

Obama's State of the Union Rhetoric: Denying the Crisis, Ignoring the Lessons of History

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Members of the corporate political duopoly switched seats and sat next to each other making it even harder to tell the corporate welfare party from the crony capitalist party. Sadly, the spokespersons for both failed to learn the lessons of history and as a result the American economy will continue to falter with U.S. militarism continuing to expand.

Listening to the saccharin rhetoric of President Obama one would think the nation's economy was flourishing and the military was winning wars. The truth, that the economy is still in collapse and the military is stuck in war quagmires all piling up record debt, was hard to see through his veil of words.

Debt, the bi-partisan duopoly mistaken priority, was the problem the president acknowledged offering two McCain campaign promises - no more earmarks which make up less than 1% of the federal budget; and a partial budget freeze, excluding national security. When McCain proposed a freeze during the campaign Obama mocked it saying a "spending freeze is a hatchet, and we do need a scalpel." Gimmicks, not solutions

In fact the economy continues to be in crisis with high levels of unemployment, record foreclosures and record poverty. The best lesson for how to get out of the economic mess of today comes from the depression. It is important to [look at the facts](#) rather than the myths. The *pre-WWII* New Deal era from 1933-1940, even if you include the recession of 1937-38, saw the single biggest drop in the unemployment rate in U.S. history. According to [the census](#), the unemployment rate in 1933 was 24.7% by 1940 unemployment had dropped to 14.5%. This was accomplished by massive federal spending focused on job creation.

Obama came into an economic crisis and wasted the opportunity by re-enforcing concentrated corporatism rather than challenging it, investing in Wall Street rather than creating jobs, re-enforcing insurance-dominated health care and failing to face up to uncontrolled spending for the military industrial complex. From last night's speech, we can expect more of the same and a floundering economy as a result.

But, the Republicans were even more out of touch with the lessons of history and the needs of the day. A second economic downturn officially began in May 1937 when FDR responded to deficit hawks and [slashed spending](#) programs to balance the budget. These [premature spending cuts](#) caused another severe recession. [Cutting government spending](#) brought [unemployment back up](#) to 19% in 1938 from 14% in 1937. The recession ended after 13 months in June 1938 when FDR reversed course restarting economic growth, by the time of the attack on Pearl Harbor in December 1941, the unemployment rate was down to 9.7%

Even more absurd are calls to cutback Social Security and Medicare. These areas of spending have their own lines of funding from payroll taxes and therefore do not affect the deficit. They need small changes to continue to make them self-supporting, but they have been self-supporting for decades prior to this recession. Breaking this contract with Americans, making the elderly poorer and unable to spend, is no way to stimulate the economy.

Neither the crony capitalist nor corporate welfare party are facing up to the cuts needed in the largest area of discretionary spending, the military. Obama has created record DoD budgets, record intelligence budgets and record arms sales. Those who profit from weapons and war have done well in the Obama economy. The cuts being talked about by outgoing Secretary Gates are a miniscule fraction of what is needed.

Unlike the era of FDR, war will not get the economy moving. The U.S. has been engaged in the longest war in our history in Afghanistan, still has tens of thousands of troops and mercenaries in Iraq and is expanding the war in Pakistan. Wars are not creating the kind of WW II war economy as the methods of war have changed. At a cost of \$1 million borrowed dollars per troop per year in Afghanistan the war is a drain on the economy not a stimulus.

Spending on military certainly creates jobs, just [not many compared to other spending or tax cuts](#). Spending \$1 billion on the military creates 8,555 jobs while spending the same amount on mass transit would create 19,795 and on education 17,687. Even spending on tax cuts, not a great form of stimulus, is more efficient than the military, creating 10,779 jobs. Health care and infrastructure spending create about 12,800 jobs. The U.S. needs WWII in reverse, a rapid switch from a military-dominated economy to a civilian-dominated economy.

There are [some signs of recovery](#) finally, but there are also [signs of frailty](#). At best the economy will recover hesitantly, but another collapse is also possible. The failure to heed the lessons of history increases the chances of the economy faltering rather than growing, and with that the debt will grow as well. This not a time for saccharin and gimmicks. It is time to face reality and institute paradigm shifting change. It is time for a [democratized economy](#) that benefits all of us and to end an economy designed for concentrated corporate interests that benefit few.

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