

# The bankers' budget

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5 August 2011

The United States had its political origin in a revolutionary struggle against an entrenched aristocracy. Today, the working class faces a no less determined foe—a parasitic financial elite whose only response to the crisis it has created is ever more draconian attacks on the social conditions of the vast majority of the population in the US and around the world.

At the head of this ruling class stands the Obama administration, which together with the US media and political establishment as a whole is insisting that the \$2.4 trillion in cuts contained in the latest budget agreement is only a “first step,” an “initial down payment” in a historic assault on the social rights of the working class, from health care to public education.

The budget cuts were drawn up in continual and close contact with the handful of banking executives who have the ultimate say over policy. In the days leading up to this week's Congressional vote, White House Chief of Staff William Daley—himself a former JPMorgan Chase executive—and other administration officials were on the phone with bankers and corporate executives from major firms like American Express and Honeywell.

On the eve of the vote in the US Senate, the *Wall Street Journal* reported, Treasury Secretary Timothy Geithner called JPMorgan Chase CEO Jamie Dimon “to brief him on the final deal.” Geithner well understood that Dimon's opposition would be a deal-breaker.

Far from caving in to the “extortion” of the Republicans—as Obama's liberal and “left” apologists have described his actions during this week's events—the president was acting as the direct representative of the banks when he fashioned the budget-cutting deal.

The two political parties in the United States cannot make any decision of substance unless first ratified by the financial aristocracy. Having spent the last three years emptying the US Treasury to cover Wall Street's gambling debts from the crash of 2008, Obama sought the approval of the bankers for his plan to make the working class pay.

Pressure from the finance industry—which issued an

open letter warning of a calamity if Congress failed to reach a deal—apparently convinced several recalcitrant Republicans to sign on to the last-minute agreement as well. Having done this, however, the financial elite immediately began pressing for far deeper attacks on the working class.

Credit rating agencies Moody's and Fitch warned that a downgrade of US debt was possible if Congress failed to enact debt-reduction measures quickly. This followed warnings last week by Standard & Poor's, which said any deal with less than \$4 trillion in cuts would jeopardize its rating of US debt.

As concerns over a double-dip recession in the US and the European debt crisis sent global markets plunging—including a 512-point sell-off on the Dow Jones Industrial Average Thursday—financial analysts and media pundits developed a new narrative. Concern that Washington lacked the “political will” to slash long-standing entitlement programs was exacerbating “market uncertainty.”

Commenting on the market sell-off, White House press secretary Jay Carney said Thursday the budget deal should send a “reassuring message around the world” that the US government is serious about balancing the budget.

In fact, the new cuts will only intensify the economic crisis, while the slashing of food stamps, unemployment compensation, health care and education will eliminate programs that are more essential for survival than ever.

The Obama administration has now established the precedent that every dollar of increased government debt will be compensated by a dollar of spending cuts. Even if nonmilitary discretionary spending was slashed by one-third by 2021—requiring brutal cuts in Pell Grants, food stamps and other programs—the debt ceiling would have to be raised by \$6 trillion, the Center on Budget and Policy Priorities predicted.

It added that the dollar-for-dollar balancing of debt increases and spending cuts “ultimately would require dismantling much of the Great Society and even the New Deal, thereby paving the way for vast increases in poverty

and deprivation.”

With millions unemployed and without the prospect of a job, the government at both the federal and state level is moving to cut unemployment benefits. Deliberately left out of Obama’s budget deal was an extension of federal benefits for the more than three million long-term jobless workers who could see their only source of income disappear in early 2012.

In one sign of the social crisis, the number of Americans on food stamps rose to an all-time high of nearly 45.8 million—or 15 percent of the US population—in May, according to a new report by the US Department of Agriculture. Unemployment, wage cuts and other economic factors led to a 12 percent jump in food stamp usage from a year ago and a 34 percent rise from May of 2009.

As consumer spending and wages fall, the *New York Times* reported Thursday that sales of luxury goods to the wealthy are approaching pre-recession levels. The *Times* reported the sale of luxury goods—including \$1,650 Crème de la Mer facial creams, \$2,495 Louboutin suede boots, \$11,950 Gucci coats and \$200,000 Mercedes Benz sedans—increased 11.6 percent in July, the biggest monthly gain in more than a year.

The resumption of such excess is chiefly the product of the rise on the stock market, after the Obama administration’s bailout made the bankers whole and provided the wealthy with virtually free credit. Even after this week’s sell-off, the Dow Jones has risen by 80 percent from its low in 2009.

The financial elite presides over an economic system, capitalism, which is dedicated to one principle: the defense of the wealth of the ruling class and the profits of the banks and major corporations.

The events of this week make clear that the international working class faces the prospect of depression and continual attacks on its basic social rights. As the consequence of the budget cuts begin to be felt, and under the weight of unending economic crisis, the working class will begin to fight back.

The Socialist Equality Party rejects the entire framework of the official discussion of deficit-reduction. The claim that there is “no money” to fund social programs is a lie. The richest one percent in the US controls a greater proportion of the national wealth than ever before.

Corporate profits and CEO pay have already outstripped their pre-crash levels. The problem is not a lack of money, but the irrational and socially destructive subordination of

human needs to the accumulation of vast personal wealth by a parasitic elite.

Workers are not responsible for the crisis. The SEP calls on workers and young people to reject all demands for “sacrifice” and mobilize their immense social power to stop the budget cuts and defend their social rights.

We insist that any resolution to the crisis must take as its starting point the expropriation of the wealth of the financial aristocracy and a break of its grip over economic life. The vast sums of money monopolized by this layer must be seized and put to the use of society as a whole.

A restructuring of society to meet social need is not possible without the working class taking control over the main economic forces. This means the transformation of the banks and major corporations into publicly owned industries under democratic control, as part of the socialist reorganization of the economy as a whole.

Such a program can only be achieved through a political struggle. The government of the banks, upheld by the Democrats and Republicans alike, must be replaced by a government of the working class.

In order to wage a struggle against the savage cuts being prepared, the working class must break decisively with Obama and both corporate-backed parties and take up the fight for socialism. We urge workers and youth to join the SEP and build it as the new revolutionary leadership of the working class.

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