



# Obama's bipartisan blitz threatens historic attack on US working class

Andy Yorke Tue, 19/04/2011 - 16:42

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Obama is under increasing pressure from a hostile congress and aggressive big business. As usual, the Democrats are on the run, writes Andy Yorke

The rout of the Democrats in the November 2010 midterm elections has proved a turning point in the Obama presidency. After a first two years focussed on a limited healthcare reform and maintaining a Keynesian economic stimulus programme, Obama has ceded the initiative to the Republican-dominated Congress in the name of 'bipartisanship'. Despite a quickening economic recovery and rising corporate profits, the US working class continues to pay the full cost of the crisis with high unemployment and rising levels of poverty. Now a crisis over the historic government debt is scheduled to erupt this spring, and an almost certain showdown with the Republicans that could make or break Obama's presidency.

Even before the midterms he had repeatedly dashed his supporters' hopes of radical 'change.' Obama broke promise after promise, short changing the workers and trade unionists, the poor and African Americans, environmentalists and antiwar activists, youth and students who organised with such energy and determination to elect the first black American president. For two years of crisis, the huge illusions in Obama held back struggle against a brutal recession, helped along by the complicity of the union bureaucracy. Now as a recovery begins, US capital is demanding austerity to slash state spending and open the rest to profit. The movement that brought Obama to power will have to return to the streets in order to fight the massive cuts offensive and block an historic attack on the gains and organisations of the US working class. And it is plain that it will have to do without his support - indeed with his opposition. To succeed it will be necessary to rebuild the working class movement from top to bottom.

This process has begun with a bang, at state level, where new Republican-controlled state governments have launched an all-out drive for deep cuts in public sector services, jobs and union rights. This has sparked an historic revolt by workers and youth in Wisconsin and a polarisation of US politics. A developing, three-cornered struggle, between the Republican right, the Democrats' 'austerity-lite' policies, and a new working class resistance will be the central feature of the coming two years.

## Two years of betrayal

For its first two years the Democrats had it as good as it gets in the USA's fragmented political system, with a majority in both houses of congress and the presidency. Despite this Obama still shredded his election promises, maintaining the occupation of Afghanistan and War on Terror policies, while abandoning the EFCA trade union rights bill and environmental legislation to concentrate on health and banking reforms.<sup>1</sup>

The marathon process of debating and watering down the health bill went on for months, fought every inch of the way by Republicans in Congress and the rightwing populist Tea Party Movement outside it. They were helped along by conservative Democrat congressmen who cut out key provisions demanded by the trade unions and health reform campaigns, discarding proposals for a public healthcare provider and turning the scheme into a profit-booster for health corporations. Workers will be forced to pay into private health schemes or face a fine, while millions of the poorest remain uncovered. Despite all these concessions to the Republicans and their big business backers, not one of them

voted for the bill in March 2010. The Patient Protection and Affordable Care Act passed by only seven votes thanks to 34 Democrats voting against.

Obama's financial reform, finally passed in July, was a carbon copy of the same process, downsized under months of pressure from the banking industry, and then passed with no Republican support. Yet the bill was so tame that bank stocks soared once it was agreed! One Wall Street banker spoke for all: "We are all breathing a sigh of relief here. It could have been much worse and, on balance, we can live with this."<sup>2</sup> The FT confirmed that the bill "would not have a significant impact on the industry's structure and profitability". Indeed while the bill increases the amount of oversight of the financial sector, Obama dropped the "Volcker rule" to separate retail and investment banking activities, so speculation with depositors' funds can continue. Banks will be able to carry on with the great majority of their speculation in derivatives, and most banks (98 percent) and other consumer credit operators, like car dealerships, will remain unregulated by the new consumer watchdog. Bailouts will not need a vote by congress but bureaucrats in a Treasury "resolution authority" will have the power to use taxpayer funds to seize and wind down a financial firm if it threatens the system, much like they did with GM and Chrysler. Much of the detail will be left to the regulatory agencies, where behind closed doors lobbying by banks will ensure things go their way.

Richard Bove, a banking analyst with Rochdale Securities, confirmed this: "I don't see there being a tremendous clampdown on the ability of banks to make money. The banks will have numerous methods of getting around the most onerous provisions in this bill to maintain their earnings growth. The banks are going to get the money back because the consumer is going to pay for the bill" with higher credit card charges and so on.<sup>3</sup>

Obama declared upon signing the bill, "No longer will we have companies that are, quote unquote, too big to fail." But this misses the point; the aim of the Dodd-Frank Act is to ensure the government is able to better oversee sectors and markets that are fundamentally speculative like hedge funds, and to quickly clean up failing banks before they detonate a financial meltdown, not to stop speculation or failures happening. Meanwhile the banks will be able to undermine much of the legislation, with their "numerous methods of getting around" or influencing regulations that get in the way of profit, including friendly regulators, huge teams of corporate lawyers and lobbyists, and massive campaign chests to contribute to legislators.

The real result of the financial reforms and bailouts was exposed by a former Treasury official quoted in Newsweek: "we've consolidated the position of the five banks that were most central to the crisis", J.P. Morgan, Goldman Sachs, Bank of America, Morgan Stanley, Citigroup.<sup>4</sup> Government policy has facilitated what the New York Times called the "transformation" of the US banking system into an "oligopoly of giant national institutions" - a characterisation it made after a JP Morgan Chase executive's comments were leaked about using a £25 billion infusion from the bank bailout to fund acquisitions of "struggling" banks, rather than lend out to struggling businesses, supposedly the purpose of the TARP.<sup>5</sup> Just as the Obama administration forcibly bailed out and restructured two of the "Big Three" US car monopolies to save them for US capitalism<sup>6</sup>, it has done the same for the big investment banks.

The last act of the lame duck, Democrat-majority congress was to repeal the homophobic "Don't Ask, Don't Tell" law that shamefully banned gays and lesbians being open about their sexuality in the military. Since then Obama has given another, calculated installment of hope to his supporters by dropping his administration's opposition to the Defense of Marriage Act, which was, Like Don't Ask, Don't Tell, another Clinton compromise with the right. This real but limited gain for LGBT people<sup>7</sup> was one that capitalism could afford since it won't directly affect profits or tax rates. More importantly, it is proof that struggle works. The grassroots campaign against California's anti-gay marriage Proposition 8 kicked off at the start of the Obama presidency, and stands out as the only lively, national movement on the left since his presidency began. The repeal was recognition of the need to keep this movement on board, and shows what a real, union-led mobilization around EFCA or health reform could have extracted, if union officialdom hadn't sat on its hands.

## **It's the economy, stupid**

Obama boasted that the Dodd-Frank bill would be a "talking point" for Democrats in the election. Voters instead gave the Democrats a predictable pasting for their failures on healthcare, not ending the unpopular occupation of

Afghanistan and especially the high level of joblessness and home repossessions afflicting millions of working people.

As Clinton said as he ousted George Bush Senior in the 1992 election, "It's the economy, stupid?", and indeed poll after poll showed that it is the economy – especially jobs – that is the voters' number one issue, exactly what the Democrats slammed the previous Republican government for. Yet unemployment has increased on their watch.

Democrats argued that if the Recovery Act with its \$787 billion stimulus failed to pass unemployment would rise to over 10 percent. Yet the bill passed in February 2009, when unemployment stood below 8 percent, and then the jobless figures rose to over 10 percent before sticking at an average 9.6 percent through 2010.<sup>8</sup> Unemployment crept up to nearly 10 percent or 15.1 million jobless workers in the weeks before the midterms.<sup>9</sup> Obama's young and Black supporters have been hardest hit, the official rate in January 2011 hitting 13.2 percent for Hispanics, 16 percent for African Americans and an unprecedented high of nearly 25 percent 16-19 years olds.<sup>10</sup> The real numbers hit by jobs destruction is higher due to millions retiring early, no longer looking for work or forced to work part-time. 2010 was also a record year for home foreclosures with 2.9 million properties receiving foreclosure notices, up two percent from 2009 and 23 percent from 2008.<sup>11</sup> Small wonder ordinary voters punished the Democrats after all their promises!

In this context, Obama's arguments – that without the stimulus package the crisis would have been deeper and unemployment even worse – completely miss the point. The lesson was clear enough to workers, A Pew poll in June 2010 showed that 60 per cent did not believe the stimulus plan had helped to create jobs while 54 percent thought the bank bailout (backed by the Democrats though initiated by the Bush administration) had not made the crisis less severe. Tellingly, the poorest with a family income of under \$30,000 had the highest rate of skepticism about stimulus job creation (65 percent)<sup>12</sup>. One Democratic website claimed that the white working class voters broke 30 percent in favor of the Republicans in the midterms, the revival of a longer term trend.<sup>13</sup> The Republicans accused Obama of wasting yet more taxpayers money instead of making cuts, but in reality the stimulus programme, without taxing the rich, ended up being peanuts compared to the bank bailout running to trillions of dollars, and in the end barely even made up for the fall in local and state spending. The bank bailout has seen the banks deliver high bonuses and profits at the top, but sit on their capital refusing to extend loans or worse, calling them in and foreclosing on people's homes.

