

Obama and the financial aristocracy

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Speaking before a trade union-organized “Laborfest” in Milwaukee, Wisconsin, in the middle of a speech filled with pseudo-populist rhetoric about “helping the middle class,” US President Barack Obama let slip the essence of his administration’s economic policy and the basic character of the capitalist system in the United States.

“It’s a good thing that corporate profits are high,” he said. “I want American businesses to succeed. It’s a good thing that the stock market is booming.”

What Obama did not say, and what is obvious to an ever-growing section of the population, is that the endless rise of the stock market and record corporate profits are a measure of the economic disaster for the majority of the population. What Obama in fact means, but does not say, is that it is a “good thing” that corporate executives and financial speculators are seeing their wealth soar as a direct result of a wholesale assault on jobs, wages and social programs, combined with trillions of dollars in free cash from the US Federal Reserve.

It is instructive to compare Obama’s words to those of another representative of the American ruling elite, President Franklin Roosevelt, who used the occasion of his first inaugural address in 1933 to denounce the “practices of the unscrupulous money changers” who “stand indicted in the court of public opinion.” Roosevelt declared that his election announced the fact that “the money changers have fled from their high seats in the temple of our civilization.”

Roosevelt insisted on “two safeguards against a return of the evils of the old order: there must be an end to speculation with other people’s money, there must be a strict supervision of all banking and credits and investments.”

Roosevelt was speaking at a time when the United States was emerging as the world’s leading economic powerhouse. Under these circumstances, the US ruling elite responded to the economic crisis and

revolutionary upheavals of the time with social reforms and attempts to place restrictions, however limited, on the operations of finance capital.

Today, Obama’s comment that a soaring stock market is a “good thing” reflects the universal consensus within the US political establishment. The “unscrupulous money changers”—that is, Wall Street speculators—dictate policy, in naked fashion. Every significant action undertaken by the government has the direct aim of enriching the financial oligarchy at the expense of the working population.

Obama made his remarks just days after the S&P 500 breached 2,000 for the first time. To put this figure in context, the stock index never surpassed 1,600 in either the midst of the dot.com bubble or the financial mania that led up to the 2008 crash.

Among those who make it their business to follow the markets, there are increasing warnings that the riotous growth in share values is fueling what could be the biggest US stock market bubble of all time. Brett Arends, writing in *MarketWatch*, observed that, by some measures, the present stock market rally is already the largest in modern history. He noted, “The median stock today is 20 times earnings. In January 2000 [at the peak of the dot.com bubble], it was 16 times.” Arends added, “The median stock today trades for 1.8 times annual per-share revenues. In 2000: just 1.4 times.”

The difference, Arends notes, is that while the dot.com bubble was driven by speculation in a handful of technology firms, the present bubble involves the whole market. In July, Neil Irwin, writing in the *New York Times*, warned of an “Everything Bubble” in which “there are very few unambiguously cheap assets,” amid a torrent of money pumped into global financial system by the world’s central banks.

This state of affairs is the direct result of the policies carried out by the Obama administration. As former Treasury Secretary Timothy Geithner recently

acknowledged, during the bank bailout the government loaned nearly \$7 trillion to the financial system, which was used to prop up over \$30 trillion in financial assets—more than twice the yearly output of the United States. Since then, the Federal Reserve has created more than \$3 trillion in additional cash through its quantitative easing program, while leaving interest rates at essentially zero for nearly six whole years.

Faced with a systemic and existential crisis in 2008, the US ruling elite responded with a ruthless class policy. First, financial assets, whose wildly inflated values had collapsed during the crash, would be hooked up to the cash spigots of the Federal Reserve and reflat. Secondly, these fictitious asset values would be guaranteed through the impoverishment of the population: pay and benefit cuts, speed-ups and cuts to vital social services, with the proceeds funneled into corporate profits, dividend payments and CEO bonuses.

This policy, while securing the enormous enrichment of the ruling elite in the near term, sets the stage for yet another enormous financial crisis, perhaps the largest in human history.

The brinksmanship of the US ruling class in economic life is mirrored in its foreign policy. The same criminality, the same parasitism, finds expression in both. The US and its imperialist allies are working tirelessly to provoke war. NATO this week is plotting new economic sanctions against Russia, while moving to directly arm the right-wing government it set up in Ukraine. Extreme right-wing governments in Eastern Europe have been given a blank check by the Obama administration, backed by NATO's Article 5 war clause, to engage in endless provocations.

It is impossible to understand the extraordinary recklessness with which the United States proceeds in foreign policy—raising, in a very immediate sense, the prospect of war between nuclear-armed powers—outside of an understanding of both the extreme crisis of the capitalist system and the social character of the ruling class that stands atop this system.

Though it is nowhere acknowledged in official pronouncements of political officials or media commentators, the American ruling class is well aware that it presides over a social and economic powder keg. The US ruling elite sees war as an effort both to direct outwards the immense tensions building up within the

United States, as well as a means, through a policy of global conquest, to somehow counteract the consequences of the long-term decline and crisis of American capitalism.

The murderous and socially destructive policies of the ruling class, both at home and abroad, are deeply discrediting the capitalist system in the eyes of millions of people in the US and throughout the world. Every great social question—from securing the basic social rights of the working class, to opposing the drive to dictatorship, to opposing the catastrophe of world war—raises the same political question: the need to put an end to the capitalist system.

Andre Damon

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