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USA

Capitalism’s government shutdown scam

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With blazing hyperbole and drama, corporate America pulled off yet another multi-trillion dollar rip-off of working people in the course of the fake “budget debate.” This time the consciously orchestrated scenario included a government shutdown that furloughed 800,000 federal workers and left another million working without pay.

Added to the mix was the Tea Party/Republican Party threat to prevent the government from raising the debt ceiling another trillion dollars or so to avoid an almost unprecedented default of the U.S. government to its creditors around the world.

Capitalism’s media played these themes to the hilt, bringing in the top leaders of the International Monetary Fund and World Bank to warn of the catastrophic consequences to the world economy of a U.S. default. The “liberal” New York Times attacked the Republicans and their Tea Party associates for brinksmanship and praised President Obama for standing firm in refusing to de-fund his Obamacare. Obama swore that he would not budge in defense of his plan and took to the airwaves to denounce his “fanatic” Republican opponents.

The Oct. 17 New York Times captured the hype attendant to the debate in a six-column banner headline: “Republicans Back Down in Fiscal Standoff.” The “news analysis” article stated, “For the Republicans who despise president Obama’s health care law, the last few weeks should have been a singular moment to turn its botched rollout into an argument against it. Instead, in a futile campaign to strip the law of federal money, the party focused harsh scrutiny on its own divisions, hurt its national standing and undermined its ability to win concessions from the Democrats. Then they surrendered almost unconditionally.”

All the while, the pollsters chimed in with near daily reports regarding who was scoring the most points and what that might foretell for the next election cycle. Wall Street’s biggest bankers threatened disasterâ€”a plunging stock market, a damaging rise in interest rates, an end to the tiny housing construction “recovery,” and the beginning of a worldwide economic meltdown.

But excepting the undeniable fact that U.S. and world capitalism do face an unprecedented crisisâ€”which we will explain belowâ€”it was all a lie! In that regard, we recall that Shakespeare had the beleaguered Macbeth cry out in anguish over what he perceived as the meaningless of our passage through this world: “Life … is a tale told by an idiot, full of sound and fury, signifying nothing.” In the current context, Macbeth’s cry would handily sum up life in Washington politics, except that, in the present case, it would signify almost nothing.

Bail-outs for the rich

This “almost nothing” took place in a series of secret and concluding negotiations between the representatives of the twin parties of capitalism to hammer out an agreement, already signaled by Obama himself, to impose massive cuts in Social Security, Medicare, Medicaid and other social programs, while lowering the tax rates of the corporate elite and ruling-class few to virtually unprecedented levels.

Indeed, Obama had already signaled his intention to reduce corporate tax rates from 35 percent to perhaps 28 percent and to essentially reduce tax rates on the accumulated billions and trillions held by U.S. multi-national corporations in foreign banks to sufficiently low levels so as to entice their repatriation.

These provisions are expected to become law when Congress meets to “debate” the Tax Code Overhaul legislation now in preparation. To be sure, the fine print will reveal additional trillions in grants to the rich. Working people are never a party to preparing such legislation. This is left to the corporate elite, who literally draft the desired language that is ratified by their “democratically elected” representatives.

The result, as with the December 2012 Fiscal Cliff “crisis,” wherein trillions of dollars were slashed from social programsâ€”“sequestration” was the term employed at the timeâ€”and trillions more were gifted to the elite by extending the Bush-era tax cuts for the rich that “saved” them a neat $4 trillion. This was yet another finger in the dike to prop up their failing predatory system.

In each and every instance U.S. and world capitalism’s deepening crises are temporarily “solved” by robbing the working masses and bailing out the plundering rich.

George Bush’s last days in office saw Federal Reserve chief Benjamin Bernanke and Treasury Secretary Henry Paulson rush into the Congress to proclaim that if the three-page $700 billion bank bailout proposal they had drafted in consultation with the richest bankers in the nation were not approved immediately, the nation’s entire banking and insurance systems would face a catastrophic meltdown. For those who might think that this image is a bit exaggerated, not long afterward, theNew York Times published a photograph of these corporate titans sitting around the stereotyped long corporate boardroom table! Paulson himself had left his position as chairman and chief executive officer of Goldman Sachs, the fifth largest bank in the country, to take the Treasury post.

