

Hacking the Stimulus

Old Politics Undercuts the New As The Senate Reverts To Horse Trading

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It became clear Friday night that our economy may not recover until our politics do.

To President Obama, the delays and endless Congressional carping about his recovery plan was “inexcusable.” He was reduced to reading the latest unemployment numbers aloud as if to say, what world are you guys in?

“Last month, another 600,000 Americans lost their jobs,” Mr. Obama said. “That is the single worst month of job loss in 35 years. The Department of Labor also adjusted their job loss numbers for 2008 upwards, and now report that we have lost 3.6 million jobs since this recession began.”

The President didn’t mention the Center for Responsible Lending’s new counter ticking off a new foreclosure every 13 seconds. Credit card defaults are at an all time high. There are fears that the bond market could be next to go with the dollar playing demolition derby.

By every standard and statistic, we have not yet hit bottom but somehow even in the midst of a national crisis, we can’t transcend the predictable tax cuts vs spending debate.

So it’s checkmate mates, as paralysis replaces analysis. Is inaction better than action? Will spending do more harm than good? Gag me with a spoon.

In the end, a deal was done, but as Politico.com reported, “The revised bill must pass the Senate, where some Republicans are still threatening a filibuster, and the House, where Democrats may not be happy with the concessions.”

Prediction: it will get done but no one will be happy with the final version.

The problem is that this debate is really not about facts but posturing in the political game of hardball polarization that the right plays so well in the absence of having anything to stand for. It’s only about power and says, you need us buddy, and you need to do what we want, or else you don’t get what you want.

With Rahm Emanuel brokering compromises and chipping away at the solid wall of Republican bluster, the Dems gave up some of Obama’s promised middle class tax breaks in a bill downsizing government spending—which is, as the president noted, what a stimulus is. In the end, GOP favored tax cuts made up 42% of the measure, roughly proportional to the number of seats they hold. This was politics, not principle, at work.

To get the deal, here's part of what the Obamacrats sacrificed:

\$40 billion State Fiscal Stabilization? \$16 billion School Construction? \$1.25 billion project based rental? \$2.25 Neighborhood Stabilization (Eliminate)? \$1.2 billion in Retrofitting Project 8 Housing ? \$7.5 billion of State Incentive Grants? \$3.5 billion Higher Ed Construction (Eliminated)? \$100 million FSA modernization? \$50 million CSERES Research? \$65 million Watershed Rehab? \$30 million SD Salaries? \$100 million Distance Learning? \$98 million School Nutrition? \$50 million aquaculture? \$2 billion broadband? \$1 billion Head Start/Early Start? \$5.8 billion Health Prevention Activity.? \$2 billion HIT Grants? \$1 billion Energy Loan Guarantees? \$4.5 billion GSA? \$3.5 billion Federal Bldgs Greening.

You can bet that the States—led in many cases by GOP Governors will be back to get help to prevent a deeper disaster. So this whole psychodrama was mostly a symbolic showdown. And, to please whom? My guess: The rabid right-wing talk radio wing of the Republican Party. You know who they are.

As it turns out I was on a rightwing radio show just hours after the deal was pronounced a great victory for common sense and conciliation. Our on-air debate hinged on whether I thought government can create jobs or do anything at all.

"Why aren't we giving the money to the private sector which is so much more efficient," I was asked.

Said I, what about TARP, \$350 billion for banks with no obligations? (And that mistake is about to be repeated!)

"We are not talking about that," I was told.

What about the auto bailout? His message points were ready there, noting all the money unionized workers make. He said that was why GM was unprofitable, not because of poor management or subprime failures in its former GMAC division. Compare GM to Toyota and weep, he raged on. The next morning I read that Toyota doubled its loss forecast for 2008 to \$3.9 billion.

And then he was off illustrating more government bashing claims by comparing AMTRAK to Greyhound, a bus line I am sure he doesn't ride. Some quick research later found that the Hound had been nearly bankrupt until a Canadian company bought it, and that many of its major bus terminals have been publicly subsidized. One of his callers who claimed sneeringly that the stimulus by the -wink, wink—"messiah" would benefit Mexicans would have been pleased to learn that Greyhound's two big profit centers are transporting Mexicans back and forth across the border and servicing gambling casinos.

So, as I learned and as we say, reality has little to do with the swamp in Washington, which is why Barack Obama is leaving town to rouse his base with renewed grass roots activism and house parties. He cannot win—we cannot win—if we play politics as usual in Washington. That deck is stacked against us even if Democrats have a majority.

Many economists believe this stimulus will not stimulate because it is not big enough and that tax cuts are exactly what we don't need. Says Nobel Prize winner Joe Stiglitz:

"As news of the US economy worsens, worries about whether a stimulus could restart the

economy are growing. Making matters more complicated is the fact that our 2009 fiscal deficit will exceed 8 per cent of gross domestic product, even before the stimulus. What is clear is that tax cuts will not help much. When Barack Obama, president-elect, last week proposed to use nearly 40 per cent of the stimulus for tax cuts, he was rightly told this would be less effective than, say, spending on infrastructure."

TV News loves a food fight and so featured GOP criticisms as if they merit serious discussion, not criticism from economists who know something like Stiglitz or Paul Krugman who writes "Somehow, Washington has lost any sense of what's at stake - of the reality that we may well be falling into an economic abyss, and that if we do, it will be very hard to get out again." The Dems were in denial, on the defensive under an unseen phalanx of orchestrated fear campaigns and massive phone calling. It's sad. It's phony, and it's working.

Part of the problem is that liberals and labor have no media outlets to depend on while the right does. There's far more institutional support for counterrevolution than Obama's reformist change agenda, moderate as it is.

Lost in the rhetoric are real issues about what kind of economy we want to save. Is the goal just to return to the corruption of the status quo ante? Political Scientist Ben Barber, author of CONSUMED fears that may be what they are pushing:

"Prime the pump. Let's get people getting those credit cards again. Let's get people to the mall. Let's get people spending again. Back in 2001 after the terrorist attack in America President Bush said let's get back to the mall and get back to doing that good American thing of shopping. Unfortunately the new economic team of the new president may be saying somewhat the same thing."

Are they? Let's hope not, but they certainly haven't said much about outrageous credit card finance and interest charges. They don't seem to be putting money into jobs to fix up neighborhoods or community institutions, or strengthen credit unions or co-ops. There are no programs like FDR's WPA or CCC. Building roads does not a recovery make. The potholes are in our politricks.

It's almost as if we may be screwed no matter what happens: no spending or lots of spending. We are certainly screwed if we sit on the sidelines, restrain our outrage and let others dominate a debate that belongs in the past. This one should be about the future, our future.

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