

Why Obama Backed Down Against AIG

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The AIG controversy is one for the ages, for it starkly reveals who is really running our economic system, and to what end.

In an effort to please to irreconcilable groups— average Americans versus the financial elite— Obama has lately resembled a tightrope walker on a tattered rope. The AIG debate has now unsettled this delicate balance: it will no longer be so easy to give billions to Wall Street while fake-rage is hurled against this same group.

The spectacle of AIG executives receiving millions of dollars in bonuses— all of it taxpayer money— aroused a deep anger across the country. Somehow, a company in which taxpayers own 80% was shelling out millions to the same executives that ran the company into the ground.

Instead of the government forcing AIG executives into the unemployment office, it was recently revealed that Democratic politicians secretly enabled them to receive million-dollar bonuses through Obama's stimulus bill.

When the public outcry began, Obama weakly replied that "all legal avenues were being pursued", meaning, that nothing would actually be done.

When the outcry intensified, Obama resorted to angry rhetoric— but this time words weren't enough.

The House of Representatives realized that the public's accumulated rage over bank bailouts was being focused on the AIG executives. Rather than further exposing themselves as Wall Street's accomplices, congress thought it better to scapegoat AIG and select others. Better to let a few drown than the ship itself sink.

No one expected such blowback.

The House's bill to tax executive pay only affected institutions that received over 5 billion in bailout funds, the list includes: AIG, Fannie May and Freddie Mac, Citigroup, JPMorgan Chase, Wells Fargo, Bank of America, Goldman Sachs, Morgan Stanley, PNC, US Bancorp, and General Motors.

Congress soon learned that 'punishing' this group wasn't going to be so easy. Phone calls were made, lobbyists worked furiously, and now Obama is discouraging the bill from being passed in the Senate. Obama's tightrope was severed.

The reason Obama is cowering before the pressure of the financial oligarchy is that his economic recovery plan is completely reliant on their cooperation. Obama's "public-private"

partnership aims to give taxpayer money to private firms who will then buy the toxic-assets hampering bank's balance sheets. This way, the banks get paid in full for their worthless assets, and the buyers - hedge funds and other banks— get guaranteed a profit via billions in taxpayer money.

Obama was forced to use this ridiculous approach — itself created by Wall Street insiders— because the alternative terrified them: nationalizing the insolvent banks and other bankrupt companies. The myth that capitalism—private ownership producing for a market— was the only possible system would thus be destroyed.

Now, the firms that were to become “partners” with the government to buy toxic-debt are threatening to leave Obama completely isolated. Already 200 banks who requested government bailout money have since changed their minds.

The fact is, banks and corporations are only willing to “cooperate” with the government if they profit from the experience; this means that they are allowed to do whatever they like with the money— most importantly enrich themselves.

Interestingly, there is a hidden element to the AIG debate which further exposes the rottenness of our economic system (if it be possible). Obama himself began the right-wing debate of “constitutional barriers” to capping executive pay, and the Republican Party elites jumped on the bandwagon.

The Washington Post moaned, “The effective confiscation of legally earned and contractually promised payments may well be unconstitutional.”

Conservatives quickly pointed out that, in the 5th amendment of the constitution, it says: “no person shall be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.”

But ‘property’ is a word that has a double meaning.

For example, The ‘constitutional argument’ is being proposed by elites in general who are trying to protect executive pay out of fear that they too could be targeted by the American public, and forced to give away some of their fortune— or more importantly, their control over the banks and giant corporations (a type of property owned only by them).

It must be noted that the motivation behind the 5th amendment was made clear in the Federalist Papers, where some of the more elitist founding fathers are found to repeatedly whine about “the dangers of democracy” and “majority rule”. Above all they feared that their private fortunes, banks, and companies might be confiscated by a demanding public and be put to social use. They thus shaped some elements of the constitution to protect themselves.

Capitalism, however, has changed considerably since the 18th century. Whereas small businesses dominated regional markets, giant conglomerates now dominate world markets to the benefit of billionaires.

The fact that a powerful section of the ruling elite is now relying on arguments made by James Madison and his fear of democracy tells a lot about the current political climate.

Ultimately, the ruling class is afraid that the public may demand that, as a beginning, privately controlled mega-corporations and banks that are already publicly-owned will be actually controlled by the public, and be put to public use. This “dangerous” example may than lead to further demands to “socialize” private mega-corporations that are sucking up public funds and giving nothing in return. Indeed, keeping the status quo in place is requiring a never-ending stream of taxpayer money funneled into the pockets of greedy individuals, resulting in much-deserved public outrage.

It has already been pointed out by mainstream economists that it is senseless to leave in place CEO’s and shareholders who oversaw the bankruptcy of their corporations. It is equally-arguable that companies who are bailed out by the public should begin producing for the public, and not the profit of select individuals.

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