

Obama's budget reveals the bankruptcy of American capitalism

Patrick Martin
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There is one overriding message in the budget proposal released by the Obama administration Monday: American capitalism is in decline and faces national bankruptcy.

The budget forecasts the doubling of the US national debt over the next few years, even on the assumption of a rapid recovery from the financial crisis and slump. It projects that high, long-term unemployment will become a permanent fixture of American life.

Assuming a growth rate above four percent, historically rare, the budget estimates that the jobless rate will still top eight percent in 2012. Lower growth or a return to slump will mean double-digit unemployment rates as far as the eye can see.

Even the American media has been forced to take note of the historical significance of the deficit figures. A news analysis by David Sanger of the *New York Times*, under the headline "Huge Deficits May Alter US Politics and Global Power," points to the long-term implications of the deficit numbers, which will persist long after such triggering events as the Bush tax cuts, two wars, the bank bailout and the recession which followed the 2008 financial crash:

"By President Obama's own optimistic projections, American deficits will not return to what are widely considered sustainable levels over the next 10 years. In fact, in 2019 and 2020—years after Mr. Obama has left the political scene, even if he serves two terms—they start rising again sharply, to more than 5 percent of gross domestic product. His budget draws a picture of a nation that like many American homeowners simply cannot get above water."

Sanger points to the global consequences of this protracted economic decline, which will erode US influence and its ability to conduct military operations, like the war in Afghanistan, without the approval of

foreign creditors such as China.

Gerald Seib, the Washington columnist of the *Wall Street Journal*, expands on this theme, observing that the federal budget deficit "has become so large and persistent that it is time to start thinking of it as something else entirely: a national-security threat... These numbers are often discussed as an economic and domestic problem. But it's time to start thinking of the ramifications for America's ability to continue playing its traditional global role."

The enormous borrowing by Washington from foreign creditors, he continues, "weakens America's standing and its freedom to act; strengthens China and other world powers including cash-rich oil producers; puts long-term defense spending at risk; undermines the power of the American system as a model for developing countries; and reduces the aura of power that has been a great intangible asset for presidents for more than a century."

The conclusion being drawn from this analysis in US ruling circles is that if American imperialism is to maintain its position of world domination, domestic politics and social relations within the United States must be radically restructured. The resources required to sustain a global military posture and prevent undue dependence on foreign creditors must be extracted from the American working people, through the gutting and effective destruction of the programs which consume the bulk of the federal budget—Social Security, Medicare and Medicaid.

This is spelled out explicitly in a recent issue of *Foreign Affairs* magazine, in an article, "The Dollar and the Deficits," by C. Fred Bergsten, a leading analyst of the US role in the world economy at the Peterson Institute for International Economics. "The root of the United States' problem is domestic," he

argues. “There are at least three reforms that fall under the category of ‘decide now and implement later.’ The most important is containing long-term medical costs, an integral component of overall health-care reform that could save several percentage points’ worth of GDP. The second is comprehensive Social Security reform, including gradual increases in the retirement age and an alteration of the benefits formula to reflect increases in prices rather than in wages. When fully phased in over a couple of decades, such changes could take another one to two percent of GDP off the deficit. The third measure is raising taxes on consumption, which would both generate needed revenue and provide new incentives for private savings.”

Bergsten notes that the Obama administration “has signaled its desire to move in this direction” and “has rejected the restoration of the US role as ‘world consumer of last resort.’” Obama himself has touched on this subject, most notably in his speech last fall on health care reform, where he declared the rising cost of medical care—not the bank bailout, military spending or the economic slump—to be the number one fiscal problem facing the United States.

While the Democrats and Republicans stage endless mock fights over domestic policy and spending priorities, there is a consensus among the political representatives of big business that any serious steps to restore American capitalism to fiscal stability require an all-out assault on the working class. Corporate America is leading the way with its destruction of jobs and wages in the current economic slump. Wall Street is demanding that similarly brutal methods be carried out against domestic social programs.

There is no alternative to this policy within the framework of the profit system. Working people can defend decent-paying jobs and social services like education and health care only if they reject the logic of capitalism and launch a political struggle for a socialist program. At the center of this struggle must be the question: who will pay for the crisis of American capitalism, working people or the capitalists?

All the efforts of the corporate-controlled media and the official two-party system are aimed at preventing any consideration of the central fissure in American society—class. Thus, the official discussion of the federal budget crisis takes it for granted that exploding interest payments on the public debt, which go largely

to the wealthy, and the huge sums expended on the bank bailout are untouchable, while all attention is focused on the rising costs of Medicare and Medicaid, which underwrite health care for the elderly, the poor and the disabled.

Likewise, the existing distribution of property and income in the United States is taken as unalterable. No one in official Washington proposes, for example, the doubling of taxes on the super-rich (restoring them to levels that prevailed under Richard Nixon), or that giant banks and corporations should be nationalized and turned into public utilities, rather than being bailed out by the taxpayers.

Why, given the manifest incompetence and greed of the financial oligarchy, should working people accept its continued domination? Why should less than one percent of the US population own 40 percent of the wealth directly, and control all of it indirectly? It is not that American society can’t afford health care for all or a decent retirement for the elderly, but that society can no longer afford the death grip of the Wall Street parasites.

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