

# The Obama Crossroads: Neo-Liberal Coup or Responsible Government

By [Prof. John McMurtry](#)

Global Research, February 01, 2009

1 February 2009

Region: [USA](#)

Theme: [Global Economy](#)

When the U.S. Treasury gave away \$700 billion to Wall Street banks with no strings attached in October of 2008, the Obama team gave a green light. A popular insurgence was soon silenced, with public wrath directed instead at the U.S. auto producers (and unions) who followed with a request for \$25 billion. The auto companies ended up with a loan of about 1/50th the amount that went to Wall Street as a gift. The subtext message was disturbing. Wall Street firms produce nothing, no-one is required to explain what they are doing with all the public money they received, and no criteria of public benefit are applied.

With the Obama team onside, rule by the fast-money men is set to continue. The near-trillion quick hand-out of citizen debt to the bankers with no conditions has remained a non-issue. Even the shift from buying Wall Street assets to direct capital infusion has raised no questions. Obama's subsequent appointments of his economic and financial directors follow in line. Those now in charge of the U.S. money-printing machine (alias the world's reserve currency) and of the financially hollowed-out system that was once the U.S. economy have not really changed. Even the education cabinet post has been filled by what his Bush predecessor says is "a kindred spirit". He (Arne Duncan) has enthusiastically implemented the Bush school program in Chicago - testing children instead of teaching them, firing lots of teachers, pressuring test-failures out of school, and degrading public education with corporate-quiz mechanisms in place of sound learning methods.

## The Number One Issue: Who Now Runs The Economy and Finance

Obama's new U.S. Treasury Secretary is Tim Geithner, a former chief deputy of his Democrat predecessors at Treasury - Robert Rubin (who presided in the first Clinton government and later Citigroup over the "new financial instruments" that have subsequently wrecked the U.S. and world economy), and Larry Summers (who as Secretary of the Treasury in 1999 tore down barriers between commercial and investment banks in the deregulation frenzy that set up the Wall Street crash). Geithner originally came from Kissinger and Associates - "a bipartisan man" - before moving on from deputy at Treasury to head of the New York Federal Bank Reserve. His main qualifying distinction - not mentioned in press releases - has been as chair of a central committee of the BIS (Bank of International Settlements), a body of chief-executive international bankers which has been the unseen point-man of neoliberalism over the last 25 years. The BIS first cut its teeth on

collecting debt reparations from Germany which seeded the Nazi Party – for which the BIS later also stored stolen gold. In between these assignments, Geithner served the then-collapsing IMF as director of Policy Development and Review.

In short, Geithner is an international money-man following in the tracks of what has preceded him. Behind all the hoopla of “Change We Need” and “The People’s President” lies the same monetocracy. Geithner assisted in the massive bank giveaway and its sequel of another further 25 billion plus 300-billion credit to Citigroup, a Rockefeller bank led by Rubin. Neither he nor Summers, the new economic czar, lent anything but support when the flood of public money into the Wall Street hole more than doubled before Christmas from the original \$700 billion to \$1.5 trillion with no more conditions than before.

The biggest heist ever from the public treasury, some might say an extortionate swindle, has been backed by the threat of “give it over, or Americans won’t get credit”. No-one appears to notice the fraudulent pretext on which it is based. Who needs credit from the private banks when the public and government already back them for any credit they have got? Why pour public money into private-bank hands to lend money they do not have and are not lending when they get it?

### **More Dangerous to Our Liberties than Standing Armies**

Former Federal Reserve chief, Allen Greenspan, observes that “sovereign credit and guarantees put in place during the crisis [i.e., new government money to private banks] is now estimated at 7 trillion”. Yet after 1.5 trillion U.S. public dollars thrown at the Wall Street hole, not one homeowner has been relieved of bankruptcy proceedings, the banks do not lend to productive enterprises or even themselves, and no-one tells anyone in America what’s been done with all the public money.

The idea of a central public bank system controlling the currency and credit constitutionally held by governments and lending it for purposes that serve the public interest (e.g., social infrastructure, housing, environment and education) is as old as the modern state. But it has been dinned out of citizens’ minds. In fact, the only democratically accountable and efficient banking system is one in which skyrocketing non-productive costs, unaccountable debt creations and pyramid schemes are made impossible inside the law. Yet most are enslaved to a false double dogma – first, that unaccountable big banks creating compound-interest debts for everyone including governments are economically necessary; and, second, that they must be left free to leverage, mix and repackage debt assets as they please without the money to back the credit or capital they allocate. Statesmen since Thomas Jefferson have not been so foolish. “Banking institutions are more dangerous to our liberties than standing armies”, Jefferson pragmatically observed. “Already they have raised up a monied aristocracy that has set the Government at defiance. The issuing power [of credit] should be taken from the banks and restored to the people to whom it properly belongs”.