The two high stakes players, Bernanke and Paulson, top guns at the pinnacle of the financial pyramid, took just a minute or so to tell George Bush the bad news before they entered the awaiting corporate legislators. Bush’s few words spoke volumes regarding who really rules America. “Why didn’t they tell me?” he uttered pathetically, according to on-the-scene reporters.

A few days later, when it became clear that the money trough was wide open for the taking, Congress upped the bank bailout figure to $840 billion and called the new law, TARP, the Troubled Asset Relief Programâ€”a device wherein the government bought near worthless mortgages at full value. In the months and years that followed, Obama’s new Treasury Secretary Timothy Geithner added $20-$25 trillion more to give to the same elite bankers to keep their failing system afloat. TARP did include $50 million (not billion!) to help working people avoid foreclosure. To date less than $5 million of this has been allocated.

Meanwhile, the Republican/Tea Party sound and fury about cutting Obamacare came to nothing. Neither Democrats nor Republicans had any intention, rhetoric aside, of gutting this proposal, which in its essence granted private health insurance corporations, whose monopoly profits are among the highest in the nation, $2 trillion in additional rip-offs. This was done with full knowledge that a simple single-payer system would have saved $1 trillion in taxpayers’ money while providing qualitatively better and cheaper coverage for everyone.

The $3 trillion differential in real dollar savings between Obamacare and single payer was a vital concern to the twin parties of capital. They sought to avoid it at all costs! In this particular instance, Obama’s plan was the preferred choice of the health insurance corporate elite, who contributed far greater sums to the president’s campaign coffers than to his Republican “opponents.”

Indeed, Obama had already agreed in behind the scenes negotiations to amend his plan in several places to further advance the financial interests of the rich. In contrast, the pathetic spectacle of the recent AFL-CIO national convention’s sending its president, Richard Trumka, on a hurried mission to the White House to demand that Obama amend his plan to avoid drastic reductions in some of the comprehensive medical plans unions had negotiated over decades was telling. Obama told Trumka that he did not play favorites and would not bend to "special interest groups"â€"that is, trade unions that represent millions of working people.

Thus, the well-orchestrated charade over Obamacare was nothing less than the smokescreen behind which the ruling elite negotiated how much to steal from working people. Obama's 2014 budget proposal already includes proposed cuts in Social Security and Medicare to the tune of $630 billion. This is the starting point on the sum to be cut.

To be sure, the final figure, as "both sides" of these "reasonable" negotiators reach agreement, will no doubt be in the trillions! The agreed upon amount will, of course, be transferred to the pockets of the billionaire and trillionaire few, qualitatively more to help save their stagnating and declining system than to satisfy the inherent qualities of greed and avarice that are sometimes alleged to be their prime motivating factors.

An October Wall Street Journal article had Tea Party presidential candidate Paul Ryan more truthfully stating, "let's focus more on general spending and entitlement cuts," as opposed to Obamacare. Similarly, Tea Party billionaires like the Koch brothers explained that Obamacare was subordinate to entitlement spending and corporate tax cuts. Tennessee Republican Senator Bob Corker told Bloomberg News that "for the past two months we've been focused on the wrong subject." His real priority was entitlement cuts.

Catastrophic rise in U.S. debt

None of this is to say that there were not immediate consequences to working people during the government shutdown. While the furloughed federal workers and all the others will likely receive back pay, local small businesses undoubtedly suffered, and millions who relied on a variety of public services and facilities suffered from the disruption.

But the single and most critical issue during the phony budget debates was never seriously addressed. The ever-mounting U.S. debt, currently standing at a historic high of $16.8 trillion, a figure that now exceeds the entire Gross Domestic Product (GDP) of the United States, was absent from virtually all the flame wars.

