

As US “economic recovery” collapses, White House rules out social relief

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Recent weeks have seen a collapse in US home sales, a weakening of manufacturing activity, an upward trend in jobless benefit claims and, on Friday, a downward revision of second-quarter gross domestic product growth from 2.4 percent to 1.6 percent.

The latter figure is far below the rate of economic expansion needed to bring down unemployment, now at its highest levels since the Great Depression. On the contrary, the sharp slowdown in economic growth heralds a further rise in the jobless rate.

Month after month of mass unemployment, compounded by sweeping cuts in social services at the state and local level and wage cutting in both the private and public sectors, have already produced a social disaster for tens of millions of Americans. One million families are losing their homes to foreclosure every year. Hunger and homelessness are on the rise.

USA Today reported Monday that the recession has resulted in one in six Americans relying on government assistance to survive. Over 50 million people are on Medicaid, the federal-state health insurance program for the poor and disabled. That is an increase of at least 17 percent since the recession began in December 2007.

Over 40 million are receiving food stamps, an increase of nearly 50 percent since the slump began. Close to 10 million are getting unemployment benefits, nearly four times the number in 2007. More than 4.4 million people are on welfare, an 18 percent jump since the recession began.

While the vast majority of workers are struggling to make ends meet or are sinking into poverty, the rich are doing better than ever. Corporate profits are up sharply, driven by downsizing and cost cutting. The stock market has recovered from its lows in the spring of 2009, and executives are continuing to award themselves seven- and eight-digit compensation packages.

Two years after the eruption of the financial crisis, precipitated by the recklessness and criminality of Wall Street, the chasm separating the financial elite and everyone else has grown wider than ever. The *New York Times* reported Tuesday that the rebound on Wall Street has led to a further polarization between rich and poor in New York City. While the median pay of managerial workers was up 11 percent from three years ago, the median weekly pay of non-managers had fallen 10.4 percent, to \$472.

The latter figure is barely above the official poverty line for a family of four of \$22,000 a year, an absurdly low plateau that, in New York, means something close to destitution.

The response of the Obama administration and the entire political establishment to the collapse of the so-called “recovery” is to reject out of hand any significant spending to generate jobs.

Speaking from the White House Rose Garden on Monday, Obama sought to lay the blame on the Republicans for holding up his \$30 billion small business bill—a token measure consisting mainly of tax cuts and other incentives for small and large businesses and so-called “community” banks. Beyond that, he spoke vaguely about more tax cuts for business and incentives for renewable energy projects, adding that there is no “silver bullet” to revive the economy.

White House spokesman Robert Gibbs acknowledged there would be no major initiatives, saying, “There’s only so much that can be done.” He went on to reassure big business that there would be no use of public funds to hire unemployed workers, saying the administration’s “targeted initiatives” would aim to “create an environment where the private sector is not simply investing but also hiring.”

In an op-ed piece on Sunday, the *New York Times* wrote: “[I]n the political realm a rare consensus has emerged: The future is now so colored in red ink that running up the debt seems politically risky in the months before the congressional elections, even in the name of creating jobs and generating economic growth. The result is that Democrats and Republicans have foresworn virtually any course that involves spending serious money.”

Just one year ago, Obama was emphatic in declaring that he would do “whatever it takes” to bail out the banks. He did precisely that, allocating trillions in taxpayer dollars to cover Wall Street’s gambling debts. At the same time, he opposed any measures to restrict CEO pay or hold the corporate criminals responsible for the catastrophe they had created.

He then intervened to force General Motors and Chrysler into bankruptcy and impose a 50 percent pay cut on newly hired workers. That was the signal for a wave of corporate and government wage cutting that is intensifying.

Now there is supposedly “no money” for jobs—or schools, or housing, or relief for the unemployed. This at a time when US banks and corporations are sitting on a cash hoard of more than \$1 trillion.

The media universally asserts that the administration and congressional Democrats are constrained from pursuing any serious stimulus measures by public demands for austerity in advance of the November elections. This is a fraud.

Far from there being a popular groundswell for austerity, the opposite is the case, as indicated by a Gallop poll taken in June which found that 60 percent favored more government stimulus to create jobs, and a poll this month showing that 85 percent opposed to cutting Social Security to reduce the deficit.

There is no contradiction between Obama’s \$862 billion stimulus package of 2009 and his administration’s overt shift to austerity today. Both represent the implementation of the ruthless class policy of the American financial-corporate elite.

Last February’s stimulus bill—consisting largely of tax cuts and other incentives for business—was a carefully calibrated measure designed to prevent a collapse in consumer

spending, avert a social explosion by creating the impression that the government was doing something for “Main Street,” buy time to carry through the bank bailout and create conditions for a revival of corporate profits and the stock market.

These goals having been largely achieved, at least for the present, the ruling class is intent on keeping unemployment high and using mass joblessness to permanently drive down the wages and conditions of the American working class to those that existed in the 1930s, and to narrow the labor cost differential between American workers and super-exploited workers in China and other “emerging economies.”

That, in a nutshell, is the policy of the Obama administration and, whatever their tactical differences, both big business parties. They have relied on the trade unions to suppress the mounting anger and opposition in the working class and block any mass resistance. The unions completely support the class-war policy of the ruling class, as demonstrated in the announcement by the AFL-CIO and Service Employees International Union last week that they were teaming up to raise \$80 million for the Democrats in the midterm elections.

The unions will not be able to prevent the eruption of mass social struggles. Already the first signs of coming upheavals are emerging, showing that workers will move into action in opposition to the corporatist union apparatuses. That is the significance of last month’s rejection by auto workers at General Motors’ Indianapolis stamping plant of the United Auto Workers’ attempt to impose a 50 percent wage cut.

The Socialist Equality Party calls on workers to break with the unions and establish democratic rank-and-file action committees to organize factory occupations and strikes against layoffs and plant closures and mobilize the support of the entire working class. This industrial action must be combined with a political struggle against Obama and both parties of big business, based on a socialist program to break the stranglehold of the financial aristocracy.

We call for an emergency public works program to provide every unemployed worker with a decent-paying job. Millions should be hired to build schools, affordable housing and hospitals and rebuild the public infrastructure. The resources for such a program can and should be obtained by confiscating the wealth of the capitalist class—beginning with the bankers, hedge fund owners and corporate CEOs—and reorganizing economic life to serve the needs of the people, not private profit.

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