

# What's Left : Progressive Strategy After Obama Year One

By Joseph M. Schwartz

James Carville's 1992 campaign mantra, "It's the economy, stupid" ought to be rebranded for the Obama administration as "It's the jobs, stupid." As any first-year political science student knows, if unemployment is not steadily falling and real family income is not rising in the 18 months before a federal election, chances are the White House incumbent will be a one-term president. Even the claim that the president's stimulus plan saved more than 2 million jobs – impossible to definitively prove – provides little solace to the some 25 million Americans either unemployed, underemployed, no longer searching for work or working far fewer hours than they need. Yet the administration is celebrating the creation of 140,000 (mostly temporary) jobs in March, when it would take job growth of 350,000 per month over the next 4 years (!) to replace the seven million jobs lost in the Great Recession (plus employ the 120,000 young persons who join the labor force each month).

Short of mass social unrest, Congress is unlikely to pass a major public jobs bill, as a congressional majority of Blue-Dog Democrats and Republicans fear a long-term structural deficit more than they do long-term, high unemployment. Nor will the White House endorse a strong public jobs program when its Treasury Department is run by the gnomes of Wall Street who believe the anti-Keynesian dogma that public investment inevitably crowds out private investment, even when private investment is anemic.

The president knows the best-kept secret in American politics: our long-term structural deficit did not fall from the sky. Republican and Democratic neoliberal policies over the past 30 years, including tax cuts on corporations and the rich, hugely expanded and wasteful military expenditures and the government's failure to take on the private health care industry and control health-care inflation (whose costs have gone from 11 per cent of the GDP in 1992 to 17 per cent today) are to blame for the deficit. With political will, it could easily be reversed.

But President Obama fears that embracing the revenue-raising powers of progressive taxation opens him to charges of being a tax-and-spend, weak on defense and craven on terrorism Democrat. Hence the inevitable Afghan quagmire. Hence the speed in compromising on health care. Yet what good does the president's buffing his neoliberal credentials do when such policies won't lower unemployment rates? These rates alone virtually guarantee electoral defeat for his party in 2010 and for himself in 2012! Why not tell the truth: that amid a collapse in private investment and consumption, only massive counter-cyclical public investment in alternative energy, mass transit, and infrastructure can put Americans back to work and restore



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the consumer demand needed to spur private capital investment?

Mainstream pundits hold that popular disgust at the massive increase in the federal deficit and the "unpopular" health care plan are what caused the mass defection of Democrats to Scott Brown, the GOP candidate in Massachusetts' special election for Senate. They are wrong! The size of the

deficit is rarely a dominant concern (what social scientists call a "valence issue") in the voting behavior of moderate-income individuals. They tolerate deficit spending if unemployment is low and real income growth is strong; only the political elites and business care about deficits per se.

Martha Coakley, the defeated Democratic nominee, won college-educated voters by 5 per cent; but she lost non-college-educated voters by 20 per cent, compared to Obama winning these voters by 20 percent in 2008. That means working class voters in just one year swung 40 percentage points against the party of Ted Kennedy, with Coakley even losing union voters in Massachusetts by a 49 to 47 percent margin! Exit polls and focus groups among working class voters found them abandoning the Democrats because of fears of joblessness and concern about the overall state of the economy. African-Americans, suffering not from a Great Recession but a Great Depression, turned out in low numbers. What was to vote for?

Worries about the size of the deficit or about Obama's health care plan ranked far lower in reasons given for voting Republican. Some unionized workers resented the Obama administration's failure to oppose the Senate's proposed health-care excise tax on their alleged "Cadillac" plans. Yet the state's own health care plan, which is similar to Obama's proposed public subsidies for those who cannot afford private insurance, polled relatively well among swing working class voters.

