

# counterpunch

## By Their Fruits Ye Shall Know Them

by MICHAEL HUDSON – November 11<sup>th</sup>, 2012

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The Democrats could not have won so handily without the Citizens United ruling. That is what enabled the Koch Brothers to spend their billions to support right-wing candidates that barked and growled like sheep dogs to give voters little civilized option but to vote for “the lesser evil.” This will be President Obama’s epitaph for future historians.

Orchestrating the election like a World Wrestling Federation melodrama, the Tea Party’s sponsors threw billions of dollars into the campaign to cast the President’s party in the role of “good cop” against stereotyped opponents attacking women’s rights, Hispanics and nearly every other hyphenated-American interest group.

In Connecticut, Senate candidate Linda McMahon spent a reported \$97 million (including her earlier ego trip) to make her Democratic challenger look good. It was that way throughout the country. Republicans are pretending to wring their hands at their defeat, leaving the Democrats to beat up their constituency and take the blame four years from now.

Obama’s two presidential victories represent an object lesson about how the 1% managed to avoid rescuing the economy – and especially his own constituency – from today’s rush of wealth to the top. Future political annalists will see this delivery of his voters to his Wall Street campaign contributors control as his historical role. In the face of overwhelming voter opposition to the Bush-Cheney policies, the President has averted popular demands to save the economy from the 1%. Instead of sponsoring the hope and change he promised by confronting Wall Street, the pharmaceutical and health care monopolies, the military-industrial complex and big oil and gas, he has appeased them as if There is No Alternative.

If the Republican accusations are correct in accusing President Obama of steering America along the “European” course, it is not really socialism. It is neoliberal financial

austerity, Greek style. His task over the next two months is to avoid using deficit spending to revive the economy.

The neoliberals whom he appointed as a majority on the Simpson-Bowles Commission already have inflated their trial balloon claiming that the government must balance the budget by slashing Social Security, Medicare and Medicaid, not by restoring progressive taxation. My UMKC colleague Bill Black calls this the Great Betrayal. "Only a Democrat can make it politically safe for Republicans who hate the safety net to unravel it" he notes. Having appointed the Bowles-Simpson commission members who seek to shift the tax burden off business onto consumers, the President will pave the way for Bush-type privatization. In his first debate with Mitt Romney, Mr. Obama assured his audience that they were in agreement on the need to balance the budget (his euphemism for scaling back Social Security, Medicare and Medicaid). By christening this "the Great Bargain," President Obama has refined Orwellian doublethink. It is as if George Orwell went to work on Madison Avenue.

Four years ago the economy stood at a potential turning point in the war of finance against labor and industry, President Obama could have mobilized public support for politicians willing to rescue hopes for prosperity. He could have appointed a Treasury Secretary and Federal Reserve chairman who would have used the government's majority control of Citibank, Bank of America and other "troubled asset" holders to take these into the government sector to provide a public option. He could have written down debts to payable levels at only a fraction of the cost that was spent on rescuing Wall Street. Obama's political genius was to avoid doing this and nonetheless keep his "street cred" as paladin defending the 99% rather than the 1%.

Having been elected with an enormous voter mandate, Mr. Obama could have reversed the sharp polarization between creditors who were pushing the 99%, industry and real estate, cities and states deeper into financial distress. Instead, his policies have enabled the 1% to monopolize 93% of America's income gains since the 2008 financial crisis. At a potential turning point in the direction the American economy was taking, rescue and change were averted. We have seen what will stand as a classic example of cynical Orwellian doublethink. Promising hope and change four years ago, President Obama's role was to hold back the tide and divert voter pressure for change. He rescued the financial sector and the 1%, and sponsored the Republican privatization of health care instead of the public option, and to take \$13 trillion onto the government balance sheet in the form of junk mortgages, largely fraudulent loans held by Fannie Mae and Freddie

Mac (\$5.2 trillion alone) and other casino capitalist gambles gone bad. Mr. Obama was Wall Street's white knight.

The trick was to get re-elected as a Democrat rather than as a Republican sponsoring a health care plan crafted by the Koch Brothers' Cato Institute, and putting Wall Street bank lobbyists in charge of the Treasury and (de)regulatory agencies. As a Blue Dog Democrat, how was President Obama made to look better than the alternative?

The answer is clear by looking at the alternatives being offered. The Republicans have played ball. They call him a socialist – not too far fetched when we look at how Europe's Socialist, Social Democrat and Labour parties are backing austerity and supporting anti-labor policies, privatization sell-offs and other neo-oligarchic policies. That is what socialism seems to mean these days.