Since the beginning of the present recession in 2008 when the U.S. debt stood at $10 trillion, the debt has increased, on average, by an astounding yearly sum exceeding $1 trillion. In order to "balance" every year's budget shortfall – to have sufficient funds to pay its bills, including the interest owed to U.S. and foreign creditors, congress is required to pass legislation to increase the debt ceiling, that is, to approve legislation adding yet another trillion dollars to the debt. The $16.8 trillion owed will now be increased to $17.5 trillion, give or take a few billion.

This increase was essentially approved in the final bipartisan agreements just concluded; or more accurately, an agreement was reached to fund the deficit for at least three months, with the expectation that the full trillions of dollars that are required would flow from continued negotiations over how much to cut from entitlements and to reduce corporate taxes.

The Bush era tax cuts alone, continued by the Obama administration, gifted the ruling rich some $2 trillion annually, an amount sufficient to more than balance the budget and to therefore avoid and need to raise ceiling. Similarly, the massive military expenditures, annually exceeding another trillion dollars, if eliminated, would have more than balanced any budget on record.

But these sacred cows of capital are central to the functioning of the system itself. In short, what Congress annually steals from the income side of the budget, whose largest component is the taxes paid by working people, they seek to compensate for by austerity measures imposed at the expense of the general population. This direct transfer of trillions from us to them is today the iron law of a failing capitalism. Literally, 99 percent of all new income generated since 2009 goes to the top 10 percent of the population, an undeniable statement that working people are suffering an attack of greater proportion than in any time of the modern era.

This scenario is generally repeated throughout the world. In the U.S. the total present debt, $16.8 trillion, represents roughly 100 percent of the GDP, in Japan the figure is 192 percent; in Italy, the ratio of the debt to the GDP is 240 percent!

Everywhere in the world, capitalist budgets are “balanced” either at the direct expense of the working class or by “borrowing” money from other nations or banks. I use the term “borrowing” in quotation marks because in the U.S. what this really means is that the government effectively prints money or sells bonds to pay its bills. Since 2008 this has amounted to some trillion dollars annually.

The question of questions is therefore: How long can the government print money or sell bonds to pay its debts until a limit is reached? Most of capitalist economic history was based on the previously indisputable assumption that money, in paper or coinage form, had real valueâ€”that is, it was based on gold or on real commodities manufactured by working people in the course of capitalist production. The expression that “the dollar was as good as gold” rang with a certain truth. Gold itself is a commodity whose value, like all others, is based on the amount of human labor power needed to extract it from the earth.

Nations printed money to facilitate the purchase and exchange of real commoditiesâ€”to aid in the normal circulation process. One could practically go to a bank to exchange cash for gold. In 1944 the U.S. held gold reserves that covered 75 percent of the cash in circulation, although by 1971 the figure had been reduced to 18 percent due to the printing of excessive dollars.

Those nations that violated this fundamental economic principle and printed paper money without regard to its representing real commodities suffered the consequencesâ€”massive inflation wherein what cost x amount in a currency one day, cost 100x or 1000x shortly after.

The fact that the U.S. inflation rate has been relatively low in recent years is due to the fact that the paper money printed has not been circulated to the general population, therefore increasing demand for new products. Instead, the printed paper money circulates among the elite fewâ€”the banks and other speculators who play the capitalist casino game.

The U.S. formally abandoned the gold standard under the Nixon administration in 1971, when the first serious signs of the weakening of the economy appeared as U.S. hegemony was increasingly challenged by competing international rivals. The price of gold has since risen from about $35 per ounce in 1971 to today’s levels, when the dollar’s price madly fluctuates from close to $2000 per ounce to its present value of $1450â€”an approximate increase of fifty times its original value. Put another way, the value of the U.S. dollar today is one-fiftieth of what it was in 1971.

In time, printing billions and trillions of dollars, none of which are based on real commodities, i.e., real production in basic manufacturing industries, must eventually end in a catastrophic meltdown that will shake the economic foundations of the entire world.

The present stock market boom, with the Dow Jones index reaching an all time high in 2013 while the overall economy is stagnant or in decline, is nothing less than the product of today’s casino capitalism. The government or Federal Reserve prints what amounts to fake money and loans it at near zero interest rates to banks and other speculative investors, who in turn invest in all varieties of new financial instruments at rates of return far greater than the government’s zero percent loan rates.