The inability of the Democrats' pro-capitalist policies to relieve workers and the poor suffering from the recession meant they got, in Obama's words a "shellacking", at the mid-term elections. After only two years in control of the House came the 2 November rout, with the biggest midterm swing since 1948 in favor of the Republicans. The Democrats lost record 63 seats to the Republicans in the House, including some of the worst crisis-hit states such as Michigan with 12.8 percent unemployment.<sup>14</sup> The result was a devastating indictment of the compromise and inaction of the 111th Democratic Congress: the biggest Republican majority in the House since World War II, an historic sweep of state legislature seats, eight extra governors to the Republicans along with a gain of six seats in the Senate, narrowing the Democrats' majority.<sup>15</sup> The youth and black vote slumped, with one estimate that 29 million Obama voters had stayed at home this time.<sup>16</sup> In addition thanks to two years of Tea Party mobilisation, the election had the highest turnout of Conservative voters in recent years.<sup>17</sup> The media is blaming Obama for losing his "bipartisan approach", yet it is precisely his concessions to capitalism on the bank bailout, the stimulus programme and healthcare that were responsible.

Now many are drawing an analogy with the 1994 "Republican Revolution" that seized back Congress during the first midterm election of the Clinton presidency, as the GOP has the wind in its sails thanks to the Tea Party movement's growth and the most rightwing Congress in years gets to work. The media is debating whether Obama can recover and what the next two years hold. Will the US face gridlock, with a Republican Congress blocked by a Democratic President and Senate (and vice versa), with the prospect of the Democrats losing both in 2012? Or will Obama "do a Clinton", clinging on to the White House by collaborating with Republicans on their terms and to inflict terrible defeats on the US working class?

### **Obama's new bipartisanship**

In 1994, faced with a "Republican revolution" and its takeover of the House and Senate, Clinton developed the strategy with right-wing advisors of "Triangulation", taking as fixed points both the Republican's core rightwing vote and the

Democrats' base among Black, trade unionist and liberal voters (who had no alternative anyway, and whose vote could be assumed). By aiming for the mid-point between the two, the swing vote of 'independents' voters, the Clinton team calculated it could win again in 1996. Clinton did this mainly by a strategy of shamelessly stealing Republican policies such as welfare reform and ushering in historic attacks on benefits including the first cuts in Medicare expenditure since its set up and slashing 377,000 federal jobs, all to produce a balanced budget.<sup>18</sup> Clinton's White House Communications Director George Stephanopoulos summed up triangulation by calling it 'a fancy word for betrayal'. Triangulation is aimed at, and privileges, the 'independent' middle class and white voters to gain the extra votes needed to win. But the real, invisible reference point that has determined Democratic policy and its relation to the other two points - its base, the 'independents' - is the needs of US capitalism.<sup>19</sup> The link between the two is that election campaigns need an ever-increasing amount of funds (\$4.2 billion for TV adverts alone in the midterms!), which comes out of the pockets of big business, while this propaganda blitz can be a factor in deciding close elections.<sup>20</sup>

Clinton combined this with a strategy of confronting the resurgent Republican right in 1995 by vetoing their even deeper budget cuts. The leader of the Republican right in the House, Newt Gingrich, responded by threatening to block further funding for government spending. Clinton saw their bluff and manoeuvred so that the Republicans got the blame for the resulting shutdown in 'non-essential' services at the end of 1995, going on to win the presidency again in 1996. Ironically Clinton went on to make similar cuts later in his presidency as part of his triangulation policy of 'bipartisanship'.

In 2007 Obama claimed America had 'had enough of triangulation and poll-driven politics' when running against Hillary Clinton for the Democratic nomination. But since the Republican victory he has done an about face. The first major cave-in came in December when Obama accepted Republican demands to continue all of the George Bush tax cuts due to expire at the end of 2010. These had lost the treasury \$2.1 trillion over ten years, 74.7 percent of which went to the richest twenty percent of the population.<sup>21</sup> The Democrats had made loud campaign promises to repeal the tax breaks for those earning \$250,000 a year or over. Instead under business and Republican pressure Obama did a u-turn, announcing a deal to extend the tax breaks for two years in return for extended unemployment benefits worth \$57 billion. The cuts on the other hand mean \$801 billion in lost revenue, the rich looting the Treasury.

### **Big business: Obama 'gets it'?**

Big business organised against Obama's healthcare and financial reforms, led by the U.S. Chamber of Commerce, which backed dozens of Republican candidates in the midterms. In a January Bloomberg poll, 77 percent of U.S. investors surveyed said they see the president as anti-business.<sup>22</sup> On the 2008 campaign trail Obama slammed 'trickle down' economics, declaring in one TV ad 'now we know the truth. It didn't work. Instead of prosperity trickling down, pain has trickled up.'<sup>23</sup> Now however his emphasis is to ensure the Democrats are 'fierce advocates for thriving, dynamic free markets'. Economic policies are now refocused on measures to directly take on business demands, as the price of rebuilding its support - and the billion-dollar campaign chest he will need for the 2012 elections.

Obama's State of the Union Address (25 January) and first speech ever at the U.S. Chamber of Commerce (7 February) were an appeal for support. Obama promised to lower the corporate tax rate 'make up for' getting on the wrong foot with business in his first two years: 'I understand the challenges you face. I understand that you're under incredible pressure to cut costs and keep your margins up. I understand the significance of your obligations to your shareholders. I get it.'<sup>24</sup>

It didn't take long to deliver. On 18 January Obama issued an executive order for every federal agency to review all existing regulations, cutting safety, health and environmental protections that create "unreasonable burdens on business" that stifle job creation and make our economy less competitive".<sup>25</sup> The review was a demand in the run-up to the midterms of the Chamber of Commerce and Business Roundtable, which stated it was 'heartened by President Obama's focus on American competitiveness'.<sup>26</sup>

Similarly the Obama administration in early February pledged to complete negotiations for Free Trade Agreements with South Korea, Colombia and Panama this year, after they had been held up in Democrat-dominated Congress over

the last two years due to organized labor's opposition. This Obama slammed NAFTA on the campaign trail in rust-belt states like Ohio back in 2008, even threatening to renegotiate it or leave it![27](#)

The love in between Obama and the Chamber of Commerce ? symbolically just across the street from the White House ? stresses a ?new common economic agenda, featuring competitiveness, innovation, energy and entrepreneurship.? [28](#) The Chamber supported Obama against the Republicans on the economic stimulus package and car industry bailout, showing the usefulness of an alliance to him now that he faces a Republican Congress.

To cement the trust of business and prepare to battle the Republicans, Obama brought old business-friendly Clinton hands into his inner circle in January. Bill Daley, Clinton's commerce secretary who pushed NAFTA and JPMorgan Chase executive, was named White House chief of staff. Gene Sperling now heads the National Economic Council, as an ex-consultant at Goldsmith Sachs with four years on Clinton's NEC who helped push through his deficit cuts. Obama has gone one further and cut out the monkey and put his economic initiatives in the hands of the big business organ grinder. In July last year, hoping to offset business hostility, he stuffed his new Export Council full of CEO's from top US manufacturers. In January he appointed AOL founder Steve Case to head the Startup America Partnership, promoting new businesses, and General Electric CEO Jeff Immelt as head of a new Council on Jobs and Competitiveness, causing some protests among liberal Democrats. General Electric is a poster child for all that stands in the way of job creation in the US. In the last decade it has slashed and offshored tens of thousands of jobs. It made a huge profit last year of \$11.6 billion, and tops the league of companies sitting on cash piles rather than investing (\$79 billion in GE's case)! [29](#)

It would be hard to find an example of more blatant doublespeak.

Obama's new direction isn't ?Jobs, Jobs Jobs?, it's rather ?business first and jobs will trickle down, hopefully along with a second term in 2010?.

### **Obama's triangulation strategy**

Obama's supporters may claim he's just being realistic, not cynically triangulating, but this is irrelevant. Bipartisanship is also another name for surrender. His moves to pitch to the ?centre? i.e. business, adopt the Republican focus on the deficit, stuff his government with old Clinton hands, all show that this is his strategy.