Much of the right-wing populist anger against Obama draws upon white working and lower-middle class fears that public spending disproportionately benefits poor people of color. That's a false perception stoked by the right. The truth is that universal social welfare programs such as Social Security and Medicare dwarf spending on means-tested programs such as TANF and Food Stamps. Yet "Tea

Party” populism also draws upon legitimate working class resentment of the bank bail-out, a goody bag to the banks that failed to benefit ordinary citizens. Yet the tea-baggers flirt with their own economic self-destruction when they urge the “government to keep their hands off my Medicare” and to cut taxes and public goods. Corporate elites are perfectly happy to harness right-wing populism to further deregulate the economy and gut public goods that benefit working Americans, including tea baggers.

The President’s unwillingness to “unwind” insolvent megabanks by wiping out shareholders and converting bonds into stock equity (thus shoring up banks’ balance sheets) meant that the government bailed out banks with public money and got nothing in return. These funds, plus megabank access to near-interest-free federal funds, have allowed investment bankers to continue to pay themselves obscene bonuses and make killings on leveraged purchases of high-interest long-term bonds.

Thus, investment bank profits are again at record highs, even though little of this “investment” is in loans to productive enterprises. The government refused to use its de facto equity holdings in major banks to force them to make loans for productive uses. Now the administration won’t even lobby hard for the Senate to pass an independent Consumer Protection Agency to protect ordinary citizens from fraudulent loans and exorbitant fees. Former Federal Reserve Bank chair Paul Volcker and Congressional bail-out oversight head Elizabeth Warren have called for the restoration of the Glass-Steagall Act’s 1935 separation of investment and commercial banking – the act was abolished under President Clinton in 1999 – but these pleas went unheard amid the din of the finance industry churning hundreds of millions of lobbying and campaign contributions to Senate Democrats and Republicans. Despite the crucial role that credit-default swaps and other unregulated derivatives played in causing the crisis, the Senate won’t pass legislation compelling these financial time bombs to be traded on transparent and regulated exchanges.

Obama supporters too readily confuse e-mail and Facebook networking with mass mobilization and protest. They believed that a Democratic president presiding over strong Democratic majorities would yield reforms comparable to those of 1934-36 and 1964-66, when Democrats last held the presidency and strong legislative majorities. But the Netroots alone can’t change policy. It’s going to take people in the streets demanding government end their suffering. Yet with a labor movement decimated by 30 years of corporate deindustrialization and the increased isolation of the poor, the level of public resistance to unemployment and foreclosure does not yet mirror the protest politics of the past.

What’s needed are Left activists helping to build popular movements to resist foreclosures, organizing the unemployed and resisting cutbacks in state and local public services. Foreclosures now hit holders of standard 30-year mortgages whose

unemployment benefits are running out or whose mortgage is “underwater” (with the debt owed exceeding the assessed value of the property). The Obama administration’s initial, much-vaunted \$700 million anti-foreclosure program succeeded only in lowering a handful of mortgages; it neither helped the unemployed nor compelled banks to cram down the value of underwater mortgages.

In recognition of this failure, the administration has now created a \$50 billion fund (from returned TARP funds) to subsidize institutions that voluntarily lower the mortgage payments of the unemployed for three-to-six months to 31 percent of their current income. The fund will also facilitate Federal Housing Administration (FHA) refinancing of mortgages when and if the original holder of the mortgage voluntarily writes-down the principal owed to the current market value of the home.

But this program is likely to fail dismally, as well. The unemployed will need more than six months’ relief; and the widespread “securitization” of mortgages means the mortgage’s original holder is extremely difficult to locate. Meanwhile, the financial institution servicing the mortgage has little incentive to write it down. Massive foreclosures will continue until the federal government creates a legally mandatory “right to rent” (at current market value) for distressed homeowners and institutes a mandatory “cram down” program in which the federal government compels all financial institutions involved in the mortgage process to accept lower mortgage payments based on the current market value of the home. This was done by the FHA during the Great Depression and such steps will again be needed, as we are presently experiencing a similar great depression in home prices.

Classic local resistance to foreclosure is emerging – putting the furniture and family back in the house after the sheriff tosses them out; but only a marked increase in such resistance will produce legislative proposals in favor of a “right to rent” at market value properties facing foreclosure. It’ll take a big movement to force banks to eat some of the capital on their soaked and submerged properties.