With average manufacturing profit rates in the real economy on the decline in the U.S. and around the world for decades due to ever-intensifying international competition, the corporate elite much prefer gambling in speculative instruments than investing in new technologies to beat their rivals. This “financialization” of capitalâ€”the shift from producing real commodities for sale in ever stressed and increasingly glutted world markets to speculative investmentsâ€”has resulted in the present worldwide crisis of the capitalist system itself, wherein pain and suffering must be inflicted on the vast majority everywhere to pay for the system’s inherent contradictions.

Since World War II, when the U.S. emerged as the preeminent world economic power, with its enemies and allies alike destroyed in a cataclysmic war that killed 60 million people, the U.S. has been the leading and unchallenged world power. Even today 60-70 percent of world trade is conducted in dollars, and a similar figure holds for the debt in dollars held by the rest of the world. But today, as the U.S. is increasingly challenged by the European Union, China, and elsewhere, its domination of the world economy is on the decline, with China, for example, now the leading manufacturing nation.

In time, the endless printing of dollars, not backed by anything other than the “good faith and credit of the U.S.” cannot but lead to an inflation that reduces the value of the dollar much closer to its real value. China, for example, the world’s leading holder of U.S. debt (treasury certificates, bonds and cash)â€”to the tune of $1.3 trillionâ€”can only wonder if its holdings will evaporate due to inflation. Indeed, China has begun to dump some of its large dollar holdings while opening the first debates that question whether the dollar should remain the world’s reserve currency, as per the Bretton Woods agreements that so established the dollar in 1944.

The concept is simple enough: What would happen if the U.S. government ordered its money printers to print $1.3 trillion in cash and ship it to China, marked, “paid in full.” Or suppose the U.S. did the same with regard to its entire debt of $16.8 trillion, soon to become $17.8 trillion!

In effect, the U.S. would be exchanging a large box of paper for real commodities that it had purchased around the world. Every nation that today loans money to the U.S. does so on the basis that, as the world’s leading economy, it will pay its debts in full and with interest, since the dollar, albeit declining, is still the most reliable currency on earth today.

The growing divergence between a U.S. economy on the decline and the value of its credit does frighten the most informed layers of the capitalist elite. Yet their only solution, as with their rivals the world over, is to resolve their inherent crises at the expense of working people everywhere while printing seemingly endless dollars or bonds, to the tune of $89 billion per month in the U.S., the so-called QE or Quantitative Easing that began in 2008 wherein the government purchased near-worthless bank mortgages at face value.

U.S. capitalism’s global dominance is rapidly coming to an end. The “full faith and credit” in its dollar and economy is today undermined not only by the mere thought that it might default in the context of the present congressional wrangle over the debt ceiling, but in its essential stability itself.

The speculative real estate frenzy leading to the present recession/depression, which shook world markets beginning in 2008, was qualitatively more a reflection of capitalism’s general decline rather than of the stupidity or corruption of greedy bankers. A sick system reached the point where average profits were significantly declining in the real world of manufacturing.

The 2008 bankruptcy of General Motors, once the world's largest corporation, is a prime case in point. Why invest in yet another new auto plant that would become obsolete in a matter of months? It's better to invest, so calculated America's ruling rich, in a stock market or in related speculative instruments, where government money could be had at close to zero interest rates and where speculative insurance companies like AIG literally guaranteed against any losses!

That house of cards came tumbling down, and with it capitalism's leaders intensified their shift based on the fact that the only way out of the crisis was on the backs of working people everywhere. Needless to say, the stock market has returned to and even exceeded its highs of five years agoâ€"but again, based on unprecedented speculation as opposed to investment in real production. Wherever capitalism does invest, aside from speculation, is more often than not in low-wage, non-union, service sector, part-time industries, which give zero benefits to workers. Whether this is done in the U.S. or in a poor and oppressed nation where workers can be had at a fraction of the cost is a matter of indifference to those that make the decisions.

The present budget, debt-ceiling, default, ObamaCare hullabaloo represents "much ado about nothing" except how best to inflict yet another blow against us.

*From **Socialist Action**.*