Bill Clinton actually took over a White House press conference on 10 December to defend Obama's tax surrender against his Democratic critics! In a telling anecdote relayed by Ari Berman in *The Nation*, at the start of his presidency Obama was reading biographies of Lincoln and FDR, ?transformative presidents? who created historic watersheds in US politics. Now he is desperately reading biographies of Clinton and Ronald Reagan, who both faced midterm losses and recovered by intensifying their services to corporate America. [30](#)

Obama intends to use the US's fragmented political system ? the president's veto of legislation, the bare Democrat Senate majority - to block the Republicans from repealing his health act and other ?reforms?, though even here he has indicated even here that he is willing to support Republican amendments! However, there will be no new large-scale spending or regulatory programmes pushed through like healthcare and finance since Congress has powers of initiating legislation and indeed the Republicans are hoping to obstruct and ?defund? the health bill and other measures through control of the budget. Similarly Republican governors in Wisconsin and Florida have rejected Federal funds for high-speed rail links, though these tactics could hurt them.

Obama's strategy is to keep the Chamber of Commerce on board by shifting from stimulus spending to deficit cutting, while pursuing limited spending programmes around infrastructure, education, and R&D to retool the US economy for capitalism's 21st century needs at taxpayer expense. Arguing that some cuts are necessary, he hopes to bully government workers into accepting deep cuts while keeping the union leaderships on board, as Clinton did, using limited, targeted reform measures that cost nothing aimed at traditional Democrat constituencies like Don't Ask, Don't Tell. Obama will work with Republicans on unpopular Medicare ?reform? but defend (so far) Social Security, aim to

reform corporate tax loopholes (without however raising overall levels) and make cuts to military spending.<sup>31</sup> This balancing act of cuts and reform to make US capitalism more competitive is meant to win over business, and use this against the Republicans to split them, while keeping on board voters. Of course as the struggle plays out, further 'bipartisan' compromises are not excluded if business disapproves too strongly on a particular measure as the tax deal shows. But on the other hand, like Clinton after the 1994 midterms, the more vicious the Republicans get, the more political room Obama has to triangulate, pointing out to his supporters the dangers of a double dip recession from Republican cuts and the danger if Obama loses in 2012.

Obama hopes to be able pressure sections of the Republican establishment that like Corporate America do not share the rightwing Tea Party's 'Big Government' bogeyman but want its programmes to work for Big Business, with privatisation and profit at the heart of it. Neoliberal education reform in particular, launched by Obama last year, could be a key 'Clinton moment', mirroring his predecessor's welfare reform and gaining support from business and many Republicans.<sup>32</sup> The education budget is a massive \$904.6 billion in 2010.<sup>33</sup> Half is spent on teaching, a bill for wages and pensions that Republicans would like to cut, but the other half 'administration, services like canteens, libraries, transport' all represent billions in profitable contracts.<sup>34</sup> Here the new Republican House's proposal to cut education spending by \$4.9 billion in 2010 alone is potentially out of sync with what business wants. Against this, Obama is calling to increase funding for education as the extra \$100 billion from the Recovery Act stimulus runs out and state governments in crisis line up huge school cuts. However this extra money, like in healthcare, will fund pro-business, anti-union policies such as expanding privately-run Charter Schools, linking teacher pay to student test scores, and his Race to the Top programme that plays off the states against each other and rewards those that go furthest in these reforms.<sup>35</sup>

### **Obama becomes a deficit hawk**

With the economy picking up business no longer needs the stimulus, so it has to wound down, along with its minor protections for workers like extended unemployment insurance, and replaced with cutting the government budget deficit 'likely to be \$3.7 trillion this year alone. Obama hopes that a recovering economy will help plug the hole in the budget by raising tax revenues, but insists that budget cuts are part of the solutions. Like Clinton before him and as the Republicans demand, this means attacking government services, health, education and the workers who deliver them. On 29 November Obama took his first steps by announcing a two year pay freeze (in real terms, a pay cut) for all non-military government employees, telling 2.1 million federal workers that "all of us are called upon to make some sacrifices" - only days before his tax u-turn which has added a \$400 billion hole to this year's budget!<sup>36</sup>

Then Obama upped the deficit-reduction rhetoric at his State of the Union address, announcing he would freeze discretionary social spending, as opposed to military spending, for five years.<sup>37</sup> This would include savage cuts, such as slashing low income heating assistance in half.<sup>38</sup> However as this is dwarfed by mandatory programmes and military spending, Obama's measure only caps around 12 percent of the Federal budget, saving around \$200 billion over ten years.

Obama has also announced that there are 'huge problems' in mandatory spending programmes like Medicare and Medicaid, and 'reforms' are possible if 'all sides are willing to give a little bit.' He warned that government must make 'tough choices' and with Republican politicians lining up to cut Social Security, there is no guarantee that Obama will not cave in here too despite claiming that Social Security isn't a financial risk.<sup>39</sup>

The Democrats are caving in to the myths of 'big government' and a society addicted to its 'entitlements', the Republican word that has become part of the mainstream US discourse on welfare, one which puts a negative, selfish, individual slant on economic rights won by working class struggle in the 1930s and 1960s. The reality is that the current deficit and debt is a result of Republican policies that Obama and the Democrats have continued. The hypocrisy stinks even more since the hole in this year's budget added by December's Bush tax extension is \$400 billion alone.<sup>40</sup> Against the debt myths peddled by the mainstream press from Fox News to the New York Times, deficit spending caused by Bush tax cuts and defense spending hikes overshadow by far those caused by 'entitlements.' The government budget was in surplus in the last two years of the Clinton administration. Then deficit spending shot up

under Bush, despite years of economic expansion and record profits, until the debt reached \$7.5 trillion in 2009 when Obama was sworn in.<sup>41</sup> One half of the debt was due to Bush tax cuts, the other half "primarily concentrated in defense, homeland security, and international affairs".<sup>42</sup> Projections on future debt levels up to 2020, based on current policies, show that "together with the economic downturn, the Bush tax cuts and the wars in Afghanistan and Iraq explain virtually the entire deficit over the next ten years", with the bank bailout a substantial part.<sup>43</sup>

The unwritten Republican strategy since Reagan is to create a government debt, avoiding cuts to Social Security and Medicare to stay elected but piling up tax cuts and military spending. Then they agitate that the debt is a crisis and demand attacks the welfare state in a cycle. The idea that the stimulus and bank bailout represented a "job destroying spending spree", in the words of new House speaker John Boehner, while tax cuts boost employment is just trickle-down Republican cant. The \$2 trillion corporate cash pile and historically low interest rates show that it isn't government spending that's crowding out private investment, the standard economic argument against government debt. Rather it is the inability of the Democratic politicians, in hock to big business, to seize its \$2 trillion through taxation and use it to provide useful work for the unemployed with public works and services that is at the heart of the crisis.

While two years of crisis have helped pump up deficits, the longer term trend is not sustainable and the US bourgeoisie wants radical measures to at least reverse the debt's growth. The debt is a heavy overhead and if it is not dealt with a long burning fuse to a catastrophic crisis.<sup>44</sup> Interest alone on the debt mountain could reach \$1 trillion by 2020, and since half the debt is owned by foreigners, this drains the US capitalists' wealth and potentially threatens the reserve currency status of the dollar.<sup>45</sup> The crisis is also a useful cover for privatization and union busting.

Obama has put forward his 2012 budget proposals in mid-February to cut deficits by \$1.1 trillion over the next ten years, around 10 percent, though the government would continue to rack up \$3 trillion deficits a year. Cuts would include low income heating assistance, community programmes and a huge \$5 billion cut to the Environmental Protection Agency.<sup>46</sup> He has been forced to include \$78 billion in military spending cuts over the next five years, which the Republicans reject, but in reality this is simply cuts to planned increases in spending, meaning that it will continue to increase until "flattening off" in 2015.<sup>47</sup>

House Republicans agitated for far more, to cut back the same 12 percent of non-military discretionary spending immediately to 2008 levels, from \$520 billion to \$392 billion, and freeze it there.<sup>48</sup> Rightwing Republican Study Committee members went further, proposing a brutal Spending Reduction Act on 20 January planning to reduce discretionary spending to 2006 levels by 2013 and freeze it there! The \$2.5 trillion spending cuts per year would fall on non-security discretionary spending and include a five year federal pay freeze, cutting 15 percent of government jobs, and possible budget cuts for some major programmes of up to 42 percent. While the measure didn't pass, RSC chair Jim Jordan of Ohio said America was ready for "tough-love measures".<sup>49</sup> A part of their plans is to use congressional powers to obstruct and "defund" Obama reforms they oppose like the health act, saving money by the back door.