Instead, the “monied aristocracy” and its servants are now loaded with public cash even as their vast global pyramid schemes have cratered. The consistent policy to prevent what bankers themselves call “moral hazard” is to leave them to their market fate where their plundering of the world with toxic financial products has poisoned them. The responsible public solution to “keep credit flowing” is for government to keep its control over currency and credit issue to direct loans to public and productive purposes. Let the banks lend money they can back with 100% reserves, and manage as their private depositors allow them to – what in fact the best economists have recommended since the 1929 Crash.

Yet even conditions of public service by the banks loaded with public cash have not surfaced to debate. Instead a Bush-Obama transition has handed over the keys of the U.S. Treasury to the very coterie of neoliberal money manipulators who have hollowed out the country’s wealth and much of the world. As long as they run the show, the people and the real economy continue down the hole.

### **Eco-Economy and Social Justice in Reverse**

Obama claims that he is bringing “fresh thinking” with Larry Summers as chief of economic policy formation. If you think he can lead a new program of productive economics, employment, non-oil energy, and environmentally friendly manufacture – what every sane person wants and what Obama hope promises – consider the track record of his economics czar. Before becoming Clinton’s second-term Secretary of the Treasury where he mentored Geithner, Larry Summers had distinguished himself as an outspoken neoliberal advocating the loot-and-pollute globalization that has brought cumulative ecological as well as financial catastrophe. In a leaked Memorandum as Chief Economist of the World Bank, Summers urged “more migration of the dirty industries to the LDCs [Less Developed Countries]” for three reasons (all his words):

- 1) The measurements of the costs of health impairing pollution depends on the foregone earnings from increased morbidity and mortality. – – – I think the economic logic behind dumping a load of toxic waste in the lowest wage country is impeccable and we should face up to that.
- 2) I’ve always thought that under-populated countries in Africa are vastly UNDER-polluted, their air quality is probably vastly inefficiently low compared to Los Angeles or Mexico City. – – [We should prefer] world welfare enhancing trade in air pollution and waste.
- 3) The demand for a clean environment for aesthetic and health reasons is likely to have very high income elasticity. – – – While production is mobile the consumption of pretty air is a non-tradable.

Summers then explains where he stands on “deregulation” versus “moral and social concerns” in an epitome of neoliberal life blindness: “The problem with the arguments against all of these proposals for more pollution in LDCs (intrinsic rights to certain goods,

moral reasons, social concerns, lack of adequate markets, etc.) is that it could be turned around and used against every Bank proposal for liberalization.” Summers here lets the cat out of the bag on what “liberalization” demands to be sacrificed to it – “goods”, “moral reasons” and “social concerns”, all the values Obama says he stands for.

After the memo became public, Brazil’s Secretary of the Environment Jose Lutzenburger wrote back to Summers: “Your reasoning is perfectly logical but totally insane...” Mr. Lutzenburger was fired. Summers has become President Obama’s chief economic adviser.

### **No Roots in Adam Smith or the New Deal**

Adam Smith’s vision of the free market did not envisage exporting toxic wastes to the poor to save rich polluters from cleaning up their act. When the market’s “invisible hand” was briefly announced by Smith, he was clear that the free market was only in “*tangible goods useful to mankind*”. The neoliberal school invokes Smith, but simply erases the productive economy from its models where only money coordinates count.

For them, the New Deal is an enemy. When banks failed and credit dried up, Roosevelt’s administration ploughed all the public money into public works and productive employment, not into banks’ coffers . One New Deal program, the Works Progress Administration (WPA), became the largest employer in the nation financing the arts as well as public infrastructures. The New Deal also started old-age and unemployment insurance, loans to local authorities for slum clearance, and guaranteed income to the indigent – the latter program scrapped by Summers under Clinton. Even now with promises of new major spending on “infrastructures”, we may observe it is targeted to upgrade highways, computers and airports rather than to build and protect social and ecological life support systems.

