

Obama prepares another trillion-dollar bank bailout

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While most media attention is focused this week on the Senate debate on the economic stimulus package, the Obama administration is preparing to roll out a new plan to bail out the banks, involving a trillion dollars or more in public assets.

Under the plan, which Treasury Secretary Timothy Geithner is expected to announce within the next two weeks, the government will buy up virtually worthless mortgage-backed securities and other "toxic" assets held by the banks and provide guarantees against future losses for much of their remaining assets. It will also continue to inject cash directly into the banks.

Well aware of popular opposition to the Wall Street bailout, the White House and the media are engaged in a calculated campaign to soften up public opinion and pave the way for a taxpayer handout to the financial elite even bigger than the \$700 billion already doled out in the Troubled Asset Relief Program (TARP), which was rushed through Congress last autumn with the support of then-presidential candidate Obama. The total cost of government cash infusions, loans and guarantees to the major banks and financial firms, already estimated at \$8 trillion, will soar even higher, by far eclipsing the money allocated in the so-called stimulus and recovery program.

Indeed, one of the purposes of the stimulus package is to provide political cover, in the form of aid to "Main Street," for the offloading of Wall Street's losses onto the American people. Meanwhile, the stimulus plan, which does nothing to halt the destruction of jobs or the wave of home foreclosures, but includes lucrative tax write-offs for business and funnels government projects to private companies, is being weakened further at the behest of Wall Street and congressional Republicans. It is now reported that Obama has dropped a provision that would allow bankruptcy judges to lower the principal and ease mortgage terms for distressed homeowners.

The administration is mounting a public relations campaign—starting with Obama's public wrist-slap of

Wall Street executives for continuing to reward themselves with billions in bonuses—to give the impression that it is cracking the whip on executive compensation. But as the *Washington Post* reports, "[T]he administration is likely to refrain from imposing tough restrictions on executive compensation at most firms receiving government aid" because "harsh limits could discourage some firms from asking for aid."

The new bank bailout, like every measure that has been devised in response to the financial meltdown, will be tailored entirely to the interests of the financial aristocracy. Under the terms of the plan, as outlined in various press reports, the bad assets accumulated through speculation and fraud will be transferred to a "bad bank" owned by the government. The government will buy these assets not at their actual market value, which is pennies on the dollar, but, according to the *Financial Times*, on the basis of a "valuation model," guaranteeing premium prices for bank executives and big shareholders.

Once these assets have been taken off the banks' books, as Max Holmes, a finance professor at New York University and chief investment officer of an asset management firm, told the *New York Times*, "[T]he stock prices of the good banks are likely to soar, as they will be the four best capitalized and cleanest banks in the world."

In other words, the ruling elite will emerge from this process richer than ever. The American people—who have no responsibility for the economic disaster—will be left to pay the bill through drastic cuts in social benefits, including bedrock programs like Social Security and Medicare, and a continuous erosion of their jobs and living standards.

The Wall Street crisis and the government response have exposed the reality of class relations in America.

The press is full of articles expounding on the economic, legal and moral hazards involved in any government restriction on the pay of bankers whose greed and criminality played a major role in the ruination of

their own companies and the eruption of a global economic crisis deeper than any since the Great Depression. But Obama and Congress, Democrats and Republicans alike, had no problem making as a condition for emergency loans to the auto companies—a drop in the bucket compared to the trillions for the banks—the slashing of auto workers' wages and benefits to the level of non-union workers. And to enforce the impoverishment of the workers, the auto bailout law included a provision stripping them of the right to strike.

As Obama has made clear, there will be no examination or public exposure of the policies and methods that led to the crash of 2008, as if a rational solution can be found without such an investigation.

None of the executives will be held accountable for their actions, which have led to a staggering level of social misery. Already, still in its initial stages, the crisis has claimed scores of lives: tragic instances of killings and suicides provoked by the sudden loss of a job and the prospect of destitution and homelessness, the deaths of people whose utilities have been shut off, like the 93-year-old worker in Bay City, Michigan.

No bankers are being grilled by Congress. There is no talk of criminal investigations or prosecutions. Instead, those who have played a central role in the Wall Street bailout, such as the new treasury secretary, Timothy Geithner, are being brought into the Obama administration to head up the next phase. Geithner spelled out whose interests are to be defended when he stated recently: "We have a financial system that is run by private shareholders, managed by private institutions, and we'd like to do our best to preserve that system."

The economic crisis is the result of the failure of the capitalist profit system. It was prepared over decades in which the American ruling elite dismantled much of basic industry in order to obtain higher levels of profit through ever more parasitic and reckless forms of financial speculation.

No progressive solution to the crisis can be found within the framework of the capitalist system. If the working class—the vast majority of the population—is to defend its interests, it must advance its own solution to the crisis.

This must begin with the fight for the nationalization of the banks and financial institutions and their transformation into public utilities under the control of the working class. All decisions on the allocation of financial resources must be made democratically in the interests of society as a whole.

As for the ill-gotten wealth of bankers whose methods precipitated the present crisis, it should be seized and used to finance emergency relief. The deposits and savings of working people and small business owners should be secured, and cheap credit made available to them.

Trillions must be made available to guarantee decent jobs, health care, education and housing for all, including the launching of genuine public works programs to provide jobs and rebuild the country's decayed physical, economic and cultural infrastructure.

Emergency measures must be taken to halt all foreclosures and evictions and provide immediate relief to all distressed homeowners and workers and young people burdened with crushing levels of debt.

The financial records of the major banks, financial firms and hedge funds must be opened to public inspection in order to reveal how society's resources were plundered for private gain. Those responsible must be held accountable, including by means of criminal prosecution.

This can be achieved only through the independent social and political mobilization of the working class. Mass resistance must be organized to oppose layoffs, home foreclosures and cuts in vital social programs, including strikes, plant occupations and demonstrations.

The working class must break the grip of the financial aristocracy and take political power into its own hands through the establishment of a workers' government. This requires a political break with the two parties of big business and the building of the Socialist Equality Party as the mass revolutionary party of the working class.

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