Paul Krugman shills for Obama and capitalism

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In a essay headlined "The Republican Economy," liberal economist and *New York Times* columnist Paul Krugman has weighed in with a full-throated apology for the Obama administration, blaming its right-wing economic policies on the congressional Republicans, and turning a blind eye to the pro-Wall Street stance that Obama adopted from the moment he entered the White House—and even before.

According to Krugman, Obama has been prevented from pursuing Keynesian inflationary policies, based on increasing government spending to offset the economic slump, mainly because the Republicans wouldn't let him. He claims, "much though not all of the responsibility for the policy wrong turn lies with a completely obstructionist Republican majority in the House.

"That same obstructionist House majority effectively blackmailed the president into continuing all the Bush tax cuts for the wealthy, so that federal taxes as a share of G.D.P. are near historic lows—much lower, in particular, than at any point during Ronald Reagan's presidency. As I said, for all practical purposes this is already a Republican economy."

Evidently Krugman counts on his readers having political amnesia, and forgetting that for the first two years of the Obama administration the Democrats controlled both houses of Congress, including, for nearly a year, a 60-vote majority in the Senate, enough to shut down any Republican filibuster.

Throughout that period, the Democrats proved just as subservient to the financial aristocracy as the Republicans. In the midst of the most rapid downward spiral in the US economy since the Great Depression, it was the Obama White House, backed by the Democratic congressional leadership, which rejected any suggestion that the federal government should create jobs directly, through public works programs.

Instead, as Krugman observed at the time, the stimulus bill consisted largely of pro-business tax cuts crafted to win support among Republicans and conservative Democrats, and a temporary program of aid to beleaguered state governments that has long since expired, plunging them back into fiscal crisis.

Today Obama claims to support tax increases on the wealthy, such as the so-called Buffett rule that would require multi-millionaires to pay at least as much as average working people. He advocates these measures as a bit of populist demagogy for 2012 elections, without the slightest intention of actually imposing them, secure in the knowledge that House Republicans will block any such action. Obama's millionaire backers understand the game completely.

During the first two years of the Obama administration, with top-heavy Democratic majorities, Obama made no push to raise taxes on the wealthy. Top Democratic senators like Charles Schumer of New York blocked efforts to tax the gargantuan incomes of hedge fund billionaires. House and Senate Democrats alike rejected proposals to rescind the Bush tax cuts for the wealthy.

As for the continuation of these tax cuts in December 2010, for which Krugman indicts the Republicans, this measure was enacted by the lame duck Congress still under Democratic control.

Krugman's brief recapitulation of the Obama economic program leaves out the most important decision of the new administration: extending and greatly expanding the bailout of Wall Street. Some $23 trillion in public funds and guarantees were made available to prop up the banks, dwarfing into insignificance the sums expended on the stimulus package.

Nor does he mention Obama's filling key positions at the Treasury Department and the White House with investment bankers and such deeply compromised figures as Treasury secretary Timothy Geithner, head of the New York Federal Reserve during the Wall Street crash of

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Under the mantra of "looking forward, not backward," the Obama administration rejected any investigation into the Wall Street speculation and fraud that triggered the worldwide economic slump. Not a single prominent banker has been jailed or even prosecuted, and CEOs like Jamie Dimon of JPMorgan are once again raking in eight and nine-figure salaries and bonuses, while working people face a fifth year of economic slump and declining living standards.

Krugman covers up the fundamental dynamic of American politics: the Democratic and Republican parties are both parties of Wall Street, but they play distinct roles in the manipulation and political disorientation of the working people who are the vast majority of the population.

The Republican Party is the open and unabashed party of wealth and profit, celebrating the "job creators"—the capitalists—who have created zero net new jobs in more than a decade, a period of stagnation extending over three presidential terms. When in power, the Republicans operate as the most ruthless advocates of the class they represent. When in opposition, they are equally intransigent, using every possible maneuver, procedural or otherwise, to block any imposition on the profits of the super-rich.

The Democratic Party is equally in thrall to the financial aristocracy, but plays a different political role, since it has historically postured as the representative of working people and the poor. Whenever the Democrats engage in a "struggle" on behalf of their supposed constituency, the working class, they are half-hearted, timid, beaten before they start. That is because they are operating on the basis of false pretenses.

Hence the peculiar situation today, where the Republican Party controls only the House of Representatives, while the Democrats retain both a majority in the Senate and control of the White House, yet the Republicans set the political agenda—deficit reduction, spending cuts, adamant opposition to tax increases on the wealthy—and the Democrats follow suit.

The 2012 election campaign demonstrates the complete bankruptcy of the US two-party system, as far as the working class is concerned. Five years into the deepest economic slump since the 1930s, the US political system is incapable of enacting or even proposing any measure to create jobs or alleviate the widening conditions of social misery. Obama and Romney, and the various Senate and House candidates, vie with each other in proposing measures to attack the working class through cuts in social spending and handouts for corporations and the super-rich.

When Krugman pleads with Obama to "do a Harry Truman" and "run against a 'do-nothing' Republican Congress," he covers up one essential fact: it is both parties that are attacking the working class.

There is nothing innocent or naïve about Krugman's political role. In recent weeks he has emerged as an aggressive media apologist for Obama's economic policies, writing in the *Times*, in the *New York Review of Books*, interviewed in the German *Der Spiegel* and on the front page of the British *Guardian*.

While he tries to portray Obama as a would-be Roosevelt, Krugman gives away the game in his reference at the end of his column to "some big economic achievements" of the Obama administration, "above all the successful rescue of the auto industry, which is responsible for a large part of whatever job growth we are managing to get."

The auto bailout involved cutting the wages for new hires in half, eliminating tens of thousands of jobs, and imposing devastating cuts in pensions and health care benefits. Obama helped restore the auto giants to profitability at the cost of a devastating decline in the social position of auto workers.

Not only did tens of thousands of workers lose jobs, pay and benefits, but an example was set that has been taken up eagerly by employers throughout manufacturing and more widely in the US economy, to restore profitability through similar measures. As the *Wall Street Journal* noted in a recent series, these measures have slashed the cost of production and boosted profit margins to the point that American companies can produce more cheaply in the American Midwest than in China, India and other low-wage economies.

Krugman is an inveterate opponent of Marxism and socialism, and a defender of the profit system. His backing for the Obama administration only demonstrates the complete blind alley of liberalism, which offers working people the same program as that of the ultra-right—the destruction of jobs, living standards and social services—to pay for the crisis of capitalism.

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