### **The Turn to Responsible Government**

The imperatives are clear. Return constitutional powers over currency and credit to accountable public authority, and away from private banks free-riding on public cash and guarantees for no productive or public goal. Let credit and the allocation of capital flow in correspondence to productive function for what is needed – that without which the life capacity of citizens is reduced. Allocate new capital and interest charges to meet the greatest economic challenge in history – the conversion from fossil to clean renewable fuels, and the re-tooling of manufacture towards ecologically coherent industry, both of which massively create jobs.

The eco-energy rescue of the economy with the money for it to come from a responsible central public bank system is a conjuncture made in heaven. It has become politically possible with Wall Street's corrupt collapse, and economically imperative with America and the world facing a life-and-death policy crossroads.

Canada's long-serving Prime Minister, MacKenzie King, was no radical. But he realized that "once a nation parts with control of its credit, it matters not who makes the laws - - - Privatized money control is the single greatest threat to democratic freedom". Thus was born the public Bank of Canada in 1935 with statutory public functions of "regulating credit and currency" and of "making loans and advances" to governments. Since the Reagan-Mulroney turn, however, public banks and government have been bent into service to the deregulating, money-leveraging and casino speculations of the borderless money party - all on the back of Canada's social programs, its manufacturing base, its integrity of ecology and resource bases, and secure employment of citizens in good jobs and life-serving vocations.

### **Presidential Brand Change in Place of Economic Reform**

Is Obama's administration only a presidential brand change? Is the same rule of money, waste, toxic commodities and foreign occupations to continue? Observe closely Obama's building of a "new job-creating energy-efficient economy". The image has certainly changed, but the reality remains that a Washington-led carcinogenic capitalism continues to cumulatively strip the earth of its species and resources, impoverish life vocations and the poor, and allocate public policy and wealth for decoupled money multiplication, industrial agribusiness and armed forces with no committed life function.

America's President is where the buck stops, but the buck has been passed on to the people who helped end the New Deal, deregulated the financial sector, and broke the wheels of the productive economy. Neoliberal religion still rules. In a lecture at the University of Toronto a few years ago as Harvard's President, Larry Summers, the new chief of economic planning for Obama, proclaimed his credo as "the essential truth" that all "basic value including "literacy is linked to market growth". This is the ultimate neo-liberal equation - More Money-Value Exchanges = More Market Growth = More Basic Values. The social and ecological goods and resources on which every life depends, the most basic values that exist, are simply blinkered out. Since fresh air to breathe, stable climate cycles and life spaces to live and work securely do not compute to this life-blind economics, money-sequence and commodity growth continue to deplete and destabilize human and ecological life systems with no accountability to their requirements. Perpetually turning leveraged money into more money for private money possessors with no life standards is, in the end, the logic of a global cancer.

### **Obama's First Crisis: Forgetting the Past**

The most instructive moments in America's history have been forgotten – for example, the 1776 American Revolution itself which Benjamin Franklin said was most of all to wrest back control over the issuing of money from the private Bank of England; Abraham Lincoln's issue of "greenbacks" to go over the head of the New York bankers' demand of 17% compound interest to fund the war for the Union; and FDR's historic New Deal which guaranteed minimum economic security and put people back to work in rebuilding the real economy. Yet not even the Depression has demanded the economic reset now required to resolve the coinciding energy, environmental, employment and financial crises confronting America and the world.

As with soaps, so with Presidents. Sales pitches metamorphize reality into miracles with nothing in fact changed. We are conditioned to the magical thinking – the pervasive images and parables of super cleansers and cosmetics, new vehicles of transfiguring power, aphrodisiac doorways to paradise, redeeming graces for the rejected, and people who pretend to care for us. Is the Obama presidency merely a macro variation on the theme? Already many believe that Obama will save the day without policies to do so, even Europeans gushing over his hope of a climate solution. A deeper turn is required, as events will show.

***John McMurtry** is Professor Emeritus, University of Guelph, Canada, Author and Editor of Philosophy and World Problems, Encyclopedia of Life Support Systems (EOLSS), UNESCO. Paris. He is the author of Value Wars: The Global Market versus the Life Economy (London:2002), The Cancer Stage of Capitalism (London and Tokyo: 1999, 2002), Unequal Freedoms: The Global Market As An Ethical System (Toronto and Bloomfield Ct: 1998, 2000)*

The original source of this article is Global Research  
Copyright © [Prof. John McMurtry](#), Global Research, 2009

---

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Prof. John McMurtry](#)

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)

[www.globalresearch.ca](http://www.globalresearch.ca) contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)