As a sign they mean business, the House passed the H.R.1 bill on 20 February on the issue of government funding from 5 March, when the current stopgap funding measure runs out, to 30 September, the end of the federal fiscal year. H.R.1 cuts \$61 billion in non-security, discretionary cuts compared to Obama's request, a whopping 18 percent cut from current spending levels.<sup>50</sup> The bill could mean a million public sector job losses. House Speaker John Boehner dared the Democratic Senate to produce an alternative version of the bill, saying he would not pass any bill that did not cut current spending (Obama's raises it for the last seven months of the year). "When we say we're going to cut spending, read my lips: We are going to cut spending."<sup>51</sup>

And this is only the first episode of brinkmanship to come, with a second row coming up soon over the 2012 budget, and a third blow-up potentially over the national debt ceiling in the coming months as the US national debt hits the \$14.3 trillion legal ceiling. If Republicans refused to raise it, as newer, hawkish congress members and high profile Republicans like Sarah Palin and Tim Pawlenty are proposing, this would make the potential debt crisis a reality, with government grinding to a halt and potential shockwaves hitting the international financial markets. But backing down and handing the Republicans substantial concessions on any of these clashes could be the end of Obama. Faced with a

do or die situation, the question is whether the bipartisan Obama will stand up to the Republicans or cave in again.

There are signs that Democrats are climbing down already as a bill to cut spending by £4 billion up to 18 March passed with Democrat support (in the House and Senate to push back the 4 March deadline. However this split in the Republicans is also a concession by the Democrats ? if this two week cut were extrapolated to 30 September it would reach the Republicans? \$61 billion demands![52](#)The problem with the Democrats was summed up by Senator Chuck Schumer summed up the budget negotiations, ?We are willing to meet the Republicans in the middle on spending, but they keep lurching to the right.? [53](#) Yes indeed, and then the Democrats race to catch up!

### **Can Obama do a Clinton?**

This is the question that the mainstream press from the New York Times to the Economist is asking since the midterm rout. Aside from the question of the deficit and debt clashes ahead, the larger picture of the US economy points to the best Obama achieving is a weak echo of Clinton?s success, with no guarantee at the polls in 2010.

Clinton fundamentally won the government crisis showdown with the Republicans, and squeezed through welfare reform and budget cuts without being thrown out of office in 1996, because the economy was booming by then, entering the longest expansion of US capitalism up to that point. By election time, the globalisation boom and dotcom stock market bubble were in full swing, helped along by government monetary policy despite the ?irrational exuberance? in stock prices that Federal Reserve chief Alan Greenspan warned about in 1996. Unemployment was down ? by 1996 unemployment had fallen to 5.4 percent ? and the economy was up for the capitalists with 3.2 percent average growth in Clinton?s first term. The economic expansion allowed Clinton to narrowly achieve budget surpluses in 1999 and 2000 fiscal years (though they made only a small shaving off the huge debt). As a result he was able to re-establish support from key sections of business, while keeping enough workers? votes to get a decisive victory in 1996.

Obama can?t count on a Clinton-sized boom, after the deepest recession since the 1930s and a so-far slow recovery with its hangover of high unemployment, personal debt and negative equity for many home owners. His hope is that the economy can pick up enough that unemployment is on a downward trend, and tax receipts pick up helping to reduce the deficit, giving him more room to manoeuvre politically.

The big banks and business are certainly rolling in the money. Profits have stayed higher throughout this recession and risen faster than after previous ones, with corporate profits reaching 11 percent of GDP.[54](#) This is largely due to lay-offs and wage repression, as US unit labour costs in the last two years fell at their fastest rate in the postwar era.[55](#) The end result is non-financial corporations sit atop a record \$2.46 trillion in liquid assets which they aren?t investing, the flipside of the USA?s stubborn high unemployment.

According to Citigroup analyst Carsten Stendevad, ?Around 90% of the productivity growth in corporate America has come from cost-cutting, and that is now reaching its limit.? For this to continue sales, at home or exports, have to pick up.[56](#) [57](#) A Federal Reserve survey of banks shows they are starting to lend again, mainly to big business and with the majority of lenders stating this is connected to merger and acquisition activity ? in other words, not building new factories but merging into bigger monopolies to make savings on overheads, with a net effect of probably reducing headcounts.[58](#)

The Federal Reserve believes the recovery will quicken with growth in the 3.4 to 3.9 percent range this year, thanks to more dynamic economies like China.[59](#) The trade deficit has begun to decline as exports make up half of GDP growth. [60](#) But much of the corporate cash pile is likely to be liquidated into dividends or go to invest in the more vibrant abroad, rather than invested to sponge up unemployment at home which the Fed predicts will remain as high as nine percent this fiscal year, and in the 8.1 to 7.6 range in 2012. Even these figures hide 5 million workers who have stopped looking for work. [61](#)

Even with a decent economic upturn, there is no way to balance the budget without either tax hikes on the rich and banks, or cuts that directly attack workers, health, education and services on a massive scale. And with a smaller boom

than Clinton, Obama faces a bigger challenge. The debt is four times what Clinton faced (ranging from 3.2 to 3.6 trillion during his presidency).<sup>62</sup> Clinton also faced a much smaller deficit to ratchet down, in the \$300 billion range in his first few years, as opposed to last year's \$1.29 trillion and the current fiscal year's projected \$1.4 trillion.<sup>63</sup>

Obama made a bid at his State of the Union speech to define his goal of relaunching US capitalism by creating "our generation's Sputnik moment", referring to the massive state spending in the 1950s and 60s to beat the Soviet Union, and the technologies and jobs this military industrial complex created. But this is almost certainly an expensive pipedream. In 1957 the budget was balanced while an historic long boom was seeing an unprecedented expansion of the US economy.

### **The right gets organised**

The Republican camp has moved right inside and outside of Congress and become more aggressive since Obama's victory. From Reagan to George Bush Jnr, the Republicans have made tough speeches about entitlements, dependence, personal responsibility, and the need for cuts, but always backed down in the face of the popularity of three key programmes at the heart of the US welfare state, Medicaid and especially Medicare and Social Security. The costs of doing so are too high, given the high voting rates of senior citizens but also the place they hold in the hopes and future of US workers, who slave away all their life in non-unionised workplaces, with falling wages and growing bills and debts, but can rely on a pension and a basic medical care in their old age. When Reagan raised (and quickly dropped) cuts to Social Security, the Republicans lost seats in the 1982 midterms, and Newt Gingrich's demand to curb Medicare spending likewise saw the Republicans punted in 1996. The results have been Republican tax cuts, growing military spending, and debt to square the circle. But the US bourgeoisie knows this cannot go on.

To push forward the need for harsh restructuring and austerity, and find the foot soldiers (and votes) to force this out of government, it has been necessary for the millionaire class to mobilise a reactionary base of support beyond the usual electoral channels, one that can offset and split apart the support for Social Security among the poor and working class by reactionary rhetoric and diversionary mobilisations. While the Tea Party movement is overwhelmingly middle class, white, and right, exit polls and surveys show a much wider identification with it on at least some issues.<sup>64</sup>

As a result, Tea Party protest movement that erupted against Obama's "socialist" policies was quickly backed by billionaires like the Koch Brothers and Rupert Murdoch, and courted by rightwing Republican leaders like Sarah Palin, vice-presidential candidate in 2008, and Newt Gingrich, the leader of the 1994 Republican revolution, who wants to develop it as "the militant wing of the Republican Party".<sup>65</sup> This reveals that a section of US capitalism seeks to break the membrane of consensus, Beltway politics, to bust the deficit by attacking the welfare state, public sector workers and the unions. A necessary component of this strategy is mobilising a reactionary, populist movement to be its battering ram at the polls and on the streets.

The Tea Party has been a very mixed blessing for the Republican establishment; in a number of cases pushing the latter's favoured career politicians aside to install its own candidates. The midterms saw 40 candidates elected to the House and Senate with its support.<sup>66</sup> But more influential at this point is the Republican Study Group, originally founded in the early 1970s as a minority right wing caucus to seize the initiative from an increasingly "moderate, compromising" House Republican leadership. It is now the majority with 170 representatives, nearly two-thirds of the Republican total. It includes Tea Party representatives but also the majority of top Republican House leaders including Majority leader Eric Cantor and Representative Paul Ryan, House Budget Committee chairman, who together have laid out plans to cut and privatise parts of Social Security, in a sign of the rightward shift in the Republicans.<sup>67</sup>

The new Republican Right's growth and radicalism are a clear sign that fundamental contradictions at the heart of US capitalism "symbolized by the historic, seemingly unstoppable debt mountain" are driving a recomposition of US politics. The fundamental question facing US Labor is not to cling to the old failed policy of compromise with the Democrats, a "centre" being dragged ever-more rightwards by aggressive Republican politics, but to develop a similarly radical, opposing recomposition on the working class side: a politics of class struggle with the goal of transforming American society.

## Will the Democrats fight back?

If Obama began as a symbol of hope, he has become a figure of frustration and anger for millions of his supporters. Rather than Clinton's presidency, the crisis-ridden years of Jimmy Carter are fast becoming a better comparison. It was Carter's cuts that prefigured the first Republican "Reagan revolution".

