The Obama recovery

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In an extraordinary interview published in Sunday's *New York Times* magazine, President Obama outlined his vision for the US economy in a piece entitled "After the Great Recession." The interview was conducted by economic columnist David Leonhardt after Obama had delivered a major speech on restructuring the US economy at Georgetown University on April 14.

In the interview, Obama makes clear that there will be no serious structural reform of the banking system. Any regulatory changes introduced to rein in "some of the massive leveraging and the massive risk-taking" that precipitated the financial crash will be designed to restore "confidence and trust" in the financial sector, including the "market for securitized products."

Obama specifically rejects restoring the barrier between investment banking and commercial banking put in place by the 1933 Glass-Steagall Act, the most important financial regulatory reform of the Depression era. The act was one of the victims of the financial deregulation of the late 1990s, carried out by then-President Bill Clinton's treasury secretary and current top Obama economic adviser Lawrence Summers.

In his interview, Obama acknowledges that his main economic advisors are all protégés of Robert Rubin, a top Clinton economic adviser and former co-chairman of the investment bank Goldman Sachs. These include Summers, Treasury Secretary Timothy Geithner and budget director Peter Orszag. Any regulatory measures instituted by this crowd will serve only to preserve the framework of speculation and parasitism that garnered huge fortunes on Wall Street while triggering the worst global economic crisis since the 1930s.

In his Georgetown University speech, Obama outlined a reactionary program for the restructuring of American capitalism in the aftermath of the financial crash. This would involve a permanent reduction in the living standards and ratcheting up of the exploitation of the working class, and entail unprecedented cuts in basic social programs such as Medicare, Medicaid and Social Security. "We must lay a new foundation for growth and prosperity," Obama told his audience, "where we consume less at home and send more exports abroad."

The president returns to this theme in his interview, making clear that the days of "middle-class" wages for less-skilled and manufacturing workers are gone for good. That is the implication of his insistence that every American will need "enough post-high-school training to be competent in fields that demand technical expertise." Without that, he declares, "it would be very hard to imagine getting a job that pays a living wage."

Under his educational "reform," schooling, from pre-kindergarten to post-graduate studies, will be focused on teaching skills needed for corporate America to compete in the global economy. But even attaining a college degree, Obama acknowledges, pointing to the increasing number of white-collar jobs being outsourced, is no longer a guarantee of economic security.

Obama declares his hope that a "post-bubble economy" will achieve a better balance between "making things" and financial services. However, he immediately adds, "We're not going to return to an economy in which manufacturing is as large a percentage as it was back in the 1940s."

In fact, as his restructuring of General Motors and Chrysler demonstrates, his administration has set out to further shrink the country's manufacturing base, gutting decent-paying industrial jobs in order to create smaller, more highly exploitative manufacturing firms that will provide more lucrative sources of profit for the banks and big investors.

Most revealing and chilling are Obama's remarks on slashing health care costs, the centerpiece of a policy of austerity for the American people. Far from outlining a plan to provide good quality health care for all, he speaks of rationing health care for working people.

Obama notes that he and his budget director have been talking about using “comparative-effectiveness studies as a way of reining in costs.” Under such a scheme, he explains, the government would urge patients to use lower-cost medicines and treatments, even if a doctor ordered a more expensive cure.

This is particularly needed, he says, “when it comes to Medicare and Medicaid, where the taxpayers are footing the bill and we have an obligation to get those costs under control.”

This from a president who presides over a country where the richest 1 percent control more than 40 percent of the wealth, where CEOs routinely award themselves tens of millions of dollars a year, and where his administration is handing out trillions of dollars in taxpayer funds to Wall Street.

What follows in the interview is a bizarre exchange about whether it is cost-effective to treat elderly people in the last stages of their lives, with the *Times* interviewer suggesting that the nation is currently squandering $20,000 for an extra week of life.

“Exactly,” Obama says. He then recounts the experience of his grandmother, who was diagnosed with terminal cancer during his election campaign and shortly afterwards broke her hip.

Obama says he would have paid out of pocket for the hip replacement, but suggests that the government should not have to foot the bill for such care. Whether “society making those decisions to give my grandmother, or everybody else’s aging grandparents or parents, a hip replacement when they’re terminally ill, is a sustainable model, is a very difficult question,” he muses.

These “very difficult moral issues,” the president complains, are a “huge driver of cost.” He asserts that the “chronically ill and those toward the end of their lives are accounting for potentially 80 percent of the total health care bill out here.”

It would be very difficult to make such decisions through “normal political channels,” Obama says, adding that the Democratic Congress is currently discussing the setting up of an independent body that would give “guidance” on these questions.

As with every other question, the Obama administration’s approach to health care subordinates social need to the powerful financial interests, including insurance, drug and hospital conglomerates, that have the decisive say in the policies of the government, whether Republican or Democratic.

In the post-recession America Obama envisions, a financial aristocracy will continue to monopolize society’s wealth, while the living standards of working people are permanently lowered. In the entire interview on America after the “Great Recession,” there is not a single reference to social inequality—the issue that dominates all aspects of American life.

The interview, appearing in the midst of a heady rally on Wall Street even as unemployment, homelessness and poverty grow to near-Depression levels, is a stark demonstration of the right-wing character of the Obama administration and the class interests it serves. It shows why the bankers and speculators are celebrating an administration that dutifully serves their interests.

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