While corporate profits are recovering nicely, most peoples' savings and the net worth of their homes is down. This is not economically sustainable. Something has to give – and voters are afraid that it will be they their wages and savings. As corporate pensions plans are being cut back or reduced in bankruptcy, their under-funding suggests that debts to retirees will not be honored – only those to Wall Street. Big fish eat little fish, and the 1% are devouring the 99%. Those who describe how this is happening are accused of class war.

It is not the old fashioned class war of industry against employees. It is a war of finance against the entire economy. And as Warren Buffett has noted, the financial class is winning. Instead of breaking up the banks, the five largest "Too Big to Fail" banks have grown even larger. With support from the White House, they used their TARP bailout money to buy smaller banks, turning the financial sector into a vast monopoly that is busy privatizing the election process so as to hold the government hostage.

What is collapsing is the idea of equity and fairness in the economy – and in the politicians that are remaking markets to benefit the 1%. Most voters opposed the bank bailouts of 2008. The Republicans were politically savvy enough not to vote for it, so that they could strike a populist stance. But Mr. Romney has not picked up this line of attack, even though it might have enabled him to defeat a president in whom much of whose constituency has lost confidence.

There is disillusionment and many young people, minorities and the "Democratic wing of the Democratic Party" have been busy writing op-eds and blogs that this time they

were going to “vote with their backsides” – by staying home. And that is pretty much what the election returns showed. Their complaint is that President Obama has broken nearly every campaign promise he made to voters – but not a single promise he made to his big campaign contributors!

That is the essence of being a politician today: to deliver one’s constituency of voters to the campaign contributors. In this respect Barack Obama is America’s version of Tony Blair; or alternatively, Margaret Thatcher and Neville Chamberlain rolled into one. We need a new word to describe this – something more than simply “irony.”

It’s not just Mr. Obama, of course. It’s the Democratic Party leadership. So here’s the litmus test to watch: On what committee and at what rank will the Senate put Elizabeth Warren?

Will she be named head of the Senate Banking Committee? Will she even be on it? Is she an embarrassment to Democratic fund-raisers on Wall Street – or window dressing to help give the impression that the Party really is other than crypto-Republican.

What inspired the Occupy Wall Street movement a year ago was a spontaneous protest against not only President Obama but also the Democratic Party for its lack of real effort to stem the right-wing tide. The Democrats did not rush to the OWS defense, although some operatives tried to jump in front of the parade and steer it into the usual liberal blind alley. (They did not succeed!) Voters have expressed a wish for just the opposite policy than the Democrats’ rightward turn, but the American political system excludes third parties, not being based on proportional representation as in Europe.

“By their fruits ye shall know them.” The Democrats took labor unions, minorities and middle class voters for granted because they had nowhere else to go, thanks to Mitt Romney giving Mr. Obama wide room to move to the right wing of the political spectrum. This is the political wrestling match that is being scripted.

We can see the denouement. As in Britain, unionized public-sector labor is being singled out. Chicago Mayor Rahm Emanuel, former White House Chief of Staff, showed his colors (and incensed Progressive Democrats) last week by signing a contract with contractor of about 350 airport maintenance workers to cut back their wages by up to \$5 an hour (from \$15 to \$10).

How will the “Not Blue Dog” Democrats respond? Will Elizabeth Warren, Bernie Sanders, Sherrod Brown, Tammy Baldwin and Alan Grayson in the Senate and House take on the

President in opposing austerity and the appointment of yet more Wall Street lobbyists to his cabinet?

Here's the dilemma the American president faces: Markets are shrinking, and consumers are having to repay debts they earlier took on during the heady Bubble Economy that crashed in 2008. Paying down these debts leaves less to spend on goods and services. Labor productivity is soaring – but not wages. While the bailout economy's fruits are going to profits and paid out as interest and dividends, neoliberals are demanding that the retirement age be raised, not lowered, and that work hours be lengthened more, not shortened. Federal Reserve Chairman Ben Bernanke's helicopter only hovers over Wall Street, not the rest of the economy.

The middle class that voted so strongly for Mr. Obama four years ago is being squeezed. To describe their plight, I expect the next four years to see the spread of a fresh vocabulary to describe what is happening: *debt deflation* and *neofeudalism*, while the classic terms *rentier* and *oligarchy* may become popular once again.

But neither party will use these words. Only a third party can do that. Right now its potential members are called "Independents." A new title is needed for a new pro-labor, anti-militarist coalition that would restore the spirit of true reform, progressive taxation and the rule of law (that is, throw financial crooks in jail). The problem the economy faces is how to revive wages and consumer demand, and to write down personal debts, not government debt. Mr. Obama has joined with the Republicans in perverting the vocabulary to pretend that government is the problem, not his campaign contributors on Wall Street.