After weeks of confrontation with the Republican House Obama's compromise is more of a truce than a peace deal. The \$38.5 billion in cuts includes a \$600 million in cuts to community health centers, hundreds of millions of dollars in reductions to home heating assistance; the slashing of \$504 million from the Women, Infants and Children (WIC) nutrition program; the elimination of \$1 billion in HIV and other disease prevention funds; a \$1.6 billion cut in the Environmental Protection Agency's budget A \$1 billion cut to HIV and disease-prevention funds.

House Republicans made it crystal clear they will demand historic cuts in social programs in the 2012 budget as well as huge further tax cuts for corporations and the rich. House Budget Committee Chairman Paul Ryan stated these would effectively dismantle Medicare and Medicaid, slashing \$6 trillion in spending over the next 10 years.

While Obama engages in these staged confrontations what he won't do, and what the Democrats have proven unable to do, is mobilise support outside Congress for health reform like the Tea Party movement has but from the left, since it would alienate big business. Nor will he mobilize to defend the gains of the 1930s- 1960s. If the workers, the Black and Hispanic communities, the youth, the poor, the unemployed, want to protect their most vital interests, let alone make new conquests, they will have to do this themselves.

The present attacks are the bitter fruits of Obama's vaunted "bipartisanship" and "pragmatism", just as much as the cynical triangulation of a Clinton. All Obama has added are heartwarming speeches and minor, opportunistic scraps for this or that section of supporters or voters as the whole direction of public policy is reoriented to cuts and privatisation. It is not a sustainable strategy, but erodes the ground away from under itself, as 29 million Democrat supporters desert at the midterms and big business funds the Republicans. But it is a sustainable and necessary policy for capitalism.

Obama has performed the task the banks and big corporations gave him of containing the anger the working class and poor expressed at the height of an historic crisis, allowing a bailout, holding back struggles as his supporters waited for him to act and demoralising them, and now will try to hold them back while he attacks the deficit hand in hand with the Republicans. This has always been the role of the Democrats, the US ruling class' second best capitalist party.

Obama may have read FDR's biography but Roosevelt had the backing of key up-and-coming sections of US capital that were not against his policies like the National Industrial Recovery Act that subsidised and aided monopolies' development (the stimulus programme of the day), and could afford better wages for their workers, taxes to support welfare reforms like Social Security and union rights as a compromise to enable this shift in US capitalism's structure and direction. It was this backing, inconsistent to be sure, along with the new, powerful workers movement that gave FDR the ability to push through such laws, and then attack the Supreme Court and threaten to dilute its conservative corps of judges.

The problem is, Obama seeks an alliance with the big banks and export-oriented industrial multinationals at a time when they do not want to hire more US workers or pay higher wages. They have for years pushed to ever higher levels of monopolization but as part of drive to downsize, offshore, consolidate, shift surplus profits into speculation, and other ways of boosting stagnant profits. The last bastion of union membership in the US, the public sector, is not an acceptable compromise to continue accumulation, but an obstacle to it because it stands in the way of lowering taxes, reversing the deficit, privatizing the state and developing free trade deals - the key conditions for the further growth in scale and profits of the likes of Pfizer, GM, GE, AOL and the big banks that now staff Obama's economic bodies. The US predominance in exports and industry in the 1930s has been hugely eroded, precisely the weakness Obama wants to overcome. But Capitalism can't jump over its own head, someone must pay for this and it must be the working class. The historic crisis, and a future of lower growth than the Clinton and Bush booms, intensifies this contradiction to the point of forcing the Republicans into a radical policy to restructure US capitalism, make workers pay for it, and mobilise popular reaction to force it through.

Obama may preach compromise, but the Republicans don't want it. The usual cycle of Republican aggression,

Democratic compromise and a shift of politics to the right and austerity, will continue. The only exceptions are those programmes that business does want, in education and infrastructure spending. But there is no guarantee that the bulk of corporate America will agree with Obama that such things are a priority. For the banks and industrial concerns, the world market and growing countries like China, Brazil and other countries is where their future lies. Radical downsizing, as the Republicans are doing at the state level, is what they want at home.

### **Wisconsin shows workers can resist**

The last two years have seen unionisation rates and strike levels drop to historic lows in the US as the Democrats and their tame union leaders have left workers defenceless ? or worse, like UAW auto workers, attacked and betrayed.[68](#) Now the wolves are at the door with the Republicans winning a record 675 state legislature seats in the midterms, along with a net gain of eight extra governor?s seats, to take control of 14 state legislatures.[69](#) They control the legislatures (both chambers, house and senate) in 26 states and have a ?trifecta? of legislature and governor in twenty states.[70](#) This bodes badly for Obama in 2012, since these new governors will be redrawing congressional districts in many key battleground states like Ohio, Michigan and Pennsylvania after last year?s census.

More directly for workers and unions, almost immediately after January?s swearing in ceremonies, the new Republican governors launched an all-out assault on state government workers. US states faced collectively a \$83.9 billion budget deficit in 2011. This year federal stimulus money runs out, after providing by far the biggest boost to state budget balancing at £64 billion per year for the last two years. State and local governments are legally prohibited from borrowing money to finance day-to-day operations and so a fiscal crisis looms large.[71](#) Republican state governments are determined to enact their budget slashing, anti-union programme in full as an example of how to deal with deficits and seize the initiative state by state. With the public sector much more heavily unionised than the private sector (36.2 percent and 6.9 percent respectively), and local government workers the most unionised of all (42.3 percent), attacking the deficit is killing two birds with one stone for the GOP. [72](#)

The battle in Wisconsin against Governor Scott Walker over his attempt to throw out collective bargaining rights, with at least seven other states doing likewise, is only part of a wider offensive against Labor. Jane McAlevey in the Nation laid out the different points of attack:

- ?Right to work? legislation has been filed in at least twelve states that outlaws the closed shop (22 states already have such laws). This means that unions with collective bargaining agreements will be forced to defend non-union members in costly legal cases, etc!
- ?Paycheck protection? laws that ban public sector unions from using dues to support election campaigns, has been introduced in five states, with Alabama requiring the unions to give detailed accounts every year for scrutiny, and at least twelve more states pushing bills or ballot initiatives to block political activity by unions. A Florida bill will block union dues being deducted from state salaries, financially hitting the unions.
- Attacks on construction unions and workers with attempts to ban Project Labor Agreements and end prevailing wage laws that govern terms and conditions for construction workers and ensure wages do not undercut local norms. The AFL-CIO is expecting fifteen states to repeal prevailing wage laws.
- Attacks on teachers and state education are a main target of budget cuts, supplemented by cuts to teacher tenure rights, laws allowing parents to force schools to become charter schools.[73](#)

At the same time Republicans are slamming public sector state workers as overpaid, trying to whip up resentment as part of an across the board assault on their wages, jobs and conditions, with pension schemes a key target. In reality, most government employees tend to have some sort of college qualification, so compared like-for-like, the bulk of Wisconsin public employees earn nearly a third less than private sector counterparts.[74](#) At the national level Newt Gingrich and Jeb Bush are arguing for the nuclear option, a federal law to allow states to declare bankruptcy in order to break their legally binding existing pension obligations.[75](#)

## Wisconsin Walker-ing all over unions

Texas, North Carolina and Virginia already ban collective bargaining for state employees, and Republicans want to push this out across the country. Governor Walker's emergency budget bill proposes to slash state contributions to force up employee contributions, bar the state government from bargaining with unions over anything other than pay rises, which could only rise above inflation after a local referendum and force workers to ballot every year to recertify their union. The American Federation of State, County and Municipal Employees sums up why the union officialdom has been forced into a fight: "this is about trying to abolish the unions, pure and simple."[76](#)

Democratic legislators and union leaders offered to meet Walker "halfway" on his budget, accepting the cuts and limiting their opposition to protecting union rights.[77](#) Walker, the "new hero" of the Republican right and backed by big fish like the Koch brothers, has refused. He and his backers want a confrontation and nothing short of victory. The resulting explosion of protest by workers and students in response stunned the US political class and press. [78](#) Tens of thousands rallied and marched on the Statehouse outside while teachers and students walked out of school, shutting dozens of school districts, and occupied it. In a stroke they reversed the image of unions as selfish organizations protecting workers at the public's expense to the defenders of the poor and young students. The illegal teachers' strike and the call by the South Central Federation of Labor of Wisconsin voted for a general strike if the Walker law is signed, all point to the types of action the workers need to break the Republican offensive.

