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European Languages

زبانهای اروپایی

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09.01.2021

Austerity, Democrats and the State



Photograph by Nathaniel St. Clair

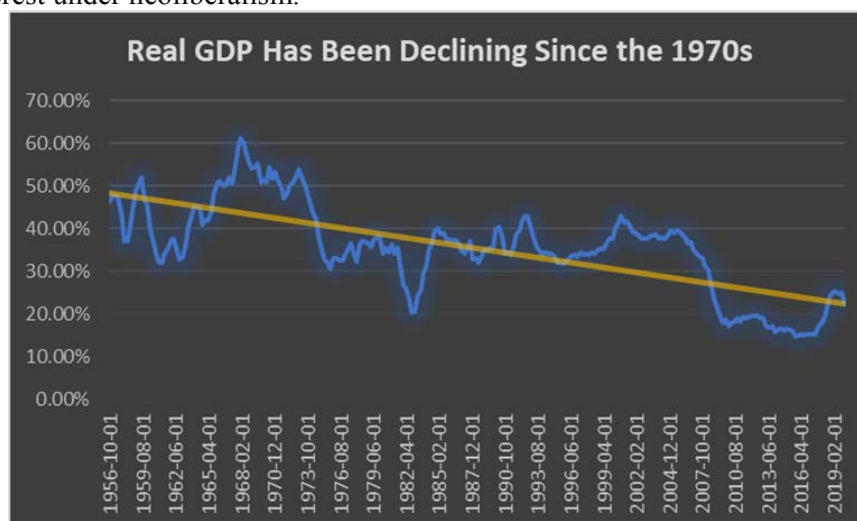
“I mean, say what you want about the tenets of National Socialism, Dude, at least it’s an ethos.”

– Walter Sobchak in The Big Lebowski

The cynical D.C. farce around \$600 versus \$2,000 ‘stimulus’ checks 1) ties in American history back to the pre-Revolutionary practice of delivering the least that will prevent the burning down of key government buildings, 2) serves as cover for the delivery of exponentially larger sums to connected insiders, and 3) illuminates the key impediments to recovering a government that functions for any but the oligarchs. What will be represented by officialdom in coming months as the natural challenges of managing a complex, multilayered and resource-strapped empire, will in fact be the purposeful ordering of political economy according to the late-capitalist ideology of neoliberalism.

As to the check politics, reports have it that President-elect Joe Biden was fine with no checks for the people in an earlier draft of the stimulus bill, followed by his actively intervening to cut their size from \$1,200 to \$600 in a later draft. While he was in Georgia on

Monday to support the Democratic candidates for the Senate, Mr. Biden parroted the campaign talking point of both candidates that \$2,000 checks would be forthcoming if voters elected them. That the ‘debate’ has devolved to one-time checks for the millions of people who are in the throes of economic ruin is indicative of the debasement of the very idea of the public interest under neoliberalism.



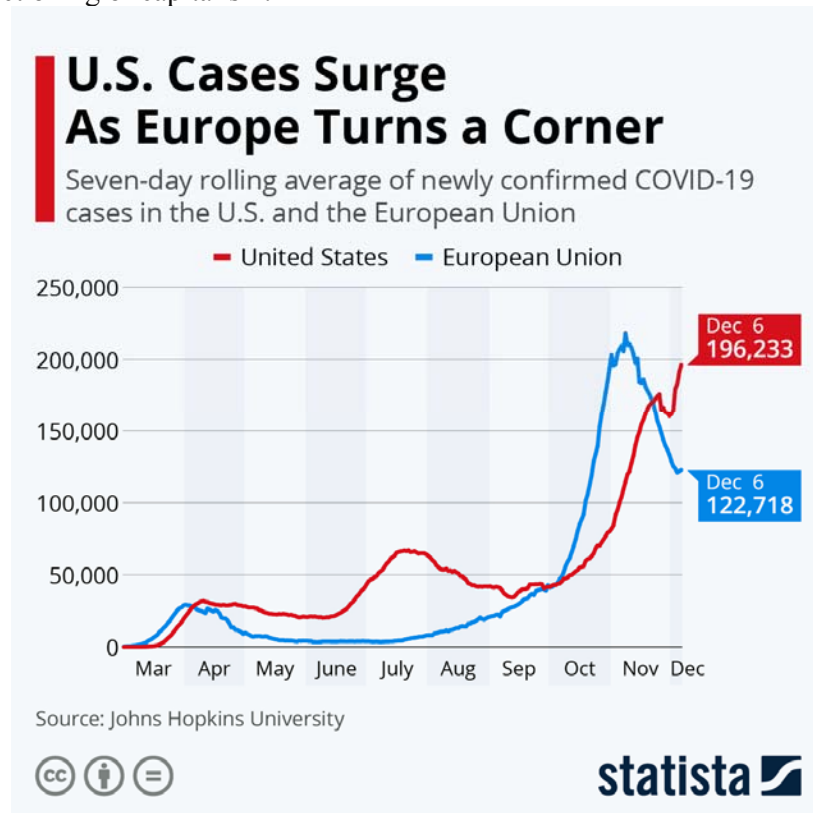
Graph: beginning in the 1970s, neoliberalism was sold as the post-ideological way to increase economic wealth. As theory had it, by following a set of rules that replaced technocratic government decision making with markets, nature’s bounty would be realized. The actual result has been four decades of steady economic decline punctuated by regular economic catastrophes. Through its closed logic, the only alternative to neoliberalism is to double down on economic failures because doing so makes the rich richer. The pandemic results were excluded from the graph to demonstrate that neoliberalism wasn’t working before the pandemic arrived. Units are rolling ten-year percentage changes. Source: St. Louis Federal Reserve.

