

Obama's State of the Union: The Economic Dimensions

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Obama proclaimed in the State of the Union was that the economy was getting stronger even though [the last quarter showed a shrinking GDP](#) not an expanding one, the [last month showed a rise in unemployment](#) and a report issued last week showed [two-thirds of Americans teeter on the edge of an economic abyss](#). These facts, along with rising poverty and [senior citizens who are barely avoiding poverty](#), were nowhere mentioned in SOTU. All this adds up to a potential double-dip recession but that sour did not go with the sweet saccharin, so it was left unsaid.

A Couple of Positive Developments

Most of the speech was filled with policies we have heard before, but there were a couple of surprises:

Minimum Wage Hike: The president called for an increase in the minimum wage, saying both he and Romney supported it. He urged an increase to \$9 an hour from the current \$7.50. In 2008, candidate Obama called for an increase to \$9.50; and Senator Harkin has introduced a bill that calls for an increase to \$9.80. [Ralph Nader points out](#) that a rise to \$10.25 is needed to get low-wage workers up to the equivalent of inflation-adjusted 1968 pay. No doubt more would be needed to achieve a living wage. There has been tremendous growth in the economy since the 1960s, but the Obama proposal would mean low-wage workers would not benefit from this much larger and more productive economy.

Raising the minimum wage would be [good for the economy](#). Research makes it clear that increasing the minimum wage is a job creator because low-wage workers will spend the money on necessities and spur the economy; and will rely less on government programs like food stamps.

Pre-School for All: Education is one of those areas where, if you know what the president's programs actually do, his speech was saccharin, i.e. sweet but poses a risk of cancer. Whenever Obama talks about education people should be wary and look at the details. [Bruce Dixon of Black Agenda Report makes the point:](#)

“. . . the gap between popular perceptions of the president's policies and the actual content of those policies is nowhere wider than in public education. While the president pays lip service to the centrality of public education, teachers and parent input, his Race To The Top is paving the road to privatization, closing more public schools and firing more teachers than any president in US history.”

Privatization and Corporatization

The Race to the Top is greater privatization, corporatization and testing of students, all issues teachers, parents and students are revolting against. Dixon goes on to point out that Obama's policies are George W. Bush's policies in overdrive, and [Rob Delany makes the same point](#) in Salon:

“President Obama should junk the Race to the Top plan immediately. It is a deeply flawed reworking of George W. Bush's test-based, pro-charter school No Child Left Behind Act. Obama and Secretary of Education Arne Duncan should change course dramatically and publicly admit Race to the Top doesn't and can't work and then craft a new plan that doesn't treat education like an industry and coerce teachers to 'teach to the test,' while marching toward education privatization.”

While the idea of pre-school for all and expanded all-day kindergarten sound sweet, this has to be approached with caution due to the president's privatizing and test-based education policies. Not mentioned by the president in his speech was the sour, an increase in poverty. This is very relevant to education, as poverty undermines efforts to improve educational achievement among low-income and minority students. We [must address poverty to improve education](#).

Jobs, the Hollow Centerpiece of Obama's Plans

Obama had to fudge statistics to make his jobs numbers look good. Obama has been president for four years, but in reporting on manufacturing jobs he only mentioned the last three; as [Politico points out](#): “When Obama took office in January 2009, the economy had 604,000 more manufacturing jobs than it does now.”

Obama was right to focus on jobs. If there is one thing that is critical to getting out of economic collapse and reducing the deficit, it is jobs. For [60 years there has been a consistent pattern](#): when unemployment drops, the deficit as a percentage of GDP drops. When unemployment rises, the deficit rises. The solution to our economic problems is striving toward a full employment economy.

But, the words “full employment” are never mentioned in Washington, DC. Labor [economist Jack Rasmus points out](#) that what we heard in the State of the Union were the same old minimal job programs from Obama - nothing that will come close to providing the jobs we need. At a time when [we need bold action on jobs](#), we got a non-jobs program.

One of the false solutions Obama put forward, saccharin that risks cancer, were trade agreements. The [Trans-Pacific Partnership](#) has been negotiated in secret for three years by Obama, except for the 600 corporate advisors who tell the US what to put in the agreement. [The TPP is not a jobs creator, but a jobs destroyer](#). NAFTA cost the United States five million jobs. The TPP is known as NAFTA on steroids. The cancer of the TPP is not only going to be loss of jobs and lowered wages, but increased corporate power. This global corporate coup will make corporations more powerful than governments. Obama also announced a corporate trade agreement with the European Union. Hopefully, this gets activists in Europe working to oppose it and gets Americans fighting the anti-democratic “fast track” in Congress. Obama needs fast track to pass the TPP because if the issue is debated it will be

widely opposed.