Politically savvy unrest like that is the last thing political power brokers want. The right targeted ACORN for destruction precisely because it organizes low-income citizens across racial lines to fight foreclosures and service cutbacks. Yet that kind of in-your-face contestation, and not (or not just) engagement in public intellectual work is what it will take to expand the ideological and social boundaries of American politics. They will expand when and if democratic unrest forces elected officials and opposition candidates to think and act outside of the centrist box, or else.

The Left also needs to join in resisting devastating public service cuts in the next budget cycles. Cuts are already leading to a crisis in education at all levels and to the denuding of public services for the disabled and elderly. On March 4th, high school, college and university students in some 33 states

joined faculty, teachers, parents and labor supporters in actions defending public education. But the defense of public goods cannot be left to public sector unionists. With only seven per cent of the private sector work force unionized and the majority of unionized workers in the public sector, the right and its corporate handlers hope to divide the working class through increasingly railing against the “privileged” pay and benefits of public employees.

The Right has long attempted to counterpose the interests of a predominantly white and unorganized lower-middle and working class against a more integrated and unionized public sector workforce. But cuts to suburban public schools, the elderly and uniformed services afford the Left an opportunity to educate the public on the value of public goods. Jobs with Justice and other community-labor coalitions are beginning to organize to demand federal aid to states and localities, and the restoration of progressive state and local taxation that 30 years of neoliberal government overturned. The over-reliance of state and local governments on regressive property taxes has transformed portions of the elderly and home-owning working class into supporters of conservative movements against even progressive taxation.

With the crisis in defined-contribution pensions, the Left must not only defend Social Security, but also educate the public about how the vagaries of private sector employment cannot provide everyone with retirement security and educational opportunities for their children. Without high-quality public goods financed by equitable forms of taxation an inegalitarian private labor market will create rampant social inequalities.

The neoliberal chickens of deregulation, deunionization, and privatization have come home to roost in a United States that presently ranks as the most inegalitarian and least socially mobile of post-industrial societies. DSA’s Economic Justice Agenda, released in spring 2007, presciently argued that a revitalized United States economy committed to global justice must rest on the “four pillars” of progressive taxation; high-quality, universal public goods; the right to organize; and global trade and investment policy that raises environmental and labor standards as an alternative to race-to-the-bottom global neo-liberalism.

DSA is presently developing an Economic Bill of Rights project that aims to revive FDR’s call for a second bill of rights that would guarantee to all Americans the right to a decent job, health care, education, housing, environmental sustainability, and retirement security. Add to that the need to achieve these rights in the context of a more interdependent global economy and you get a social democratic program for the 21st century. Our analysis is likely to gain even greater salience when Obama’s neoliberal Commission on Fiscal Stability calls for cuts in the Medicare and Social Security benefits and an extension of the retirement age.

But programs absent movements are only pieces of paper

without people fighting for them. At the summer 2009 YDS conference, Frances Fox Piven reminded students and young labor activists that in the early 1930s small groups of diverse radicals helped ignite mass movements of the unemployed and the foreclosed that prefigured the mass industrial organizing of the CIO. An even more decentralized cadre of community activists rooted in working class and communities of color exists today.

Yet these potentially incendiary organizers, along with progressives in the labor movement, go largely unnoticed and unsupported by white educated “Obama enthusiasts.” These middle-strata liberals oppose many United States foreign and environmental policies while embracing socially liberal positions on reproductive rights and gay and lesbian rights, but they are not automatic supporters of the trade union movement, let alone redistributive, social democratic economic policies. Organizing for America, the Obama campaign’s post-election vehicle, lit no fires under legislators’ buns for national health care or workers’ rights to join unions. Why? Many of these educated middle strata already have decent health care coverage and think – like neoliberals – that unions are a drain on productivity and capital accumulation.

