Obamanomics: Escalation of Reaganomics

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President Reagan did not make any bones about his intention to reverse the New Deal economics when he set out to promote the Neoliberal economics. Likewise, President George W. Bush did not conceal his agenda of aggressive, unilateral militarism abroad and curtailment of civil liberties at home.

There is a major similarity and a key difference between these two presidents, on the one hand, and President Obama, on the other. The similarity lies in the fact that, like his predecessor, President Obama faithfully, and indeed vigorously, carries out both the Neoliberal and militaristic policies he inherited. The difference is that while Reagan and Bush were, more or less, truthful to their constituents, President Obama is not: while catering to the powerful interests vested in finance and military capitals, he pretends to be an agent of "change" and a source of "hope" for the masses.

There has been a wide-ranging consensus that the excessive financial/economic deregulations that started in the late 1970s and early 1980s played a critical role in both the financial bubble that imploded in 2007-2008 and the continuing persistence of the chronic recession, especially in the labor and housing markets.

Prior to his recent U-turn on the regulation-deregulation issue, President Obama shared this near unanimous view of the destructive role of the excessive deregulation of the past several decades and, indeed, strongly supported the need to bolster regulation: "It's time to get serious about regulatory oversight," Mr. Obama argued as the Democratic nominee for President; and again, "…this crisis has reminded us that without a watchful eye, the market can spin out of control," as he stated in his inaugural speech.

Expressions of such pro-regulation sentiments were part of his earlier promises of "hope" and "change" in a new direction. Back then, that is, before showing his Neoliberal hand, the majority of the American people believed him—the middle, lower-middle, poor and working people who were tired of three decades of steady losses of economic security were desperately willing to believe a charismatic leader who peddled hope and change in their favor.

Recently, however, the president seems to have had a change of heart, or perhaps an epiphany, regarding the regulation-deregulation debate: he now argues that protracted recession and persistent high levels of unemployment are not due to excessive deregulation but to overregulation! Accordingly, he issued an executive order on 18 January 2011 that requires a comprehensive review of all existing government regulations. On the same day, the president wrote an op-ed piece for the *Wall Street Journal* in which he argued that the executive order was necessary in order "to remove outdated regulations that stifle job creation and make our economy less competitive." The president further argued that "Sometimes, those [regulatory] rules have gotten out of balance, placing unreasonable burdens on business—burdens that have stifled innovation and have had a chilling effect on growth and jobs. . . . As the executive order I am signing makes clear, we are seeking more affordable, less intrusive means to achieve the same ends—giving careful consideration to benefits and costs."

Stripped from its Orwellian language, this "cost-benefit" approach to health, safety and environmental standards is clearly the familiar Neoliberal rhetoric that is designed to help big business and their lobbies that have been working feverishly to stifle the widespread pro-regulation voices that have grown louder since the 2007-08 financial melt-down.

Indeed, the president's recent agenda of further deregulation has already born fruits for big business. The *Wall Street Journal* reported on 20 January 2011:

"A day after President Barack Obama ordered the government to get rid of burdensome rules, two federal agencies backed down from proposals that had drawn jeers from businesses. . . . The Labor Department said it was withdrawing a proposal on noise in the workplace that could have forced manufacturers to install noise-reducing equipment. And the Food and Drug Administration retreated from plans to tighten rules on medical-device approvals, postponing a proposal that would have given the FDA power to order additional post-market studies of devices. . . . Industry leaders praised the moves, while consumer advocates expressed disappointment. . . . 'This is a very positive step forward,' said Bill Hawkins, chief executive of medical-devices heavyweight Medtronic Inc."

How is the president's sharp turnaround on the regulation-deregulation debate to be explained? What "outdated deregulation" is he talking about? How could deregulation, which is widely believed to have been the problem, also be the solution? Why this sudden U-turn?

The change in the president's view from the need for regulation to that of further deregulation can be explained on a number of planes.

