

Now That The Elections Are Over, What Kind of Economy Did Americans Vote For?

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Global Research, November 03, 2010

3 November 2010

Region: [USA](#)

Theme: [Global Economy](#)

The Election is over. The Dems were thumped. They lost the House, even if they still have the Senate by a hair. Barney Frank will be back but not Alan Grayson or Russ Feingold. WSWS offered the key reason: “intractable and deepening economic crisis and the evident inability of the Obama administration to develop any policies to overcome it.”

Is that crisis likely to go away after an emboldened army of the righteous (and well-financed clique of self-styled “economically responsible” free market boosters) won more nominal power?

Will the deficits disappear?

Will the government shrink to what to what was in the era of the “founders?”

Will the economy breathe a sign of relief and bounce back?

Unlikely on all counts!

What that means is that the dire problems we face will likely get worse, as the Republicans try to stop any and all government intervention, focused as they are, for political purposes and ideological convictions, on being deficit busters.

Moralizing has been their trademark as economist Paul Krugman pointed out in the New York Times:

“How many of you people want to pay for your neighbor’s mortgage that has an extra bathroom and can’t pay their bills?” That’s the question CNBC’s Rick Santelli famously asked in 2009, in a rant widely credited with giving birth to the Tea Party movement.

It’s a sentiment that resonates not just in America but also in much of the world. The tone differs from place to place – listening to a German official denounce deficits, my wife whispered, “We’ll all be handed whips as we leave, so we can flagellate ourselves.” But the message is the same: debt is evil, debtors must pay for their sins, and from now on we all must live within our means.

And that kind of moralizing is the reason we’re mired in a seemingly endless slump.”

Here are the key issues we will still be facing—and many may still be in denial about.

I. There has been no real recovery. Unemployment is up and so are foreclosures. The

mortgage mess is only getting worse, and the relationship between these two issues has been confirmed by a new report by the International Monetary Fund.

If there is no progress on foreclosures, there will be no progress on jobs.

AP explains, "A growth rate of 5 percent or higher is needed to put a major dent in the nation's 9.6 percent unemployment rate." They cite reasons why that's unlikely well into next year and maybe beyond.

The Economic Policy Institute reports: "Never since World War Two has it taken so long to recover to pre-recession levels of GDP," said Economist Josh Bivens. Although the pace of growth in the third quarter marks a modest increase from the 1.5% annualized rate of growth in the second quarter, it is a sharp deceleration from the 3.7% annualized growth rate show in the first quarter."

2. Millions of Americans are facing the end of all benefits. What will they do then?

Some will turn to despair and slide into poverty, others, perhaps to crime. And many more to more radicalized politics on the left and right. Mao's axiom that revolutions are not tea parties may be relevant, even prophetic in this context of continuing economic decline.

3. While some banks and individual banksters, thanks to the bailouts, have done well, hundreds of banks are facing insolvency. The Credit Writedowns site reports: "The U.S. Banking Crisis Has a Long Way to Go."

The "Calculated Risk website maintains an unofficial problem bank list compiled from publicly available records. The list has now reached 894. The FDIC has an official list of troubled banks and the number of troubled banks was last released August 31 when the total was 829. The FDIC does not make the names of troubled banks on their list public." The Guardian has even published a map of failing American banks. <http://www.guardian.co.uk/news/datablog/2010/nov/02/failed-banks-map-us>

3. The Federal Reserve Bank is moving slowly and sluggishly. Fed Head Ben Bernanke, a Republican reportedly wants more stimulus money pumped into the economy but has been too frightened to antagonize members of his own party. Many economic wise men fear his plan will fail.

Notes Dean Baker: "A Washington Post article discussing the risks associated with another round of quantitative easing raised the possibility that the Fed could lose its credibility if the program does not lead to the intended growth. It implies that the loss of credibility would be a major harm.

It is worth noting that the whole economic collapse came about because of the Fed's failure to notice and/or do anything about an \$8 trillion housing bubble. Given this enormous failure, it is not clear how much credibility it currently enjoys among people who follow the economy."

4. The gap between the very rich and what was once the middle class continues to grow, according to Holly Sklar who explains, "Before Wall Street drove our economy off a cliff, bullish Citigroup strategists dubbed the United States a "plutonomy." They said, "There are rich consumers, few

in number, but disproportionate in the gigantic slice of income and consumption they take. There are the rest, the 'non-rich,' the multitudinous many, but only accounting for surprisingly small bites of the national pie."

Jacob Hacker of Yale and Paul Pierson of the University of California, Berkeley argue that "over the last generation, more and more of the rewards of growth have gone to the rich and superrich. The rest of America, from the poor through the upper middle class, has fallen further and further behind."

The number of Americans making \$50 million or more has increased five fold.

Other issues:

5. Are the markets being manipulated by the Fed or the US Government's Plunge Protection Team? Many insiders think so.

6. Can we avoid more currency wars and a trade war with China? International financial regulations are as mired in politics as domestic ones.

7. Will there be any prosecution of Wall Street criminals? That seems more unlikely given how much they gave to Republican campaigns.

8. Are these problems a result of a lack of sanity or a consequence of the power of special interests? Who is to blame?

To Jon Stewart, the left is equally to blame as the right, "Why would you work with Marxists actively subverting our Constitution or racists and homophobes who see no one's humanity but their own?" he asked during his recent "Rally For Sanity" putting left and right in the same boat and pissing off activists in the process.

"We hear every damn day about how fragile our country is—on the brink of catastrophe—torn by polarizing hate, and how it's a shame that we can't work together to get things done. But the truth is we do. We work together to get things done every damn day. The only place we don't is here [in Washington] or on cable TV."

Commented writer Chris Hedges: "The rally delivered a political message devoid of reality or content. The corruption of electoral politics by corporate funds and lobbyists, the naive belief that we can somehow vote ourselves back to democracy, was ignored for emotional catharsis. The right hates. The liberals laugh. And the country is taken hostage."

So, as the votes are counted, as the Right cheers and liberals nurse their tears, we are all, in blue states and red states, still stuck with profound economic challenges that are deeper than most of us know. They are structural and systemic problems, and not merely a function of partisan political differences.

The Republicans have no economic plan to change this, and have insured that the Democrats can't really implement what plans, inadequate as they are, to stem the tide.

The blame game has been notched up with no end in sight.

It's a stalemate, mate.

No wonder comedians get more attention and respect than politicians.

As the political temperature rises, the economy continues to fall. If and when it does, it could go quickly especially if the expected deflation hits.

Explains Canada's Nicole Fosse, "...deflation is a swing of poverty feedback, it can take awhile to build up. If you try to explain to people what's coming, because it doesn't happen instantly, they tend to go back to sleep. The thing they need to understand, however, is that when it does hit a tipping point, a kind of critical mass, then it can unfold exceptionally quickly. Then it's very much like having the rug pulled out from under your feet."

Help!

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