This is not to demean the middle-strata, largely white, liberal community, or paint them all in the same negative light. Socialists have always worked in common not only with class-conscious workers but also with elements of the educated middle strata holding an ethical commitment to social justice. But middle-strata blogging and social networking cannot by themselves alter the legislative instincts of Congress members who troll daily for corporate dollars. After the recent Supreme Court decision putting political office on the block, we desperately need a movement for public funding of federal and state elections. That will take more than the efforts of process-oriented, good-government middle-class reformers.

Thus, demands to eliminate the Senate filibuster and curtail corporate buying of votes must be linked to movements demanding material improvements in the lives of average Americans. Unions, too, now representing only slightly more than 12 percent of the workforce, won’t grow merely through the passage of proposed labor law reform unless they embrace social unionism. For the labor movement must organize not just the long-term employees of major corporations, but also the growing “casualized” work force, the 25 percent of U.S. workers who do not have permanent jobs nor the benefits tied to long-term employment. Nor would the restoration of the right to organize (which is de facto dead in the United States) fully protect the rights of immigrants who work in the caring and service sectors. The Left must push for an immediate path to citizenship for all those who work in our society (and for their dependents).

There are no inevitabilities in politics. But whenever capitalism failed to produce security for ordinary people,

workers and their allies used their democratic rights to push for what they needed. They forced political elites to enact public policies that decommodified, or removed from the market, such basic human needs as old-age retirement, disability, and unemployment insurance. Under pressure from below, FDR created 3 million jobs in just three months in 1933, the equivalent of 9 million jobs today. That's why socialists must not only educate the public about the systemic causes of the crisis of global capitalism, but also help win victories that enhance the lives of the working class, poor and unemployed.

Take for example health care. The very imperfect bill that finally passed only starts us down the road to truly universal, affordable health care coverage. But we won't move much down that path unless the Left continues to fight with the private insurers, Big Pharma, and private hospitals over how to make that social right truly universal and affordable. Absent the eventual creation of a strong public option (or, preferably, strong state-level single-payer systems that eventually evolve into a national single-payer system), this important victory against the right could turn out to be somewhat pyrrhic. Defeats demoralize; they do not empower. So do pyrrhic victories. On balance, progressives had to hold their nose and back the Obama-Pelosi bill. Just as Clinton retreated to the center-right after 1994, so would the Obama administration after the 2010 elections if no bill had passed. But given the high level of unemployment the Democrats will lose a substantial number of House and Senate seats in November 2010. Only reinvigorated anti-corporate organizing at the grassroots level will convince Democratic national party elites to conclude after the Congressional elections that the party needs to move to the left and not to the center.

Whatever the outcome of the long-term struggle for affordable and truly universal health care coverage, DSA and YDS should today be out in the streets joining movements fighting for an extension of unemployment and COBRA benefits and for public jobs programs (targeting the location of and training for green jobs in inner cities and de-industrialized com-

munities). Socialist bashing is, per usual, being wielded by the Right against any reform that would modestly limit the prerogatives of corporate capital. But many Americans understand that there is no way out of this crisis without strengthening the democratic state's ability to fund public education, health care, and affordable housing.

The United States needs a mass movement for full employment, but it also needs bodies in the streets and in the legislative halls demanding the re-regulation of finance capital so it serves the interests of the productive economy rather than the interests of the speculators. Anti-banking sentiment can and has taken either a progressive or reactionary racist and antisemitic populist form. Until the Left dominates the movement to bail out Main Street rather than Wall Street, racist forms of populism will continue to grow.

The level of popular resistance to injustice is nowhere near that of the early 1930s or early 1960s, but no generation of radicals is promised favorable terrain or the best of troops. The classic leftist adage of "educate, agitate, and organize" makes as much sense now as it did in the past. The struggle to use the power of the democratic state to render the market a servant of society and not its master won't be won just by thinking big thoughts. Today's radicals can become as relevant to today's politics as they were to the politics of the 1930s and 1960s, but we have to be willing to engage in direct action and protest politics alongside communities that are suffering the brunt of the Great Recession. Being content to sit at a computer and click on e-mail appeals from MoveOn.Org or Organizing for America won't cut it in confronting the greatest crisis in global capitalism since the 1930s. ♦

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