelt’s New Deal from the left, correctly characterizing it as a palliative that did not fundamentally alter the structure of American society. He sought to develop, on the basis of liberal thought, a

perspective for socialism to be achieved by reformist means.

In his 1935 essay, “The Crisis in Liberalism,” Dewey wrote: “Organized social planning, put into effect for the creation of an order in which industry and finance are socially directed in behalf of institutions that provide the material basis for the cultural liberation and growth of individuals, is now the sole method of social action by which liberalism can realize its professed aims.”

The following year, he wrote: “Humane liberalism in order to save itself must cease to deal with symptoms and go to the causes of which inequalities and oppressions are but the symptoms. In order to endure under present conditions, liberalism must become radical in the sense that, instead of using social power to ameliorate the evil consequences of the existing system, it shall use social power to change the system.”

The radical strand of liberalism associated with Dewey was fundamentally flawed and unviable. As a leading exponent of pragmatism, a branch of idealist philosophy, Dewey rejected a materialist conception of history as well as the class struggle. His ideal of a non-revolutionary transition to a form of socialism through legislation, etc., had already been overtaken by historical events by the time of the United States’ entry into World War II.

Even the most principled representatives of American liberalism could not theoretically or programmatically go beyond the limits of a petty-bourgeois perspective. This prepared the ground for the post-war embrace by American liberalism of US imperialism.

When the United States emerged from the war as the dominant world power, American liberals for the most part lined up behind the global hegemonic aims of the ruling class, which took the most reactionary forms within the US. American liberalism backed the establishment of the national security state and supported the ferocious assault on socialist thought that accompanied the launching of the Cold War against the Soviet Union.

Leading liberals supplied the “democratic” rationalizations for the anti-communist witch-hunt and supported the purge of socialists and leftists from the trade unions, the film and entertainment industry, the schools and academia.

The damage to American political, intellectual and cultural life from the post-war alliance of the liberals with the most reactionary forces within the US ruling elite was immense, and its legacy continues to play a destructive and suffocating role.

The 1960s saw the beginnings of a rebellion against the

stultifying and repressive legacy of McCarthyism. This was bound up with the emergence of revolutionary struggles of the working class internationally beginning in the late 1960s—most notably, the French General Strike of 1968—and the upsurge of the American working class and student youth during the same period.

The betrayal of these struggles by the Stalinist, social democratic and trade union bureaucracies enabled capitalism to stabilize itself and go on the offensive against the working class in the late 1970s and 1980s. Substantial sections of liberals saw their personal wealth rise considerably as a result of the policies associated with Reagan and his successors, and this change in social position was reflected in an accelerated turn to the right politically.

American liberalism accommodated itself to the free market nostrums of the right wing and the rapid growth of social inequality, and repudiated any serious program for social reform.

Rich is a product of this historical process. The banal political prescriptions that he offers are, in an objective sense, a reflection of the bankruptcy of liberalism.

There is no solution to the crisis of American society outside of the mobilization of the working class on the basis of a revolutionary program to abolish private ownership of the means of production and put an end to the socially destructive accumulation of personal wealth by the financial oligarchy.



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