

No to Wall Street bailout!

The socialist answer to the financial crisis

Statement of the Socialist Equality Party National
Committee
22 September 2008

The Socialist Equality Party and its presidential and vice presidential candidates, Jerome White and Bill Van Auken, unequivocally oppose the plan to bail out Wall Street with hundreds of billions of dollars of taxpayer funds announced by the Bush administration and embraced by Democratic presidential candidate Barack Obama and the Democratic congressional leadership.

The plan, which is being rushed through Congress for passage this week, is the response of the government and the entire political establishment to what is acknowledged to be the greatest economic crisis since the Wall Street crash of 1929. It calls for an unprecedented transfer of public funds to the major banks and the American financial elite at the expense of the broad mass of the people.

Both the plan itself and the manner in which it is being imposed are deeply undemocratic. Exploiting the breakdown in US and global financial markets, the financial aristocracy, which is responsible for the crisis, is exercising its control over the government, both political parties, and the media to implement policies of the most far-reaching character without any genuine debate or discussion. As in the aftermath of 9/11, it is seeking to utilize the crisis to push through policies that would otherwise be considered entirely unacceptable.

None of the measures being carried out changes the underlying causes of the financial meltdown, nor will they resolve the crisis. At most, they will only postpone the day of reckoning.

None of those who control the banks and finance houses are being held accountable, and not a penny is being allocated to provide relief for millions of working class families who are losing their homes, their jobs, and their livelihoods as a result of the frenzied speculation that led to the crisis.

Make no mistake: The working people, who are the victims of the financial parasitism of the ruling elite, will foot the bill to bail out those who have enriched themselves by plundering the social wealth. The massive expansion of budget deficits and the national debt as a result of this plan will be used to justify a brutal assault on basic social programs, education, housing and the wages, jobs, pensions, and health benefits of the working class.

The government has pegged the cost of the program—by which the US Treasury will purchase virtually worthless mortgage-backed assets from banks and other financial institutions—at \$700 billion. This sum already represents the biggest corporate bailout in world history. It is larger than the annual budget for Social Security and the combined annual outlay for Medicare and Medicaid. It has been estimated that such an expenditure translates to a cost for each US family of approximately \$10,000.

Combined with the stated cost of other corporate bailouts and related outlays carried out over the past several weeks—\$200 billion in the government takeover of mortgage giants Fannie Mae and Freddie Mac, \$85 billion in the takeover of the insurance conglomerate American International Group (AIG), \$50 billion to insure money market funds, and \$200 billion in Treasury transfers to the Federal Reserve Board—the \$700 billion handout to the banks exceeds the total allotment for all discretionary spending, excluding the Pentagon, for fiscal year 2009.

In fact, the figure of \$700 billion is a huge underestimation of the ultimate cost of the Wall Street rescue plan. The *New York Times* noted Monday that the decision of the Bush administration to extend its purchase of securities to foreign-based banks that operate in the United States—carried out under pressure from global institutions that hold massive amounts of US debt—will substantially drive up the cost of the program.

The text of the four-page “Legislative Proposal for Treasury Authority to Purchase Mortgage-Related Assets,” published Saturday by the *New York Times*, reveals the profoundly anti-democratic and open-ended nature of the scheme.

The first provision establishes the unlimited and unilateral authority of the Treasury secretary, an unelected official, to order the use of taxpayer funds to purchase whatever “mortgage-related” securities, at whatever price, at whatever amount and from whatever financial institutions he chooses.

It states that the secretary—currently Henry Paulson, the multi-millionaire former CEO of Goldman Sachs—is “authorized to purchase, and to make and fund commitments to purchase, on such terms and conditions as determined by the secretary, mortgage-related assets from any financial institution...”

This is followed by a provision stipulating that the Treasury secretary’s authority under the act is “without limitation.”

A further provision authorizes the Treasury secretary to enter into contracts with the banks “without regard to any other provision of law regarding public contracts.” In other words, to ignore established law concerning public contracts.

The proposal states that the government will designate “financial institutions” to operate the bailout program. This means that the government will hand over management of the program to some of the very corporations that are responsible for the crisis and which stand to profit directly or indirectly from the bailout.

Congress, under the proposal, will be relegated to receiving semi-annual reports from the Treasury Department. It will have no real power of oversight or control.