The earlier ‘pandemic checks’ were conceived and delivered when the pandemic was believed to be a temporary interruption. However, air travel, which was ‘saved’ with tens of billions in pandemic relief, was being shown to be a bad idea in environmental terms before the pandemic struck. The point: without a plan, simply providing an economic bridge prevents the consideration of alternative paths forward. The exact course that the pandemic will take from here is unknown. But what has been demonstrated is that the institutions built around the neoliberal ethos of individual wants, rather than social needs, are wholly inadequate when it comes to meeting social needs.

As the graph above illustrates, neoliberalism hasn’t delivered economic results on its own terms of success or failure since its inception. It was conceived to reboot capitalism after the alleged failure of New Deal economics. Given how deeply instantiated its ethos is into the institutions of the West, a more determined economic experiment has only rarely been tried in history. And on its own terms, it has failed. The reason it survives from one catastrophe to

the next is because it makes rich people richer. In this sense, the pandemic response is an analog to the political challenges of transitioning away from a carbon-based economy.

The economic fragility that the pandemic has made partially visible— half or more of the nation is but a paycheck or two from absolute destitution, was intentionally created since the 1970s to keep the American polity pliable for political and economic purposes. Through the disempowerment of organized labor, the mobility of capital, the diminution of the public realm, and the elimination of the social safety net, this pliability is morphing into social failures of increasing scale and scope. The ‘better than nothing’ nature of the pandemic checks exists in contrast to the supporting role that the Federal government plays in the ordinary functioning of capitalism.



Graph: with Europe going back into full-lockdown in early January, 2021, the headline appears premature. Despite claims that this politician or that mishandled the pandemic response, the experience with pandemic cases in the U.S. and Europe is quite similar. The outlier is China, which has had few virus cases since the Spring, more likely than not because it has a developed pandemic response infrastructure. In this sense, the Covid-19 pandemic was entirely predictable. The Chinese prepared for it following the 2003 SARS epidemic, meaning that they understood that it was a risk. The image of Americans shopping around for an Obamacare plan that covers Covid-19 before the disease existed illustrates the absurdity of its neoliberal premise. Source: Johns Hopkins; Statista.

An economic truth being demonstrated through the pandemic response is that only the Federal government, as a currency issuer, has the economic power to address large scale crises. This has important implications for an ongoing pandemic response, as well as for national program proposals like Medicare for All and a Green New Deal. State and local government spending is constrained by tax revenues— a metaphorical ‘gold standard,’ in ways that the Federal government isn’t. This produces the political challenge at the state and local levels where the rich must agree to pay more in taxes before programs in the public interest can be funded.

This role as currency issuer has an administrative function through the ordinary working of the Federal government. And it plays a large supporting role in the workings of ‘free-market’ capitalism through Federal government spending, through providing the supporting institutions of capitalism, a.k.a. the corporate-state, and through supporting the economic priorities mediated through the electoral system. For instance, Joe Biden opposed pandemic checks until they served a transactional role in getting Democrats elected.

The decision was made after WWII to have the Federal government play an ongoing economic role through military Keynesianism— through the use of military production to employ people, fund research, pay private corporations to perform contract work, direct resources to favored industries, and counteract economic downturns. The Neoclassical conceit that government spending is a rathole into which Federal money is poured and nothing of use emerges would be inexplicable if it didn’t serve the ideological purpose of mystifying the corporate-state form.

All of the major U.S. industries— finance, military and related, telecommunications, oil and gas, technology, agriculture, pharmaceuticals, etc. emerged through close working relationships with the Federal government. Oligarchs own companies in these industries, and corporate executives pay themselves fortunes from them. The point: the posture by oligarchs, corporate executives and elected officials in both duopoly parties, of opposing government spending is contradicted by their dependence on it for their fortunes and power. The farce of Reaganism— of ‘shrinking the size of government,’ was demonstrated when increased military spending bought Reagan a second term.

