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Obama Economic Team Bails as System Fails

By Danny Schechter
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In Washington, the Obama economic team has sprung a leak. First, Budget Director Peter Orszag, the calculating numbers savant, bailed. And now, "distinguished" economist Christina Romer, the only woman in that inner circle boys club has quit too. (Would you want to be around Larry Summers all day long?)

Why this crew of losers wasn't fired eludes me despite their claims of having prevented a worst collapse. No doubt, they know more than they are saying, and, perhaps, now that they are no longer selling, they may be willing to do some telling on just how bad it is and what went wrong.

Who's next? Could Ben Bernanke be leaving the Fed for Fed-Ex?

Economist Max Wolfe has none of the political restraints of power. At the news of another 131, 000 jobs gone, at all the talk of permanent unemployment as the "new normal," he sighed with a tinge of optimism:

> "We have been in the present labor market swoon since December 2007. We are 30 months into the process. Nearly everything is not getting worse fast. Most economic indicators have seen slow, uneven progress. We are a weary nation and hope, is running low. All lethality is dosage and we have received a massive dosage- an overdose- of bad economic news since the winter of 2007. Things are getting ever so slightly less bad in the aggregate.
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> "The sheriffs of this rough economic neighborhood are running low and out of ammunition. The populace is fed up. Our Sheriffs are The Treasury and The Fed and they have spent, cut taxes, slashed rates, bought securities and ballooned their balance sheets. They have made the bad less worse, but not appreciable better enough for many. All that economic toxin still pumps the blood of this economy. Now, the state is having a contractionary direct impact on employment."

"Contractionary? I am a first-time contractionary word user so I will leave it to Stephen Colbert to take that term apart, but it can't be a good thing.

The bigger surprise is being buried. The more serious problem is more systemic and rooted in the structure of our economy. These structural problems used to be referenced to show how deep the rot goes and why more fundamental reforms are needed, but now, as Paul Krugman has argued, this very idea is now being used to encourage acceptance of the problems because they are beyond repair, as in, "we can't change that because it is, so, um, "structural!") Thus, the existing power relations can't be questioned because they are the existing power relations

Makes sense, doesn't it?

Part of the problem is that while the livelihoods of workers and homeowners are sinking, the economic and political elite is doing just fine, as the Automatic Earth Website explains:

> "Perhaps what we witness is an ongoing and deepening chasm that divides the world of finance and politics on the one hand and the world of everyday people on the other, as Rasmussen Reports indicates: 67% of Political Class Say U.S. Heading in Right Direction, 84% of Mainstream Disagrees. This chasm was greatly facilitated by governments relying on policies based on the notion that too-big-to-fail -financial- institutions needed to be bailed out at any cost. Later in the year, as a direct consequence of these policies, we will see another round of insane banker and trader bonuses, just as citizens' sentiments and incomes fall, and unemployment and poverty keep rising."

When you create and enable a casino economy, the public becomes a player too, taking risks they shouldn't at the behest of bankers and finance companies who assure them all is fine.

Last week, Countrywide, the country's mortgage fraud factory, reached a settlement with the SEC for more than Goldman Sachs settled its last complaint for a whopping $600 million. Their shark-in-chief, Anthony Mozillo, still facing a criminal investigation, later said he was pleased when the federal regulators admitted that the investors were not defrauded, because they knew what kind of projects they were funding. How reassuring!

So the circle of complicity widens. We now learn that the companies and individuals that invested in the subprime/subcrime mortgages KNEW people were being ripped off but did it anyway because there was so much money to be made.

And because security laws only protect investors, who were defrauded, many have no case. What about the borrowers, the homeowners now facing foreclosure? They are apparently not worthy of protection. This is comparable to the Madoff investors who profited in his illegal scheme and knew his returns were too good to be true but shoveled money to him anyway. They became partners in the ponzi, not just "victims" trying to be made whole.

Is anything changing? The banks say they will not change the way they finance mortgages so it is still buyer beware. The Wall Street Journal reports another instant crash of the markets is possible. And General Motors that was down and on the way out is back thanks to the government's largesse but sniping at its rescuers, insisting an end to government ownership would be good for their image and "employee morale." Huh?

"We want the government out period," blusters GM's ungrateful CEO Edward E. Whitacre Jr. This same company recently spent $3.5 billion buying a new subprime lending company to replace GMAC, the GM lender whose bad loans sunk GM. On top of that, these geniuses just produced The Volt electric car that sells for $40,000, hardly a brilliant move in this economy. Of course they blame all their problems on the government, never themselves.

Like so many others, they seem to be banging on Obama, everyone's target of choice. If that's your inclination, let's blame him also for what he has not done.

He hasn't led a consistent push back against Wall Street, perhaps because he hopes in vain that big business will create private sector jobs and wants to show naysayers how pro-business he really is. This has turned him into an inversion of FDR.

As Ezra Klein of the Washington Post observed: "The reality is that America's supposedly anti-business president has led an extremely pro-business recovery.

Businesses are sitting on about $2 trillion in cash reserves. Business spending jumped 20 percent last quarter, and is up by 13 percent against 2009. The Obama administration has dropped taxes for small businesses and big ones alike."

So much for that canard.

Is there anything to be done? There is no shortage of proposals for jobs programs and taxes on transactions, for tougher rules on derivatives, and imposed compensation limits. In most cases the US, with pressure from Wall Street and its political allies, has opted for easily maneuvered around and malleable regulations.

One small reform has been proposed by the much-maligned Ralph Nader for those of us who live in the appropriately named "Empire State, " one that currently shelters a Wall Street where hedge fund managers make billions.

Nader notes, "Low-moderate and middle-income New Yorkers already pay a higher percentage of family income in state and local taxes than do the richest one percent of New Yorkers!

Surprisingly, there is a simple way to eliminate the state deficit and

prevent tens of thousands of layoffs and large service cutbacks.

What most New Yorkers do not know is that for about a century there has been a state stock transfer tax on purchases of securities. This year, this tax, similar to ones imposed in 30 other countries, will amount to about $16 billion. Amazingly, since 1979, this tax has been instantly rebated by New York State back to the brokers or clearinghouses who paid it. A 100% rebate every year for the bailed out industry that caused the recession and its immense human damage."

Putting a stop this sleazy practice could be as important in phasing out the Bush tax cuts but so far it's not on anyone's agenda, Dems, Repugs or Media.

Maybe because they think of it as "structural."

News Dissector Danny Schechter made Plunder The Crime of Our Time, a DVD and companion book on the financial crisis as a crime story. (Plunderthecrimeofourtime.com Comments to [Dissecto@mediachannel,org]

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