The proposal gives the Treasury secretary unchecked authority to resell assets the department has taken off of the hands of the banks. This means that the banks will profit on both

ends of the deal—they will be relieved of massive debts and will then be able to buy back the securities at fire-sale prices after the housing market has restabilized.

The text states that the Treasury secretary's authority to purchase mortgage-related assets will be limited to \$700 billion "at any one time." In other words, he will be able to buy more worthless assets after having sold back some of those previously purchased—rendering the supposed \$700 billion limit fictitious.

Under "Termination of Authority," the proposal declares a two-year limit, but includes certain exemptions that will, in practice, enable the Treasury to extend the duration of the program indefinitely.

The proposal calls for a \$700 billion increase in the statutory limit on the national debt, raising it to \$11.315 trillion.

It then defines "mortgage-related assets" so broadly as to potentially cover everything from trillions of dollars in bonds to the estimated \$62 trillion unregulated market in so-called "credit default swaps."

Perhaps the most extraordinary provision reads as follows: "Decisions by the secretary pursuant to the authority of this act are non-reviewable and committed to agency discretion, and may not be reviewed by any court of law or any administrative agency."

This flagrantly unconstitutional provision establishes the unelected Treasury secretary as a law unto himself, beyond the control or oversight of Congress, other executive agencies or the courts. Two things need to be said of this provision: It makes overt what is normally hidden behind the trappings of American democracy—that is, the dictatorship of finance capital—and it implicitly acknowledges that what is being proposed is a violation of law. Why else insist that no one be allowed to challenge it in court?

That Obama and the entire Democratic Party leadership have lined up to endorse this windfall for the richest people in the country explodes their pretensions to offering an alternative to Bush and McCain and underscores the total subordination of both parties to the financial elite.

The bailout plan, devised by and for the most powerful sections of the American capitalist class, exposes all of the lies and myths that have been promulgated to defend the profit system: the claim that multimillion-dollar paychecks for corporate executives, vast profits for speculators, and ever-widening social inequality are justified because the capitalists must be compensated for their "risk-taking"; the mantra that social problems cannot be solved by "throwing money" at them, and that, at any rate, there is no money for jobs, housing, health care or education; the constant invocations against "big government."

It demonstrates the class character of the government and the policies and decisions it takes, and the existence, behind the trappings of democracy, of a plutocracy—the rule of the rich.

The real source of the financial crisis is not and cannot be

discussed by any of the official institutions or any of the political representatives of big business, whether Republican or Democratic. It is the capitalist system itself, which has for decades sought to overcome its fundamental contradictions by engaging in ever more parasitic and fraudulent forms of financial manipulation—piling up debt while dismantling the productive infrastructure of society.

American capitalism has become the global leader in the creation of personal wealth for the ruling elite entirely separated from the creation of real value in the process of production. The current economic breakdown, which threatens the world's people with catastrophe, is the inevitable result.

The alternative to the naked dictatorship of capital and the impoverishment of the working people is socialism. The Socialist Equality Party insists that if the resources of the American people must be mobilized to avert an economic catastrophe, then the American working people should assume control of the financial institutions and use them for the common good, not corporate profit and personal enrichment.

We propose that the major banks and financial institutions be nationalized and turned into public utilities, operated under the democratic control of the working population. The vast financial resources that they control must be used to provide decent education, housing, health care, retirement benefits and good-paying jobs for all.

This should be carried out without compensation to their former owners, while securing the deposits and savings of working people and small business owners.

The billions of dollars in social wealth diverted into the private accounts of speculators and bankers must be recovered, to be used for the expansion of social programs that benefit the masses.

There must be a public accounting of the fraud and corruption that have fueled the crisis, and those responsible must be held accountable, including by means of criminal prosecution.

The books of the major banks, financial firms, insurance companies and hedge funds must be opened to public examination, to lay bare illegal and socially destructive activity.

The Socialist Equality Party and its candidates for president and vice president, Jerome White and Bill Van Auken, advocate the creation of a workers' government—a government of, by and for the working class—to carry out emergency measures to resolve the crisis in the interests of working people, including a halt to all foreclosures and repossession of homes, the creation of millions of public works jobs, a ban on wage-cutting and layoffs, and an enormous expansion in public services.

We issue an urgent appeal to all those who oppose the bankrupting of society for the benefit of the financial elite, who wish to defend the interests of working people, and who see the need for a socialist alternative to the two parties of big business: Support the SEP election campaign and its candidates, Jerome White and Bill Van Auken. Join the Socialist Equality Party.