On a narrow, personal and (perhaps) simplistic level, it can be argued that the president's about-face on the issue of deregulation should not really be surprising; the turnaround represents quintessential Obama: spineless and/or unscrupulous, if you are a critic of the president; pragmatic and/or complex, if you are an apologist or defender of him.

There are also, of course, re-election considerations here. And here it seems that the president's team is pinning his chances for re-election on big business and big media; confident that once he is able to win their hearts and minds, they will, in turn, be able to manipulate the public to vote for him—just as they did in the 2008 election.

On a deeper (but still personal) level, that is, on a philosophical or ideological level, it can be argued that the president has always been a Neoliberal thinker, albeit a stealth Neoliberal, who is coming out of the closet, so to speak, carefully and gradually. Evidence of his being ideologically more a partisan of Neoliberal than New Deal economics is overwhelming (see, for example, Pam Martin and Alan Nasser).

It is necessary to point out that although the stealth Neoliberal president has been taking baby steps out of the closet, he would always stay by the entrance: as long as there is no popular anger or pressure against his Neoliberal policies, he would stay on the outside; at the first signs of a threatening pressure from the grassroots, however, he would crawl back inside the closet, and begin preaching populism or uttering ineffectual, benign corporate-bashing rhetoric. This is his mission and his political forte – a master demagogue. And this is why the politico-economic establishment promoted him to presidency as they found him the most serviceable presidential candidate. None of his presidential rivals could have served the tycoons of the finance world and the kings of Wall Street as well as he has.

On a more fundamental level, President Obama's reversal of his view from the need for rigorous regulation to the need for further deregulation, and his economic policies in general, show that while the politics and personalities of a president ought not be ignored, presidential economic policies cannot be explained by purely personality issues such as a failure of nerve, conviction, or ideas. The more crucial determinants of national economic policies are often submerged: the balance of social forces and the dominant economic interests that shape such policies from behind the scene. Stabilization, restructuring or regulatory policies are often subtle products of the outcome of the class struggle.

Thus, when the balance of social forces is tilted in favor of the rich and powerful, crisis-management economic policies would be crafted at the expense of the working people and other grassroots. In other words, as long as the costly consequences of the brutal Neoliberal restructuring policies (in terms of job losses, economic insecurity, and environmental degradation) are tolerated, business and government leaders, Republican or Democrat, would not hesitate to put into effect draconian measures to restore conditions of capitalist profitability at the expense of the impoverishment of the public.

On the other hand, when crisis periods give rise to severe resistance from the people to cuts in social spending, such crisis-management policy measures could also benefit the public. A comparison/contrast of policy responses to major economic crises in the United States clearly supports this point. Economic historians have identified four major economic crises in the past 150 years or so: The First Great Depression (1873-97), The Second Great Depression (1929-37), the long recession of 1973-83 (also known as the stagflation of the 1970s), and the current long recession that started in 2007-08.

Since there was no compelling grassroots pressure in response to either the First Great Depression of 1873-97 or the long recession of the 1970s, crisis management policies in both instances were decisively of the Neoliberal, supply-side type: suppression of trade unions and curtailment of wages and benefits; promotion of mergers, concentrated industries and big business; extensive deregulations and generous corporate welfare plans; in short, huge transfers of income from labor to capital. Likewise, a glaring lack of grassroots resistance in the face of the current long recession has allowed the ruling kleptocracy (both in the US and beyond) to adopt similarly brutal austerity policies that are gradually reviving financial/corporate profitability at the expense of the poor and working people.

By contrast, in response to the Great Depression of the 1930s workers and other popular forces achieved employment and income security as a result of a sustained pressure from "below."

The contrast between these two entirely different types of restructuring strategies shows that, as [Mark Vorpahl](), a union steward, recently put it, **"**Working people and the unemployed cannot rely on the politicians to get the change we need. We can only rely on our own collective strength. That is, we need to organize and mobilize as a united, massive, powerful force that cannot be ignored by those more intent to do Wall Street's bidding." Only the threat of revolution can force people-friendly reform on the ruling kleptocracy.

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