Meanwhile Obama has not attended any of the protests, simply called Walker's policies an assault on the unions "and this snub after his promise to "walk on that picket line with you as president of the United States of America!"[79](#)

A CBS poll at the end of 2010 showed what every other poll has shown, that 56 percent said they wanted jobs prioritised by Obama, only 4 percent the deficit.[80](#) As the Republican offensive bites, polls show that less than a quarter of Americans support "significant" cuts to Social Security or Medicare, with even Tea Party supporters two-to-one declaring such cuts "unacceptable, and 61 percent are against Scott Walker's legislation attacking unions while 51 percent oppose reducing pay and benefits for state workers " a slap in the face to Republicans after their midterm victory![81](#) And with the recovery in the economy and manufacturing especially, workers' confidence will recover to push up wages.

That means there's plenty of room to build a fighting opposition to Republican austerity and their linkage of deficit cutting and jobs. Madison shows that workers are willing to fight and the wider working class and those relying on services and schools are willing to back them. But the Democratic Party and Obama won't launch or lead this fight, merely use it to gain more leverage for their austerity-lite strategy. If the unions do with anti-cuts movements and strikes, based on democratic assemblies and committees that can link them to the youth, unemployed, and retired, then Madison shows what is possible. The battle against cuts will go national as Republican governors try to impose union-busting austerity, and it must go forward in Democrat-controlled states too such as Illinois, Nevada, New Jersey with big budget shortfalls, 45 percent in Nevada's case.

## A new, working class party needed

For the past two years journalists and staffers of liberal papers, think tanks and campaign groups have wrung their hands about the growing Tea Party opposition and Sarah Palin's polarising rhetoric of "real Americans versus fake Americans", crying out for a more reasoned, more civil debate and for Obama and the Democrats to take a stand. This was the main response to the Tucson shooting in January of Congresswoman Gifford, represented by George Packer in the New Yorker slamming the right's inflammatory tactics:

"Only one side has made the rhetoric of armed revolt against an oppressive tyranny the guiding spirit of its grassroots movement and its midterm campaign. Only one side routinely invokes the Second Amendment as a form of swagger and intimidation, not so coyly conflating rights with threats. Only one side's activists bring guns to democratic political gatherings. " Only one side has an iconic leader [Palin], with a devoted grassroots following, who can't stop using violent imagery and dividing her countrymen into us and them, real and fake."[82](#)

Workers and the Democrat's liberal supporters, are right to recoil from the violence the Tea Party threatens ? in words for now ? to deal out to them, and as the Tucson shooting shows such rhetoric will not always remain just talk. And the 19 February Tea Party mobilisation against the labor movement in Madison (and dwarfed by it) was a lesson to millions that beneath the anti-bailout rhetoric is a nasty, reactionary movement threatening their pensions and healthcare.

But for liberal institutions and their full-timers that cluster around and cling to the Democrats, the ?Rally to Restore Sanity? and appeals to tame reactionary populism back into polite, institutionalised channels at a time of crisis and social struggle is like King Canute trying to hold back the tide. More importantly, the point is to counter the Tea Party by building the same type of mass protest movement but from the left, made of the millions of workers, poor, and oppressed fighting for their interests with class struggle tactics, demonstrations but also occupations and blockades, strikes and general strikes. For this the Liberal appeal for rational debate and national unity is useless.

Support for the Democrats as the ?lesser evil? to Republicans like Walker and Palin will not stop such a populist movement growing and extending roots into the unemployed, as the last two years prove the Democrats' betrayals drive its growth ? along with their electoral defeat, letting in the Republicans in the eternal cycle of Bourgeois politics. But with each turn in the cycle now, US workers face losing more rights and services as the US faces a debt time bomb and decline on the world stage.

Wisconsin workers and youth have shown the way, taking the first giant step in launching such a movement. Now the developing national anti-cuts movement needs to take two others if it is to succeed in throwing back determined enemies like Scott Walker and challenging the Republican Congress.

First it needs to go beyond existing union struggles and develop deeper forms of workers democratic organisation, with strike committees, student and teacher joint committees in the schools, rank and file movements in the unions, local, county and state-wide action committees that coordinate struggles directly and with delegates made up of the activists and local leaders who are accountable and recallable. That way the movement will not depend on six-figure salaried AFL-CIO or SEIU presidents and their local officials to turn on, or more likely turn off action at crucial junctures. This independence, ?With the leaders where possible, without them where necessary? can back up any call for action from the top with the maximum response, but also go beyond them when they try to hold back the struggle, blocking illegal action where it becomes necessary or calling it off it is undermining Democratic politicians.

The workers movement will only go forward ultimately if it can break from the Democrats and the cycle of hope and betrayal that always ends in the Republicans. Instead, like many times in US history before, the project of a new, working class party, one that based itself on the mass struggles and sought to lead them into victory not just elections, is an indispensable part of the coming arc of struggle.<sup>83</sup> One that instead of attacking fundamental rights to bear arms and defending a government that is so unpopular, is willing to defend the right to use the one to overthrow the other.

Ultimately Obama's financial reform will not save US capitalism from future crises, because the roots of its crisis run deeper rooted in US industry and production.<sup>84</sup> US capitalism has entered an historic crisis, with decades of internal industrial stagnation coming to a head but the usual outlet of the world market increasingly hemmed in by competitors in a multipolar world. The debt crisis, coming to a head, has become an unremitting pressure for a radical restructuring and change, with the Republicans as the battering ram for this.

The origins of the USA in a bourgeois, democratic revolution means that American national traditions have a rich seam of ideas justifying revolution that the Right taps at will and the liberal Democrats reject. The gridlock produced by the checks and balances in the Constitution in the context of crisis, both discredits the institutions like Congress at the same time as it drives the search to radically renew them. The workers movement can undertake the renewal ? this revolution - only from the bottom-up, not through voting for the Democrats but building new mass organisations of struggle and a new working class party that stands not just in elections but to develop a new, democratic planned nationalised economy under a workers' state that rests on workers councils, themselves developing like in the Russian Revolution out of organisations of struggle. This approach, and this goal, is the only ultimate antidote to the rot in American society of which the Debt and the growing Right are the toxic symptoms.

Obama's lecture to his supporters before the midterm meltdown, was to be patient:

'I'm impatient. But I also know this: Now is not the time quit. Now is not the time to give up. We've been through worse as a nation. We've come out stronger - from war to depression to the great struggles for equal rights and civil rights.

It took time to free the slaves. It took time for women to get the vote. It took time for workers to get the right to organize.

But if we stay on focus, if we stay on course, then ultimately we will make progress. It takes time; progress takes sacrifice. Progress takes faith. But progress comes. And it will come for your generation.'<sup>85</sup>

The Democrats paid for such speeches with votes and seats in the elections because the workers are right to be impatient. They couldn't wait then for jobs, for better wages when millions are on food stamps, for decent healthcare, and now its crystal clear that with the Republicans determined to slash and burn their way to a refloated US capitalism, with austerity at home and imperialism abroad, that they can't wait to resist either.

The ferocious attacks in Wisconsin, Ohio and a number of other states shows that if the unions hold back, to make life easier for the Democrats, they still will get cuts and attacks on union rights. But the wave of resistance also shows that a militant fight back can galvanize the entire working class movement. The road forward is to spread that struggle nationwide now, and strike out on the path of independence from the Democrats.

Solidarity actions with the workers of Wisconsin and the occupation of the state Capitol in Madison have created a new mood amongst US workers. On 4 April the California longshore workers shut down the ports of Oakland and San Francisco for 24 hours in solidarity. The huge container port of Oakland saw all its shipping cranes 'standing at attention.' This was part of nationwide actions on April 4th to challenge the draconian state budget cuts and union busting. 'This was a voluntary rank and file action - an organized act of resistance,' said Clarence Thomas, an executive board member of ILWU Local 10. Local 10 is a predominantly African American local. Oakland teachers also took solidarity actions.

The US workers are at a crossroads. Austerity is a terrible threat to protective measures like Social Security and the public services and a vicious new campaign of union busting is underway. But the answering wave of resistance - especially under a powerful impetus from the rank and file - opens up historic opportunities. American workers cannot only reject austerity, renewing and expanding their union organisations but they can shed their treacherous leaders and break with their Democrat exploiters of the last century. Their goal must become a new American Revolution, creating a socialist workers' republic where the great wealth of the country is harnessed for those who produce it. Instead of plundering the world like the US corporations the country's workers can put their skills and energy at the service of humanity.

<sup>1</sup> 'Hope in Retreat: Obama and the US working class' in 'An historic crisis of capitalism?', Fifth International Volume 3, Issue 3 p.68

<sup>2</sup><http://www.ft.com/cms/s/0/c28984fa-8087-11df-be5a-00144feabdc0.html>

<sup>3</sup> <http://dealbook.nytimes.com/2010/06/25/some-see-a-tough-law-others-littl...> [1]

<sup>4</sup> <http://www.newsweek.com/2010/06/25/financial-reform-makes-biggest-banks-...> [2] In actuality it is the big six now as Wells Fargo by assets is the fourth largest bank after taking over Wachovia in December 2008; unlike the other four which are based in large part on deposits, Morgan Stanley and Goldman Sachs are engaged only in investment banking and security dealing: <http://www.ffiec.gov/nicpubweb/nicweb/top50form.aspx> [3]

<sup>5</sup> Troubled Asset Relief Program, <http://www.nytimes.com/2008/10/25/business/25nocera.html?pagewanted=all> [4]

<sup>6</sup> For the role of the union bureaucracy in pushing the car bailout and failing to mobilise for EFCA, see p. 71 'Hope in Retreat?'