Another false solution to jobs is immigration reform. While immigration reform is much needed, the versions being considered include [the gift of indentured servitude](#) to big business in the United States, in the form of a new warmed-over Bush idea, a “guest-worker program.” Obama did not talk specifics in SOTU, but this provision should be opposed by all Americans and loudly rejected by Obama.

The Big Missed Opportunities

Two big issues that could radically change the debate in Washington, DC were not discussed by the president.

First, with all this talk of sequestration, President Obama should point out that right now the United States is seeing the [most rapid decline in government spending since World War II](#) and looking to the future [an “unprecedented” decline in government spending is being predicted](#) – not even counting sequestration or any “Grand Bargain.” In fact [January actually saw a federal spending surplus](#) for the first time in five years.

We don’t need to speed up this decline in spending. In fact doing so, especially when there are signs of another recession, [risks another economic collapse](#). [Great Britain, the poster child for austerity](#), seems to be beginning its third recession in four years. Our own history shows that cutting government spending in a time of collapse causes recession. We should have learned this lesson from the [“Roosevelt Recession “of 1937-38](#) rather than risking an Obama Recession of 2013-2014.

As Nobel Laureate Paul Krugman recently pointed out this is [a uniquely bad time for austerity](#). In fact a [top banker in Britain revived Milton Friedman’s idea of dropping money from helicopters](#). Sadly, President Obama did not make this case, so if a recession hits he will appropriately be blamed for it, rather than Congress. Instead Obama put cuts to Social Security and Medicare, his [“Grand Bargain,”](#) on the table again. This is the wrong medicine. More and [more people recognize we need to increase Social Security](#) to end poverty retirement and [expand an improved Medicare for all](#) to not only provide health care to all but also to control health care spending.

Second, there was no discussion of the wealth divide which plagues the nation and [prevents economic recovery](#). Even [people in favor of the market are making the case for taxing the super-rich](#), but President Obama seems unable to do so. And, [the news on the wealth divide got worse yesterday](#) with a report that showed the richest 1 percent gobbled up 121% of income gains; how? They essentially put everyone else back into recession with shrinking incomes. Obama could have shocked the nation with that fact!

The wealth divide goes hand-in-hand with the concentrated wealth of the big banks but, the idea of breaking up the big banks, banks which have grown even bigger during Obama’s time in office, is not discussed by President Obama. The case for breaking up the big banks is even [being made by conservatives like George Will](#). But, President Obama instead [appoints an SEC head](#) who was a lawyer for the big banks and a [Treasury Secretary who worked for a big bank](#) and kept money in the Cayman Islands.

So, the concentration of wealth, which has grown under Obama, and the wealth divide will continue under the second term agenda announced in SOTU.

War and 'Democracy'

Of course, we are pleased to hear that President Obama is finally moving toward a possible end of the Afghan War, the longest in US history. Of course, not mentioned is the troops that he is removing are ones he added in the failed surge. And, this exit will not be a complete exit, as he said in SOTU. The US will not leave Afghanistan in 2014 but will stay to train Afghan troops and fight terrorists. As a result, despite [a national security budget of over \\$1 trillion](#), there is no talk of cutting the bloated national security budget. The president has not told us how many troops will be staying in Afghanistan after the so-called "end of the war."

Finally, it was good to hear President Obama mention the need to fix US democracy. As I recently wrote with Margaret Flowers, we live in a [mirage democracy](#). US democracy is really a "managed democracy" where voters pick from two candidates approved by Wall Street who will not challenge the power of concentrated wealth. President Obama in SOTU certainly showed he is doing nothing to start the transformation needed.

There is much needed to correct US democracy, here's the top of my list: (1) universal voter registration so everyone of age can vote, (2) get money out of politics and provide public funding for public elections, (3) remove ballot access obstacles so Americans get more choices, (4) open the debates so candidates on enough ballots to win can be heard, and (5) improve the voting process so vote counts can be easily verified and voters can vote in a half an hour.

I'm sure by now the saccharin is wearing off. The [antidote for the sour taste in your mouth is to get active](#). Let's follow the lead of Indians in Canada and the US and [be idle no more](#). It is evident from the State of the Union that we cannot count on the elected "leaders" in Washington to get the country back on track - we must do it ourselves.

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