

Obama's cheap-labor "promise zone" fraud

Barry Grey
9 January 2014

In a White House speech Thursday promoting his supposed offensive against inequality, President Barack Obama will formally name five communities as so-called "promise zones." The White House on Wednesday released a statement identifying impoverished neighborhoods in Philadelphia, Los Angeles and San Antonio, as well as Southeastern Kentucky and the Choctaw Nation of Oklahoma, as the first such zones. Another fifteen regions are to be designated in the coming months.

In an attempt to lend an aura of progressive reform to the measures it is proposing, the administration scheduled the speech for the week of the 50th anniversary of Lyndon Johnson's declaration of a "War on Poverty." Besides the "promise zones," these measures include a restoration of three months of jobless benefits for the long-term unemployed and a small increase in the federal minimum wage.

The counterposition of these paltry proposals to the last significant social reforms in the US, including Medicare, Medicaid and food stamps, only underscores the repudiation by the political establishment and both big business parties of social reform and their joint drive to dismantle the reforms of the past. Obama's claims to be fighting inequality are belied not only by his past record, but by the further attacks on the working class he is presently pursuing.

The White House and the Democratic Party are cynically seeking to use the Christmas-time expiration of benefits for 1.3 million long-term unemployed workers, which they engineered by dropping an extension from the two-year budget deal they negotiated with the Republicans, to attack the Republicans and posture as advocates of working and poor people in advance of the 2014 midterm elections. The Democrats have already indicated they will agree to new social cuts elsewhere in exchange for Republican acceptance of a mere 90-day extension of

the benefits.

The increase in the minimum wage to \$10.10 an hour being advanced by the Democrats would leave the base wage, in real terms, lower than it was in the 1960s.

Obama's "promise zones" are at once derisory in their scale and funding and reactionary in their content. It appears that the proposal has been cobbled together by combining and repackaging previously announced "revitalization" efforts such as "promise neighborhoods" and "choice neighborhoods." It is not clear whether any additional funds are proposed for the new program. According to the Department of Housing and Urban Development, the administration has since 2009 spent a mere \$350 million "in 100 of the nation's persistent pockets of poverty."

This compares to the trillions of dollars handed over to the banks and corporations in the form of taxpayer bailouts and the tens of billions in monthly subsidies to the financial markets provided by the Federal Reserve Board. The Democratic-controlled Senate this week ensured the continuation of this policy by handily confirming Obama's nominee and Wall Street's pick, Janet Yellen, to succeed Ben Bernanke as the next Fed chairman.

Obama's singled-minded focus on covering the bad bets of Wall Street and further enriching the financial elite, in part by driving stock prices and corporate profits to record highs, has fueled a staggering increase in social inequality. The total wealth of billionaires has more than doubled since the stock market hit bottom in March of 2009. Since then, the Standard & Poor's 500 stock index has risen by 170 percent. More than 95 percent of all income gains in the US during Obama's first term went to the richest 1 percent of the country.

On the other side of the ledger, Obama has combined an unprecedented assault on social spending with a relentless drive to slash workers' wages and increase their exploitation. At the center of the 2009 forced

bankruptcy of General Motors and Chrysler, engineered by Obama's Auto Task Force, was a 50 percent cut in the wages of new-hires as well as sharp reductions in the benefits of active and retired workers. This became the trigger for a nationwide assault on workers' wages and benefits.

The majority of new jobs created in the US since the 2008 Wall Street crash pay between \$7.67 and \$13.83 an hour. The number of temporary jobs has increased by 50 percent.

Just as the auto bailout was presented as a boon to auto workers, every so-called "job creation" and "antipoverty" measure has centered on driving down wages and increasing speedup, while granting new tax breaks to business, so as to make US corporations more "competitive," i.e., profitable, and increase US exports.

This was summed up in Obama's choice of an Amazon.com fulfillment center in Chattanooga, Tennessee as the site of what was billed as a major economic policy speech last August. Speaking at a facility where the base pay is \$11 an hour and working conditions are notoriously brutal, Obama praised the company's "job creation" and declared Amazon to be "a great example of what's possible."

Meanwhile, Obama is proposing alongside his "promise zones" another \$5 billion in tax incentives for businesses that take advantage of the poverty-wage labor being offered up.

The zones do not constitute an antipoverty program at all. They involve no government-funded jobs, but are rather, like free enterprise zones internationally, an inducement to private companies to profit from highly exploited, low-paid labor. The Philadelphia zone includes 35,000 residents in an area where the official poverty rate is close to 51 percent and unemployment is 13.6 percent. The first priority listed in the Philadelphia proposal is to "fight crime" by partnering with the police department.

The White House is attempting to palm itself off as the champion of the poor and unemployed even as it pushes a new raft of attacks on the working class. Last month, besides allowing long-term jobless benefits to expire, it endorsed a new budget that continues the automatic "sequester" cuts in social spending, forces federal employees to pay more into their retirement funds, and further reduces spending for Medicare. It backed congressional Democrats in enacting a

bipartisan measure cutting food stamp benefits for 47 million Americans. More food stamp cuts are currently being negotiated.

The administration intervened in court to support the bankruptcy of Detroit, which is being used to slash the pensions and health benefits of city workers and sell off public assets, including masterpieces at the Detroit Institute of Arts.

And it launched its "Obamacare" health care overhaul, which is already being exposed as a massive attack on health care for tens of millions of workers and a profit bonanza for the insurance companies. The program includes \$700 billion in Medicare cuts, opening the door to the gutting of Medicare and Social Security, the two bedrock social programs dating from the 1960s and 1930s.

These measures mark an intensification of a policy that has already effected the biggest transfer of wealth from the working class to the corporate-financial elite in US history. This is captured in figures showing that the bottom 50 percent of the population own 1.1 percent of the country's net worth, while the top 10 percent own 74.5 percent and the top 1 percent own 34.5 percent.

In the guise of combating inequality, the Obama administration, acting in behalf of the banks and corporations, is spearheading a social counterrevolution.



To contact the WSWWS and the
Socialist Equality Party visit:

wsws.org/contact