<sup>7</sup> See 'LGBT rights in the USA: Don't Ask Don't Tell repealed!' at [fifthinternational.org](http://fifthinternational.org)

[8 http://www.bloomberg.com/news/2011-02-16/cash-hoards-shrink-at-s-p-500-f...](http://www.bloomberg.com/news/2011-02-16/cash-hoards-shrink-at-s-p-500-f...) [5]

[9 http://www.bls.gov/opub/ted/2010/ted\\_20101207.htm](http://www.bls.gov/opub/ted/2010/ted_20101207.htm) [6]

[10 http://revousa.org/youth-in-poverty;](http://revousa.org/youth-in-poverty;) [7] <http://www.bls.gov/news.release/pdf/empsit.pdf> [8]

[11 http://www.realtytrac.com/content/press-releases/record-29-million-us-pr...](http://www.realtytrac.com/content/press-releases/record-29-million-us-pr...) [9]

[12 http://pewresearch.org/pubs/1636/poll-job-situation-stimulus-oil-leak-ob...](http://pewresearch.org/pubs/1636/poll-job-situation-stimulus-oil-leak-ob...) [10]

[13](#) They do not state how they define the white working class but given the tendency in the US to call any decently paid worker middle class, it probably identifies the poorest layers of the white working class. This deficit is higher than the 22 percent figure for the 1994 Republican congress takeover, and has leaped from 10 percent in the last two elections 2006 and 2008. [http://www.americanprogressaction.org/issues/2010/11/election\\_analysis.html](http://www.americanprogressaction.org/issues/2010/11/election_analysis.html) [11]

[14](#) Seasonally adjusted figure: [http://www.bls.gov/opub/ted/2010/ted\\_20101201.htm](http://www.bls.gov/opub/ted/2010/ted_20101201.htm) [12]

[15](#)in Pennsylvania, Indiana, Arkansas, Wisconsin, North Dakota and Illinois:  
<http://www.politicsdaily.com/2010/11/02/2010-midterm-elections-news-and-...> [13]

[16 http://blogs.abcnews.com/thenumbers/2010/11/obamas-no-shows-29-million.html](http://blogs.abcnews.com/thenumbers/2010/11/obamas-no-shows-29-million.html) [14]

[17](#) Turnout for African-Americans and young voters declined from 13 to 10 percent and 10 to 5 percent of eligible voters: <http://www.foxnews.com/politics/2010/11/03/women-independent-voters-big...> [15]  
However Michael Tomsky of the Guardian UK shows higher turn-out of conservative voters too: 'The 2008 electorate was 74% white, plus 13% black and 9% Latino. The 2010 numbers were 78, 10 and 8. So it was a considerably whiter electorate? In 2008, 18-to-29-year-olds made up 18% and those 65-plus made up 16%. Young people actually outvoted old people. This year, the young cohort was down to 11%, and the seniors were up to a whopping 23% of the electorate. That's a 24-point flip.' <http://www.guardian.co.uk/commentisfree/michaeltomasky/2010/nov/03/us-mi...> [16]

[18](#) Clinton and Gore's Reinventing Government Initiative reduced federal spending as a share of the economy from 22.2 percent in 1992 to a projected 18.5 percent in 2000, the lowest since 1966, and employment to the lowest level since Kennedy: <http://clinton5.nara.gov/WH/Accomplishments/eightyears-02.html> [17]

[19](#) In this sense triangulation is the explicit recognition of a shift in political tack that the Democrats have undertaken since the 1970s. As the unions and social movements retreated, their struggles blocked by union leaders and Democrats alike, a mirror image development saw the Republicans renew their base through alliance with the 'Religious Right? church mobilisation, a thinly-disguised racist law and order agenda, and project of making America 'great? again militarily after the Vietnam defeat. This meant using racism, patriotism and tax breaks to win a section of white workers, poor, and lower middle class people that had traditionally looked to the Democrats but that had failed them in the crisis of that decade, the so-called 'Reagan Democrats?. An associated development from these same trends was a layer of middle class voters crystallising out who benefitted from expanded state spending programmes and supported at least some of the gains of the social movements of the 1970s - the reason no Republican president despite a total of twenty years in office since 1980 has been able to cut Social Security or repeal abortion rights. It is these two layers politically 'in the middle? that for the most part compose the so-called independents. However both are united in their support of key social reforms like Social Security.

[1=20 http://www.dailymail.co.uk/news/article-1327814/Mid-term-Elections-2010-...](http://www.dailymail.co.uk/news/article-1327814/Mid-term-Elections-2010-...) [18]

[21](#) Figures do not include interest costs. 74.7 percent estimate from Citizens for Tax Justice: <http://www.ctj.org/pdf/bushtaxcutsvshealthcare.pdf> [19] . Another estimate puts the figure as high as 97 percent of the tax cuts from the 2001 and 2003 main tax acts to go to the top 3.7 percent of households with incomes over \$200,000: Centre on Budget and Policy Priorities, 2005: <http://www.cbpp.org/cms/?fa=view&id=659> [20]

1 <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aDLk0IPYaSa0> [21]

23 [http://www.huffingtonpost.com/2008/09/30/two-minute-obama-ad-blast\\_n\\_130...](http://www.huffingtonpost.com/2008/09/30/two-minute-obama-ad-blast_n_130...) [22]

24 <http://www.nytimes.com/2011/02/08/us/politics/08obama-text.html?pagewant...> [23]

25 <http://www.washingtonpost.com/wp-dyn/content/article/2011/01/18/AR201101...> [24]

26 <http://businessroundtable.org/news-center/business-roundtables-response-...> [25]

27 However this was always rhetorical opposition, as early 2008's mini 'Nafta-gate' scandal where a memo from a Canadian official stated that in a meeting Obama's key economic advisor had claimed the anti-Nafta stance was 'more reflective of political maneuvering than policy.'? <http://www.nytimes.com/2008/03/04/us/politics/04nafta.html> [26]

28 [http://www.msnbc.msn.com/id/41456730/ns/business-consumer\\_news/](http://www.msnbc.msn.com/id/41456730/ns/business-consumer_news/) [27]

29 <http://www.huffingtonpost.com/2011/01/21/obama-picks-jeffrey-immel-ge-jo...> [28]

30 <http://www.thenation.com/article/157902/obama-triangulation-20?page=0,1> [29]

31 <http://www.bloomberg.com/news/2011-02-15/obama-says-he-is-eager-to-tackl...> [30]

<http://www.bloomberg.com/news/2011-02-25/obama-aides-say-social-security...> [31]

32 <http://www.washingtonpost.com/wp-dyn/content/article/2010/11/03/AR201011...> [32]

33 federal, state and local education spending : [http://www.usgovernmentspending.com/education\\_budget\\_2010\\_2.html](http://www.usgovernmentspending.com/education_budget_2010_2.html) [33]

34 Labor Notes has an excellent resource on education counter-reform:

<http://www.labornotes.org/files/pdfs/school.wars.2011.pdf> [34]

35 <http://www.newser.com/article/d9ldfccg0/obamas-ed-budget-increase-to-fac...> [35]

36 [http://globalagenda.co.uk/blogs/democracyinamerica/2011/02/gop\\_budget\\_cut](http://globalagenda.co.uk/blogs/democracyinamerica/2011/02/gop_budget_cut) [36]

37 Discretionary spending is the portion of the US budget negotiated annually between the President and Congress, while mandatory spending derives from legally binding programmes with defined eligibility and benefits (though these can be modified by changing the laws). For the 2010 budget (total spending \$3.83 billion), the break down was

Discretionary spending: Military \$895 billion (23% of the total budget)

Other \$520 billion

Mandatory spending: Social Security (the greatest portion of which is pensions) \$730 billion

\$2.17 trillion Medicare \$491 billion

56% of the budget Medicaid \$297 billion

Other mandatory programmes \$648 billion (eg veterans' benefits, food stamps, unemployment compensation, child tax credits, student loans, etc)

Interest on debt \$251 billion

<http://www.washingtonpost.com/wp-srv/special/politics/budget-2010/> [37]

In 2011 the breakdown was total spending \$3.64 tn, mandatory \$2.1 tn or 57% of the total, discretionary \$1.2 tn

