

# Obama Claims a ‘Mandate’ For Fascist Austerity

by Paul Gallagher

Nov. 12—On Dec. 4, 2004, the narrowly re-elected President George W. Bush claimed that he had just earned the “political capital” to continue the Iraq War and to privatize Social Security. Lyndon LaRouche had warned the Democratic Party already on that Nov. 9, that Bush would go for destruction of Social Security, and could be brought down rapidly by exposing this, as LaRouche immediately mobilized his forces to do. Despite Dubya’s subsequent campaign of staged “town meetings” for his plan, LaRouche was proven right.

On Nov. 8, 2012, Barack Obama, just re-elected with a popular vote total 6 million lower than his 2008 vote, claimed that he had won a “mandate” to impose his own austerity policy on Congressional negotiations over the Federal budget deficit and debt—only the taxation part of which policy he revealed on that day. Four days later, Obama started to make clear that he planned a national campaign for deep austerity cuts and tax increases. He would start by calling labor union leaders opposed to his intended cuts in Social Security, Medicare, and Medicaid, to a White House meeting Nov. 13. Then he would meet with big business executives Nov. 14, and with Congressional leaders Nov. 16, before starting to make demagogic speeches for fascist austerity as the “solution” to the nation’s debt problem.

Obama intends to confront the “lame duck” Congress over drastic austerity, of the kind which over the

past 30 months has made the “debt problem” far *worse* in Greece, Spain, Portugal, Italy, Ireland, and every nation that has been forced to implement it. The deeper the austerity—e.g., in Greece, Portugal, and Spain—the worse has been the ensuing economic plunge, the destruction of government revenue, and the more rapid the *increase* in the national debt. Along with these “debt spirals” have grown massive unemployment, loss of the most basic health care and housing, inflation in food prices and spreading hunger, increased death rates, and spikes in rates of suicide.

For an equally clear warning of a different kind, consider the plunge of the Japanese economy under the past 18 months’ “energy austerity” policy by indefinite shutdown of the nuclear 30% of national power generation.

The stakes here are much more serious than “W” Bush’s self-destruction of the Republican Party from 2004. Unless stopped, Obama’s fascist austerity policy, together with his war policy, threaten national economic destruction. Combine it with the Federal Reserve’s resumed \$80 billion-a-month money-printing program, and the result could be hyperinflation as well.

## ‘Fiscal Cliff’ a Nonsense Term

Already on Nov. 7, the *Washington Post* cited Democratic Congressional sources to the effect that Obama would confront the House leadership on a take-it-or-leave-it policy of cuts in entitlement, defense, and do-

mestic spending, combined with selective tax increases. The party sources said Obama was ready to veto anything else that came from Congress intended to avoid “automatic” budget sequesters and across-the-board tax hikes (the so-called “fiscal cliff”). He will threaten to let these destructive [sequester cuts](#) and taxes go through instead, and then deal with the next Congress.

Obama told the *Des Moines Register*, in what he thought was an off-the-record interview in late October, wants to get the “go big,” \$4 trillion austerity deal he couldn’t ram through in Summer 2011, modelled on the Simpson-Bowles Debt Commission (or “Catfood Commission”). Obama is now letting it leak that he will go to a full budget and debt crisis if necessary to get it. Other sources speaking to Senate Democrats say that they are prepared for this and think the Republicans will capitulate to a quick deal on these lines. Obama’s policy will be that this is the *only* deal, otherwise, it’s over the “fiscal cliff.”

In fact, both the Joint Select Committee on Deficit Reduction’s (the “Supercommittee”) ill-favored “fiscal cliff” and the Catfood Commission-type “go big” deal mean cuts in defense and domestic programs, and more taxes. The difference is that Obama’s go-big deal involves cuts in Medicare, Medicaid, and Social Security.

The labor movement, having just mobilized a lot of money and manpower to support NerObama’s re-election, is now preparing to mobilize a rearguard fight against his austerity policy.

“Fiscal cliff” is essentially a nonsense term, perhaps invented by Federal Reserve Chairman Ben Bernanke, who also presses Congress for budget cuts. The United States does not face any budget “cliff” because of any need to reduce spending and debt. Its spending and debt have increased substantially since 2008, in necessary reaction to the 2007-08 financial collapse triggered by Wall Street, *without* making the investments in economic infrastructure and productivity that could reverse that collapse.

What the United States is on, is a “physical-economic cliff” which is crumbling underneath it. There are 23-25 million Americans who cannot find full-time work, or any work. National reserves of grains have disappeared, and supplies of water have become insufficient across the Midwest and West, for agriculture to meet year-to-year consumption needs, not to mention the disastrous biofuels policy. America’s last reservoir of well-paid, skilled labor and advance machine-tool-

ing, the shrunken aerospace-defense industry, is faced with eliminating at least tens of thousands of jobs due to either the “automatic” Supercommittee defense cuts, or Obama’s “alternative.”

Hurricane Sandy has torn huge holes in the power, sanitation, and housing of several states and major urban areas, exposing deep craters of obsolescence, in infrastructure that has not been invested in since the Eisenhower Administration. Nearly 100,000 people remain in hellish conditions more than two weeks after the storm, unrelocated, unassisted. Harbor hurricane defenses must be built. In New York State alone, Gov. Andrew Cuomo is preparing to request \$30 billion in Federal aid to rebuild, more than double FEMA’s entire national budget. How does that square with Obama’s demands for a “big deal” of budget cuts?

