

The Obama Government: Take From the Poor and Give to the Rich

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These past several weeks have witnessed a stunning attack on working people, with the Obama administration leading the charge.

It started with Larry Summers, Obama's chief economic adviser, responding to the A.I.G. bonuses by pontificating about the sanctity of contracts: "We are a country of law. There are contracts. The government cannot just abrogate contracts." Like a mad dog pursuing its prey, he pounced on the conclusion that absolutely nothing could be done about the bonuses. Unfortunately, Summers voiced no similar outcry when the Obama administration, only weeks earlier, insisted that the U.A.W. contracts be renegotiated as a condition for the auto industry receiving a bailout, suggesting that a different set of rules applies to the rich than to the rest of us who constitute the majority and work for a living.

However, when a public uproar swept the country in response to these bonuses, many of which were ear-marked for the financial wizards who helped drive the economy over the cliff, the Obama administration executed a hasty about-face. Suddenly, they too were "outraged," along with everyone in Congress who wanted to keep alive any chance of re-election.

But then, Eliot Spitzer, former New York governor, weighed into the fracas, arguing that the bonuses were only the tip of the iceberg. The real scandal, he claimed, centers on A.I.G.'s decision to redirect billions of its public bailout funds to some of its trading partners, including Goldman Sachs. For weeks, A.I.G. had refused to divulge the names of these recipients and only acquiesced when threatened with legal action. According to Spitzer, the issue is basically this: if taxpayers are being forced to sacrifice by bailing out financial institutions, shouldn't the financial institutions themselves be compelled to make their own sacrifices rather than being made completely whole by taxpayer money, as is happening when Goldman Sachs receives taxpayer money from A.I.G.? And one could add that, after all, the financial institutions had some responsibility in creating this financial disaster; we working people had nothing to do with it.

But even these setbacks for working people pale in comparison to the latest dog and pony show orchestrated by the Obama administration in response to the toxic assets that are dragging down the financial institutions here in the U.S. and around the world. As Paul Krugman, Princeton economist, observed: "...basically the plan hands out gold-plated toasters to anybody who participates." Joseph Stiglitz, Nobel Prize-winning economist, described it as "very badly flawed," offering "perverse incentives," that amount to "robbery of the American people."

Basically, the program, which is trumpeted as a public-private partnership, will give billions of dollars of our taxes to subsidize private investors who buy the toxic assets. We will contribute 94 percent of the cost, leaving only 6 percent that the private investors must shoulder. If the toxic assets prove to be worthless, as their name suggests, we taxpayers will suffer heavy losses while the investors can walk away almost painlessly. However, if these assets turn out to be profitable, then the investors and taxpayers share in the proceeds on a 50-50 basis, not on the basis of 94-6, as one would think if fairness marked the bottom line. This kind of partnership resembles the kind that exists between predators and their prey. Or, as Paul Krugman noted, it's like this: heads the private investors win, tails the public loses. Once again a different set of rules applies to rich as opposed to the rest of us.

All of the above can be summarized in this way: as long as the markets operate to make the rich even richer, we must consider them sacred. However, when they fail to deliver this outcome, the government must step in and, with our tax money, insure that the rich can continue their ascent to ever-greater heights of wealth while the rest of us languish in the dust, struggling to buy a home, keep a job, provide a decent education for our children, secure health coverage for ourselves and our family, and so on.

Finally, many of us harbor the illusion that when it comes to paying taxes, the rich carry the heavier burden. As Dorothy Brown recently pointed out: "There are effectively two tax systems in America: one for the very rich and one for the rest of us. Income from stock dividends and capital gains, which makes up a disproportionate amount of the earnings of the very rich, is taxed at 15 percent. But the bulk of what the rest of us earn — wages and interest from savings accounts — is taxed at up to 35 percent." For this reason, billionaire Warren Buffett, to his credit, has complained that he was taxed at a rate of 17.7 percent on his \$46 million income while his secretary struggled under the onerous rate of 30 percent.

The government has embraced two sets of rules: one for the rich and another for the rest of us. Working people will have to organize themselves so that they can forcefully demand, not only a bailout for working people, but an entirely new and just set of rules that level the playing field. But they will have to come to the realization that the root of the problem lies in the fact that this is a class society, and anything of significance happens on that basis.

On the one hand, the rich own the economy and run it exclusively in their own interests in pursuit of the maximization of profits, regardless of the pain and suffering they inflict on the rest of us and the environment. They lay us off, foreclose our homes, and deprive us of health care without a second thought. And by giving millions of dollars to politicians, they in essence run the country, secure in the knowledge that the politicians will return the favor with preferential legislation and bailouts on demand.

On the other hand, working people labor long and hard only to be told that we are being laid off, or our pension has disappeared, or we have lost our savings on a stock market that operates according to unfathomable principles.

We must insist that the country operate in the interests of the majority. But this goal requires that we embrace truly democratic principles so that every important economic decision is discussed, debated, and determined by a vote. Only then will we succeed in abolishing classes, abolishing the privileges of the rich, and establishing a society where the full development of every individual is the fundamental premise embraced by all.

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