

The Upcoming Political Crisis in Washington

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In recent days we have seen even mainstream Democratic figures as Joe Stiglitz and Paul Krugman sound the alarm on what seems to be uncertainty in the Obama administration. Stiglitz, Krugman et al. are following in their essential critique a path well worn over the past few weeks by a range of commentators to be found as much among the Austrians as those on the liberal-to-left part of the spectrum. The fundamental point is, of course, that it is now clear to all but the militantly unreflective that Obama can - perhaps - save the Real economy or - perhaps - save Finance (i.e. Bank bond- and shareholders), but certainly not both. The increasing, but still relatively gentle, criticism of Stiglitz, Krugman and their ilk is owing to the fact that it is becoming all too clear that Obama is still unwilling to engage Finance in what might turn out to be the greatest intramural fight capitalism has ever seen.

As always with the all-things-to-all-people Obama, it is possible to sift through his recent speeches and find words of comfort (to those who opt for saving the economy rather than Finance) even as the Fed, FDIC and Treasury keep pouring out trillions to Finance. Further, in areas as critical as civil liberties and Empire, Obama has managed to speak out of both sides of the mouth in a manner seldom if ever seen in history and - so far - to avoid the messes that usually come with that. [Examples: the U.S. upping the ante with Africom's new adventures, with forces moving further afield into S. Lanka, B'Desh and yet simultaneously getting brownie points for half a dozen nice words about speaking to Syria; doing all that is needed - including an unsavory folding before Rove - to maintain all of Bush 43's assertions of unrestricted executive power, while heightening the rhetoric about a new dawn of American Values; opening to Iran, but appointing Dennis Ross as the new U.S. legate, etc.]

That the vast majority of citizens of the U.S and of its principal tributary nations are generally unconcerned about the expansion of liberal militarism, unless it is unsuccessful or impacts their standard of living negatively, and have no problems with dictatorial presidential power, unless it hurts them directly, is evidenced by the fact these and related issues were non-starters in the last electoral round. The Battle of the Bailout is different for one brutally simple reason: there is simply too much at stake for the two rival formations of capitalist power to come up with the usual compromise solutions that have seen unity in the face of past challenges.

The devil is in the details and while there is a surfeit of sets of details any one of which makes for fascinating reading, a look at the big picture as regards the politics of the Crisis is in order. If Finance is saved at the cost of further trillions of a publicly funded bailout, it will be in a position of almost unimaginable strength as far as the further consolidation of ownership of the US (and world) Real economy. Therefore, it is hard to see how non-Finance capital can possibly be enthusiastic about allowing these rentier interests to acquire at bargain-basement prices great swaths of their various industries. At the time of writing,

market capitalization of several Fortune 500 firms is being pummeled by the very crisis that Finance – as proximate cause, pace Marxist friends – has triggered. On February 20, 2009, GM, admittedly on the verge of bankruptcy, had a market capitalization of less than \$1 billion. It doesn't take much foresight to see what the vulture brigade of Finance would make of this unique conjuncture. Likewise, the sense of outrage that non-Finance capital feels at the prospect of the crisis being exploited so mercilessly by the very forces that caused it is an additional guarantor that acquiescence is just not in the cards. The Rubin Gang around Obama may intone as menacingly as it likes the promise that failure to bail out Finance will lead to the end of capitalism and the American Way of Life, but this time it's not going to fly.

(Let it be noted in passing that such warnings delivered by one side of the mouth are and will continue to be accompanied by sad songs from the other about, e.g., the transfer of wealth from poor to rich that has occurred in the past few decades [engineered thanks largely to the Rubin Gang itself, of course.]

The contours of the upcoming political battle are not yet clear: each side will use its surrogate experts, agitators and useful idiots, but the very gentleness of the Stiglitz/Krugman warnings are an indication that such as they still hope that mortal combat may be avoided. This is, of course, pure fantasy. These two groupings, acting in concert, are the force that has given us a) the national security state, b) multiple armed interventions, covert and front-door, from Guatemala and Greece, to Iraq, Pakistan and fill in the blank, all the while building an executive power that Augustus would have envied, so neither of them are going to be put off by the prospect of political conflict. More important, they both know the real score: the bailout of Finance will debase the integrity of U.S. economic and political power, and by consequence, that of the entire capitalist world that has come to depend on the U.S. as the last line of defense against chaos. So in that sense the long-mooted euthanasia of the rentiers is the “right” prescription and will be seen as so by both the leaders of the “Real” economy and by the public at large, save those who remain unable to distinguish between Bailout and Stimulus. But the genesis of the crisis itself reveals the stark truth about the actual existing balance of power: the controlled bubble-bust economy of the past two decades is not simply the core engine of growth for world capitalism; far, far more importantly it is both the result of and the ongoing reinforcement of the political and intellectual hegemony that Finance has built up before and during that time.

No hegemonic power has ever willingly given up its position of dominance and there is no reason to suppose that the forces that paid for and orchestrated the Washington Consensus through use of the U.S. state – i.e. the power that backed it up – will be the first, though Stiglitz and Krugman are to be commended for suggesting that they do just that.

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