Efforts to launch Medicare for All and Green New Deal programs at the state level face the hurdle of getting the rich to pay more in taxes while they hold effective political control. ALEC (American Legislative Exchange Council) was active for decades in passing neoliberal reforms that instantiated corporate interests at the state and local levels by promising that the ‘private’ provision of public services such as schools, prisons and infrastructure would reduce property taxes. While the capacity of the Federal government as currency issuer frees it from this tradeoff in theory, the privately funded electoral system brings it back with a vengeance.

The [decision](#) by House Democrats to make exceptions to their PAYGO Rule for a Green New Deal and Medicare for All ahead of the same Georgia runoffs that swayed Joe Biden in

his pandemic check reversal raises the question of motives. The PAYGO rule requires that all new Federal spending be offset by cuts to existing spending. Its motivation harkens back to the 1980s, when the charge of ‘tax and spend Democrats’ was effective electoral marketing. In other words, PAYGO is a political device— that the [U.S. is in the bottom third](#) of OECD nations in terms of social spending wasn’t even considered when it was adopted.

The economic illiteracy of PAYGO ties to the argument that government spending costs more than it produces. Were this same logic applied to private investment, corporate profits wouldn’t exist. The implied difference is between public and private investment. With a program like a Jobs Guarantee, public investment would provide people with jobs doing work that needs to be done, thereby producing a social benefit. Through paying these people, the money that otherwise wouldn’t exist will be re-spent on goods and services, thereby producing an economic benefit. The question then is why public investment isn’t many multiples of private investment?

(There are reasons why public and private investment need to be considered together relative to resource constraints. But any trip around the U.S. would quickly uncover staggering failures of private investment).

Reasons to be skeptical of the intentions of House Democrats include that Joe Biden [promised to veto](#) Medicare for All in his campaign for President, and that Nancy Pelosi publicly derided the [minimal workable version](#) of a Green New Deal put forward by AOC. Both Mr. Biden and Ms. Pelosi have been deficit hawks for long enough to conclude that they are true believers in the concept. Mr. Biden has been [trying to cut](#) Social Security and Medicare for three decades. And his Green New Deal [Proposal](#) is 1990s-era green capitalism designed to provide incentives for private employers to create ‘green’ jobs.



Graph: The wealth of the bottom half of the U.S. relative to the richest one percent has been declining since the 1980s. The apparent reversal of this trend after 2010 is largely a function of the Federal Reserve boosting low-end house prices to benefit the speculators who bought

them en masse in the GFC (Global Financial Crisis). With pandemic relief money going to renewed speculation on low-end housing, the apparent plan is to turn the entire housing market into a rent-extraction scheme. Source: St. Louis Federal Reserve.

The ACA (Affordable Care Act) provides a template that illustrates the Democrats' logic with respect to public investment. In 2010 the U.S. had the most expensive health care system per capita in the so-called developed world, coincident with the worst healthcare outcomes. Step one by the Obama administration was to state the problem to be solved to be the inadequate distribution of private health insurance. Now, a decade after the ACA was passed, the program has neither reduced health care costs nor improved healthcare outcomes. But more people do have health insurance.

For those who may be unfamiliar, this is corporate salesmanship 101. The first step is to state the problem in terms that can be solved through the purchase of a product. If the problem can be stated as people not having a particular product, coercion and subsidies can be used to get them to purchase it. That the 'solution' is unrelated to, and may be antithetical to solving, the original problem is irrelevant once it has been redefined. From that point forward, the solution is defined through the statement of the problem. Ask Obamacare supporters if it works, and the answer is always that more people have health insurance.

When this tactic is applied to a Green New Deal, the environmental problems identified by the IPCC and beyond will be redefined to be: an inadequate supply of solar panels and EV (electric car) batteries. Should this read as cynical speculation, here is Mr. Biden's Green New Deal proposal. The central drawback to this method of public problem solving is that the problems aren't conducive to the simple fixes that capitalist enterprises are capable of producing. And more nuanced solutions undermine the base premises of capitalism. This will be made apparent when the dirty production of 'green' technologies exacerbates environmental decline.

The last time that Democrats held the White House and both houses of Congress was when Barack Obama won the presidency in 2008. Mr. Obama promptly reneged on his campaign promises to key constituencies, gave Wall Street \$10 trillion for wrecking the economy, and passed a Republican health insurance sales scheme using the ruse that it was healthcare reform. This written, the problem isn't the players, but the play. The Democrats have the resources to govern. 2024 will be 'interesting' if they choose not to. On second thought, 2021 will be interesting if the choose not to.

JANUARY 8, 2021

Rob Urie is an artist and political economist. His book [Zen Economics](#) is published by CounterPunch Books.