In reality this hugely underestimates military spending which for the FY 2012 budget Obama has submitted could be as much as \$1.2 trillion. Much non-military spending is actually military-related, for instance its portion of the debt

interest payments and veterans spending, while much military spending comes under other departments, for instance the Department of Energy is responsible for nuclear weapons (\$19.3 bn). This figure, compiled by the American Empire Project does not include Nasa spending, while War Resisters claims up to half of NASA's spending (Obama's 2012 proposed figure is \$18.7 bn) is military related. [http://aep.typepad.com/american\\_empire\\_project/2011/03/the-real-us-natio...](http://aep.typepad.com/american_empire_project/2011/03/the-real-us-natio...) [38] <http://www.warresisters.org/pages/piechart.htm> [39]

38 <http://www.npr.org/2011/02/11/133669455/obama-gop-vie-for-upper-hand-on-...> [40]

39 <http://www.bloomberg.com/news/2011-02-25/obama-aides-say-social-security...> [31]

40 [http://globalagenda.co.uk/blogs/democracyinamerica/2011/02/gop\\_budget\\_cuts](http://globalagenda.co.uk/blogs/democracyinamerica/2011/02/gop_budget_cuts) [41]

41 <http://www.treasurydirect.gov/NP/NPGateway>; [42] CBO stats show that Social Security continued to produce large surpluses that grew until 2009, at which point the crisis no doubt affected the programme (though still \$137 billion in surplus that year). [http://www.factcheck.org/askfactcheck/during\\_the\\_clinton\\_administration ...](http://www.factcheck.org/askfactcheck/during_the_clinton_administration_...) [43] <http://www.cbo.gov/ftpdocs/108xx/doc10871/HistoricalTables.pdf> [44]

42 <http://www.cbpp.org/cms/?fa=view&id=966> [45]

43 <http://www.cbpp.org/cms/index.cfm?fa=view&id=3036> [46]

44 Of course most of this debt is denominated in dollars, and theoretically the US government could default openly or covertly by printing money, but either option would create a crisis in the international monetary system and clashes with other states particularly China that could dwarf even the 2008 meltdown.

45 [http://www.foreignpolicy.com/articles/2010/02/16/the\\_real\\_danger\\_of\\_debt](http://www.foreignpolicy.com/articles/2010/02/16/the_real_danger_of_debt) [47]

46 <http://www.nytimes.com/imagepages/2011/02/15/us/politics/15obama-a.html?...> [48]

47 So that in 2010 military spending 'exceeded the average spent during the cold-war years by 50% (adjusted for inflation)? and as big as the next twenty countries? military spending: <http://www.economist.com/node/18114525> [49]

48 [http://www.huffingtonpost.com/2011/01/26/obama-spending-freeze\\_n\\_814192....](http://www.huffingtonpost.com/2011/01/26/obama-spending-freeze_n_814192....) [50]

49 Security discretionary spending includes includes Defense, Homeland Security, and Veterans Affairs and military construction appropriations. <http://www.washingtonpost.com/wp-dyn/content/article/2011/01/24/AR201101...> [51] <http://www.nytimes.com/2011/01/21/us/politics/21spend.html> [52]

50 In terms of 'fiscal responsibility?', a measure dwarfed by the \$374 billion the tax deal added to this year's deficit: <http://www.huffingtonpost.com/andrew-fieldhouse/paul-ryans-budget-unnece...> [53]

51 <http://www.huffingtonpost.com/2011/02/17/john-boehner-wont-back-budget-s...> [54]

52 [http://www.nytimes.com/2011/03/04/us/politics/04congress.html?\\_r=1&src=u...](http://www.nytimes.com/2011/03/04/us/politics/04congress.html?_r=1&src=u...) [55]

53 <http://www.reuters.com/article/2011/02/11/us-usa-congress-spending-idUST...> [56]

54 A similar resilience and rebound of profitability, thanks to austerity at home and expanding sales in the emerging markets is reported for Britain and Germany too: <http://www.economist.com/node/16744122> [57]

55 <http://www.economist.com/node/16744122> [57]

56 <http://www.economist.com/node/18073369> [58]

57 Figures wer 2.8 percent in 2010 and shrinking 2.6 percent 2009: <http://www.federalreserve.gov/releases/g19/Current/> [59]

58 <http://www.ft.com/cms/s/0/6dbf2546-2d71-11e0-8f53-00144feab49a.html#axzz...> [60]

59 P. 16, <http://www.federalreserve.gov/monetarypolicy/files/fomcminutes20110126.pdf> [61]

60 <http://www.economist.com/research/articlesBySubject/displaystory.cfm?sub...> [62]

61 [http://www.huffingtonpost.com/2011/02/07/jobs-recovery\\_n\\_819473.html](http://www.huffingtonpost.com/2011/02/07/jobs-recovery_n_819473.html) [63]

62 CBO historical tables, ibid

63 January 2011 monthly Treasury statement, <http://www.fms.treas.gov/mts/mts0111.pdf> [64]

64 <http://www.nytimes.com/2010/04/15/us/politics/15poll.html> [65]

65 <http://www.nytimes.com/2010/08/29/opinion/29rich.html> [66]

66 <http://www.theatlantic.com/politics/archive/2010/11/the-tea-party-takes-...> [67]

67

68 Overall unionization fell from 12.3 percent to 11.9 percent in 2010. Meanwhile there were a mere 11 major strikes in 2010 involving over 1000 workers, 5 in 2009, the lowest since figures start in 1947:

<http://www.bls.gov/news.release/wkstp.t01.html> [68]

69 Democrats picked up California, Hawaii and Vermont from Republicans. Republicans won Iowa, Kansas, Maine, Michigan, New Mexico, Ohio, Oklahoma, Pennsylvania, Tennessee, Wisconsin and Wyoming in a :

<http://www.america.gov/st/usg-english/2010/November/20101105191340tegridr...> [69]

70 <http://hotlineoncall.nationaljournal.com/archives/2010/11/devastation-go...> [70] <http://www.ncsl.org/?tabid=21320> [71]

71 For most states fiscal year starts in July. <http://www.marketwatch.com/story/state-woes-wont-put-brakes-on-recovery-...> [72]

72 Jan 2011 BLS report. The 7.6 million public sector workers in unions are also much more concentrated than the 7.1 million unionised workers in the private sector. <http://www.bls.gov/news.release/union2.nr0.htm> [73]

73 <http://www.thenation.com/article/158640/labors-last-stand;> [74]

[http://www.aflcio.org/issues/states/whatsatstake\\_sos.cfm;](http://www.aflcio.org/issues/states/whatsatstake_sos.cfm) [75] <http://www.economist.com/node/18178517> [76]

74 [http://epi.3cdn.net/9e237c56096a8e4904\\_rkm6b9hn1.pdf;](http://epi.3cdn.net/9e237c56096a8e4904_rkm6b9hn1.pdf)

[http://www.epi.org/economic\\_snapshots/entry/wisconsin\\_public\\_servants\\_al...](http://www.epi.org/economic_snapshots/entry/wisconsin_public_servants_al...) [77] Similarly, federal employees are paid 24 percent less than private sector counterparts nationally according to the American Federation of Government Employees, <http://www.nytimes.com/2010/11/30/us/politics/30freeze.html> [78]

75 <http://articles.latimes.com/2011/jan/27/opinion/la-oe-gingrich-bankruptc...> [79]

76 <http://www.economist.com/node/18178517> [76]

77 After being thrown out of office and legislature for their huge cuts in the previous two years!

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[78 http://www.workerspower.net/class-struggle-usa-workers-versus-walker-in-...](http://www.workerspower.net/class-struggle-usa-workers-versus-walker-in-...) [81]

[79 http://www.dailypolitical.com/politics/obama-gives-the-wisconsin-labor-r...](http://www.dailypolitical.com/politics/obama-gives-the-wisconsin-labor-r...) [82]

[80](#) Another CBS poll reported in January 2011 that this had shifted to 43 percent prioritised job creation and 16 percent deficit reduction: <http://www.publicbroadcasting.net/wnku/.artsmain/article/1/1338/1763724/...> [83] However a January 2011 Pew Poll shows 84 percent think jobs is the top priority but shows high figures for deficit reduction: 'Currently, 64% view reducing the budget deficit as a top priority, up slightly from 60% a year ago, and 53% in 2009.'  
<http://people-press.org/report/696/> [84]

[81 http://www.healthcare-now.org/wsfnbc-poll-hands-off-medicare-social-secu...](http://www.healthcare-now.org/wsfnbc-poll-hands-off-medicare-social-secu...) [85]

<http://www.ft.com/cms/s/0/0369c1bc-3f71-11e0-a1ba-00144feabdc0.html> [86]

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[83 http://www.fifthinternational.org/historic-crisis-capitalism-part-1-cris...](http://www.fifthinternational.org/historic-crisis-capitalism-part-1-cris...) [88]

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