### **Just a Millionaires’ Tax Increase?**

President Obama plans to organize his public meetings around his supposed mandate to “just make the wealthy pay their fair share,” by increasing the marginal income tax rates, as well as capital gains and dividend tax rates, on households making over \$250,000/year. In similar fashion, “W” began his 2005 campaign to destroy Social Security by claiming he “just wanted to give young people a chance” to manage their own private retirement accounts. The real scheme, modelled on fascist General Pinochet’s Chile, was to steal Social Security for Wall Street; it was exposed by LaRouche and eventually by everyone.

President Obama’s tax increases on higher-income households, even including the capital gains and dividend tax increases and overall deduction limits (which Republicans have also proposed) will produce no more than \$1 trillion in revenue increases by 2020—even on paper. In reality, the austerity and economic contraction the policy causes see government revenues *falling* again within a couple of years.

But Obama demands not just \$1 trillion, but another \$3 trillion in “deficit reduction,” by 2020, on top of the \$1.1 billion he got cut by the Summer 2011 Deficit Reduction Act deal with Congressional leaders. The other \$2 trillion is to come from cutting important programs and crucial economic activity.

Obama will not stress or spell out these cuts in his public speeches, but will hammer on them in the meetings with labor, business, and Congress. He wants to stop paying Federal unemployment benefits to those whose state benefits are finished—even though more

than 5 million Americans have been out of work more than six months. He wants to cut nearly as much from defense spending as would be cut by the draconian “sequester” cuts threatening now. He wants to cut social programs; one that he has specified is food stamps under a new Farm Bill, now being used by nearly 50 million Americans who are “food-insecure.” And Obama is ready, as he was (unsuccessfully) in Summer 2011, to cut more from Medicare than the half-trillion in cuts under “Obamacare,” and to cut Social Security. This would be done by raising the retirement age, changing the calculation of cost-of-living increases so as to essentially eliminate them, and lowering the starting benefits for “upper income” Social Security beneficiaries.

This \$4 trillion austerity policy to plunge the economy back into contraction, has been the “big deal” ever since it was laid out by the Simpson-Bowles Commission, which was formed by Obama by Presidential decree after Congress refused his suggestions to create it by law. Obama cagily avoided endorsing specific recommendations of this or other similar Wall Street-

financed austerity commissions during his first term, when Congress refused to accept them. Now he will demand them, as his fraudulently claimed “mandate” for a second term.

As for the defense budget cuts, under Obama they will not mean any pullback from the war policy—waged heavily through “more efficient” means like killer drones. Rather, the cuts are projected to hit the remaining major high-technology sector of the U.S. economy, defense/aerospace employment, not by converting those jobs to needed reconstruction tasks for the civilian economy, as they should be, but by throwing those workers on the scrap-heap. A new report shows that the impact of “defense sequestration” cuts of \$500 billion could be, state by state, a million lost jobs, the most skilled and well-paid in the country, in the immediate future. The Simpson-Bowles Commission’s recommended defense cuts were almost as large.

Obama White House jawboning of defense contractors large and small, not to disclose planned layoffs before the election, was likely illegal, involving Fed-

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eral promises to pay contractors to break a law which requires notifying workers of layoffs 60 days in advance. In the process it became known that Lockheed and Boeing Aerospace and Defense Division each were planning for 15,000 or more layoffs.

## **National Credit Alternative**

In fact, we need pay no attention to the fantastical “fiscal cliff,” but rather replace the policy of the failed and unconstitutional Supercommittee of 2011, with a policy of national credit for building modern infrastructure platforms (national banking) and gradual increases in revenue to support that new credit. Budget deficits arise from either war or financial collapse, and respond positively to just one factor: economic and productivity growth. A national banking policy, including re-enactment of President Franklin Roosevelt’s Glass-Steagall Act, will produce that growth.

In a strikingly rational analysis of the supposed fiscal crisis in the Nov. 11 *New York Times*, by the late Prof. Thomas R. McCraw of Harvard, Treasury Secretary Alexander Hamilton’s method of “bankruptcy reorganization” for the U.S. economy is laid out in some detail.

McCraw noted that Hamilton faced a far worse debt crisis than the United States does today, and proceeded to avoid the disastrous “higher taxes and/or austerity” approach pushed by Obama and the various Wall Street “debt commissions.” Instead, Hamilton chose to “create a climate of predictability and promote the release of pent-up economic energy,” i.e., create the conditions for economic growth.

McCraw then reviewed what Hamilton did in consolidating and reorganizing the nation’s debts, and turning them into long-term credit, through the creation of the Bank of the United States. Hamilton employed the Bank, capitalized and invested in by the U.S. Treasury, but also by private investment, to start the crucial development of ports, roads, and canals—the breakthrough infrastructure platforms of that period.

McCraw shows that Hamilton’s creation of increased Federal revenue based on economic growth exceeded the revenue growth claimed for the 1980s and 1990s, which were marked by large speculative bubbles which later crashed.

The point is obvious, and Obama’s fascist austerity policy can be defeated by a return to Hamiltonian national banking.