

Banks demand austerity measures against “profligate” countries

Barry Grey
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With the eruption of the European sovereign debt crisis, a new category has emerged in the bourgeois press—“profligate countries.” Commentaries routinely brand entire populations—beginning with the Greeks but extending well beyond—as having been living beyond their means. They must now suffer the consequences.

The near-universal prescription of liberal as well as conservative politicians and commentators is an unprecedented assault on the jobs, wages and living standards of the working class and the gutting of pensions, health care, education and other basic social services.

The discovery of this global epidemic of profligacy is a direct response to the demands of international finance capital. Having plunged the world into an economic disaster by their rapacious pursuit of personal enrichment, and driven their respective states into bankruptcy to bail themselves out, the lords of finance are summoning their facilitators in government to protect their investments by slashing budgets for programs on which hundreds of millions of people depend.

The journalistic scoundrels who are promoting the crusade against profligacy ignore the well-known fact that the living standards of working people in all of the industrialized countries have been declining for decades, while the wealth of the financial elite has grown almost exponentially.

A notable example of this type of punditry is provided by Thomas Friedman, the foreign affairs columnist for the *New York Times*, in an op-ed piece published Sunday. Friedman, always a bellwether of the sentiments of the smug, well-heeled spokesmen for American liberalism, writes: “Yes, sir, we’ve just had our 70 fat years in America... And in these past 70

years, leadership... has largely been about giving things away...”

He continues: “But now it feels as if we are entering a new era, ‘where the great task of government and of leadership is going to be about taking things away from people,’ said the Johns Hopkins University foreign policy expert Michael Mandelbaum. Indeed, to lead now is to trim, to fire or to downsize services, programs or personnel.”

Friedman goes on to compare the people of America with locusts who have eaten “the prosperity that was bequeathed us.”

He gives the following advice to President Obama (whose campaign for fiscal austerity shows that he hardly needs it): “The president needs to persuade the country to invest in the future and pay for the past—past profligacy—all at the same time. We have to pay for more new schools and infrastructure than ever, while accepting more entitlement cuts than ever, when public trust in government is lower than ever.”

Two days after Friedman’s piece appeared, the New York State comptroller issued a report that underscores who the real profligates are. The report estimates that Wall Street bonuses rose 17 percent in 2009 to \$20.3 billion. It reports further that New York Stock Exchange broker-dealer firms took in a record \$49.9 billion in the first three quarters of 2009 and are on track to net more than \$55 billion in profits for the entire year—nearly three times greater than the previous all-time record.

Total average compensation at the largest Wall Street banks, such as Goldman Sachs and JPMorgan Chase, increased 31 percent for the year, while overall average compensation rose 27 percent to more than \$340,000.

These figures document the fact that the American financial elite, through the good offices of the Obama

administration, has been exploiting the crisis of its own making to carry through its long-standing agenda of restructuring class relations by drastically and permanently lowering the living standards of the working class.

This is an acceleration of a decades-long ruling class offensive. By means of tax cuts for corporations and the wealthy, deregulation of business, cuts in social programs, the virtual dismantling of the country's manufacturing base and the use of state repression abetted by the trade union bureaucracy's suppression of working class resistance, the American ruling elite has already immensely increased its share of the national wealth.

To cite some facts:

The Economic Policy Institute reports that in the 30 years before 2008, nearly 35 percent of total income growth in the US went to the top one-tenth of 1 percent of income earners. The bottom 90 percent shared only 15.9 percent of income growth in the same period.

The growth of income inequality was accelerating even before the financial crisis hit in 2008. According to one study, two-thirds of income increases between 2002 and 2007 went to the wealthiest 1 percent of society, and income for the top 1 percent grew 10 times faster than that of the bottom 90 percent. The top 1 percent of earners got a higher share of income in 2007 than at any time since 1928.

Recent figures released by the Internal Revenue Service show that the average income of the top-earning 400 US families grew from \$16 million to \$87 million between 1992 and 2007—a five-fold increase. During this period, the percentage of the total national income that went to the top 400 families tripled, from 0.52 percent in 1992 to 1.59 percent in 2007.

Meanwhile, an average American's net worth fell by 13 percent in the first decade of this century.

The result is that the US has the highest level of income inequality of all the highly industrialized countries. It is ranked as more unequal than Sri Lanka and on a par with Ghana and Turkmenistan.

This is what capitalism had produced for the American people before the eruption of the financial crisis. Since the crash of 2008, millions more have been plunged into unemployment, poverty, homelessness and hunger. Today, 40 million Americans live in poverty, while six million (two percent of the

population) have no income, subsisting on food stamps alone.

Such are the conditions which, according to Friedman and the corporate and political establishment for which he speaks, must be drastically driven down.

The current crisis is stripping away all democratic pretenses and exposing the class realities of a system based on private ownership of the means of production and the subordination of social needs to the personal enrichment of a parasitic elite. It is not a matter of reforming the system, but breaking the grip of this modern-day aristocracy through the political mobilization of the American and international working class in the struggle for socialism.

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