Obama seeks to placate Wall Street amidst forecasts of years of high unemployment

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President Barack Obama strongly denied that his administration was anti-business and defended his policies as helpful to Wall Street in an hour-long town hall event broadcast by the business cable channel CNBC on Monday. The event was clearly a bid by the White House to curry favor with corporate America. The pro-business orientation of the town hall was signaled by its title, "Investing in America."

While the audience included some unemployed people, it was hardly representative of the American population, with a CFO, a lawyer, a business owner and the manager of a $7 billion hedge fund among the handful of people selected to pose questions to the president.

Obama pledged his loyalty to the capitalist "free market," declaring, "In every speech, every interview that I have made, I've constantly said what sets America apart, what has made us successful over long term, is we've got the most dynamic free market economy in the world."

He added, "We benefit from entrepreneurs and innovators who are going out there and creating jobs, creating business. Government can't create the majority of jobs. And, in fact, we want to get out of the way…"

US private-sector employment is actually below the level of ten years ago. A decade of zero net private-sector job creation represents a failure of the capitalist system unprecedented since the 1930s. But Obama has consistently rejected any program for the direct creation of jobs by the government to put the unemployed back to work.

In what was clearly intended to be the tone-setting question, CNBC moderator John Harwood asked Obama whether his calls for financial regulation and higher taxes on the wealthy amounted to "vilifying business."

"Absolutely not," Obama said, adding, "Let's look at the track record here." He continued: "When I came into office, businesses—some of the same commentators who are on CNBC—were crying, 'Do something!' because, as a consequence of reckless decisions that had been made, the economy was on the verge of collapse. Those same businesses now are profitable; the financial markets are stabilized."

After this defense of the trillion-dollar bailout of Wall Street, Obama went on to tout the bailout of General Motors and Chrysler. "We are now seeing the three US auto makers making a profit for the first time in a long time," he said. "They are hiring for the first time in a long time, and that has huge ramifications."

He did not mention that those now being hired by the auto companies are coming in at a wage of $14 an hour, transforming what was a good-paying industrial job into low-wage sweatshop exploitation.

Obama did not condemn the profiteering by the super-rich on Wall Street, merely suggesting that billionaires should pay the same taxes as their employees. He noted that the top 25 hedge fund bosses averaged $1 billion in income each in 2009. "If you're making a billion dollars a year after a very bad financial crisis, where eight million people lost their jobs and small businesses can't get loans, then I think that you shouldn't be feeling put upon."

"The notion that maybe you should be taxed more like your secretary when you're pulling home $1 billion a year isn't to me being extremist or anti-business," he complained.

Rather than suggesting that such incomes were evidence of criminal plundering of the economy—for which investigation and arrest might be appropriate—Obama pledged his cooperation, declaring, "The question should be how can we work with you to grow the economy."

Toward the end of the program, Anthony Scaramucci, manager of the Skybridge Alternatives hedge fund, asked Obama, "When are you going to stop whacking at the Wall Street piñata?"

Obama replied, “I have been amused over the last couple of years by this sense of me beating up on Wall Street. Most folks on Main Street feel like they got beat up on. There’s a big chunk of the country that thinks I’ve been too soft on Wall Street. That’s the majority, not the minority.”

This admission was the president’s way of reminding his Wall Street critics of his administration’s services to the financial aristocracy. The vast majority of the American people look on the banks and investment funds, not as the driving force of economic development, but as a conspiracy against their jobs, wages and pensions.

That his message was understood on “the Street” was demonstrated by the upward movement of the Dow Jones Industrial Average, which rose 107 points during the day’s trading session. CNBC stock market pundit Jim Cramer cited the run-up of stocks like JPMorgan Chase, Bank of America and Visa as proof that the market liked what Obama had to say.

The fact that Obama made no criticism of banks or health care companies was telling. “I like this Obama,” Cramer said. “This Obama is saying, ‘Hey, listen, man, the war is over.’” Of course, there never was a war. Obama’s top priority, even before taking office, was to reassure and prop up the financial markets.

While corporations enjoy record earnings and Wall Street profits and bonuses have returned with a vengeance, there has been no economic recovery for the working class.

A new report released Monday underscored that fact. The Organization for Economic Cooperation and Development, which groups the world’s largest and fastest-growing economies, said that American workers will face recession-level unemployment rates for at least the next three years.

The OECD said the sharp rise in the US unemployment rate, from below 6 percent in 2007 to nearly 10 percent, could become a permanent feature of American life. While previous recessions in the post-World War II era did not cause permanent structural damage, “it is possible this recession will trigger these effects,” the group warned.

“It could be early 2013, at best, before the rate returns to its pre-recession level,” the OECD said, warning that calls by American politicians for immediate and rapid reduction of the federal budget deficit could undermine the prospects for an economic recovery by reducing aggregate demand.

The OECD cut its forecast for US economic growth this year from 3.2 percent to 2.6 percent, a rate well below the level considered necessary to increase employment levels.

Speaking at the release of the survey in New York City, OECD Secretary-General Angel Gurria said, “It is becoming increasingly clear that the economy has entered a soft patch, but this is not inconsistent with previous recoveries. We don’t see a risk of a double-dip recession. That said, we don’t see either a recovery that is strong enough to put a significant dent in unemployment.”

The OECD endorsed the approach of the Obama administration to deficit reduction. The report hailed the establishment of a bipartisan National Commission on Fiscal Responsibility and Reform, with its mandate to cut spending on entitlement programs like Medicare and Social Security. Along the same lines, Gurria declared, “The recent health care reform, which includes measures to reduce the growth in health care spending, is an important landmark.”

In a separate report also issued Monday, the National Bureau of Economic Research declared that the US recession ended in June 2009, after a duration of 18 months, making it the longest downturn in the postwar period. The NBER finding demonstrates the divergence between its technical definition of a recession, which relates to aggregate economic output, sales and business profitability, and the impact of the downturn on the working class in terms of jobs and income.

The group acknowledged the contradiction, saying, “The committee did not conclude that economic conditions since that month have been favorable or that the economy has returned to operating at normal capacity.” In fact, most companies have maintained or increased production with fewer workers.