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THE BIG GOVERNMENT' OF B. H. OBAMA AND THE DODD – FRANK ACT

ABSTRACT

The global financial- economic crisis that all characteristics of its crisis nature began apparently to manifest in the summer 2008 in a completely striking and dramatically manner has highlighted and imposed the dilemma of power, competencies and functions of the modern capitalist state. In general, primarily and especially, in the area of the social-economic relations.

Especially the functions of the modern capitalist state that were applied and demonstrated in USA both as a respond to, and a solution of the financial–economic crisis (first of all, the anti-cyclic nature of the applied fiscal and monetary policies, exactly as determined and recommended by John Maynard Keynes), have theoretically, ideologically and politically troubled exactly the determination and definition of the social–economic functions of the modern capitalist state. That is, primarily the concrete concept and the concrete ways of anti-crisis application of the fiscal and monetary policy have clarified to the extreme limits the problem of the theoretical and ideologically political identity of the modern capitalist state.

This clarification of the problem of theoretical and ideologically–political identity of the modern capitalist state in the societal field of social–economic relations, complemented and strengthened through the previously conducted reform of the health care system from the position of strengthening the power, competencies and functions of the modern American capitalist state, has also imposed the interest in the phenomenon of the so-called Big Government to the theoretical and ideologically–political plan.

It is understandable and very normal that this interest that is especially and primarily theoretically and ideologically–political, has occurred and was demonstrated exactly by the American theoretical and ideologically political (Republican) right wing. So it happened that among the other striking theoretical and ideologically- political products and reactions appeared ultra (neo) conservative and ultra (neo) liberal Tea party movement, as well.
If we sublimate, the (neo) conservative and (neo) liberal reaction to the awakening of the left–capitalist/capitalist interventionist “Big Government” is located and moving along the theoretical and ideologically political path of emphasizing the loss of the civil/individual freedom for the interest of expansion and growth of the state/ bureaucratic powers and functions. That is, the subordination of the civil/individual interest is explicated theoretically and ideologically-politically as being exerted for the benefit of the prevalence of the state / bureaucratic interests.
Within this thematic and problem context, besides and after the reform of the health care system, the theoretical and ideologically political troubling of the phenomena of the very intensive strengthening and expansion of the ”Big Government” in USA is included and manifested exactly in and through the concrete provisions of the Dodd - Frank Act.
It is so because this Act, on the basis of the strengthening and expansion of the theoretical and ideologically political concept of the state interventionism (the concept and the policies of the “Big Government”) regulates/reforms the social–economic area of the financial markets. It is an Act (Wall Street Reform) which from the theoretical and ideologically political positions of the capitalist state interventionism should essentially enable and provide stability, accountability and transparency of the financial markets and protection for the customers of those markets.

Key words: “Big Government“; B. H. Obama; Dodd – Frank Act; Wall Street reform; state interventionism.

INTRODUCTION

The Dodd – Frank Act is passed with the primary goal to promote the stability and security of the financial markets (Wall Street) in USA, in a way that it would regulate the financial markets and protect the customers.

President B. H. Obama, after the Act was passed in both Houses of the Congress, has signed it into law on 21 July 2010 and the Act began to produce legal action.

The Act was previously submitted in the Congress by, at the moment, Democratic majority in the Congress and was aimed to express the state–interventionist, financial–economic and generally the social–economic philosophy, ideology and policy of the actual elite of the Democratic Party, as well as of the administration of the actual President Barack H. Obama in very effective way. The formal proposers of the Act, proposed on 2 December 2009 were the Democratic representative/ parliamentarian (member of the Representative House of the Congress) and at the moment the chairperson of the Finance Committee of the Representative House, Barney Frank, and Christopher Dodd, Democratic senator and at the moment chairman of the Banking Committee of the Senate.

This Act thoroughly and dramatically breaks off the continuity of the neoliberal deregulation and liberalization of the financial markets in USA, which has gained its strongest momentum during the presidency of Ronald W. Reagan and his neoliberal, social-economic theoretical conception, ideology and policy (Reaganomics) until the period of occurrence and development of the major financial–economic crisis, starting from the summer 2008 until nowadays.

The major financial–economic crisis being dealt with by the administration of the President B. H. Obama on the basis and through the theoretical concept and ideologies and policies of the state interventionism of J. M. Keynes, has created productive conceptual, ideological and political space for state–interventionist / regulatory activation in the field of financial markets.

The Dodd – Frank Act which contains a number of fundamental provisions through which the determination of the President Obama's administration for regulation of Wall Street and protection of the customers at the financial markets is actually put into effect. At this point, we could systemize those fundamental determinations as follows:

1. Consolidation of the regulatory agencies and establishing a new Council for evaluation of the risk in the system
2. Comprehensive regulation of the financial markets, including the better transparency of the financial derivatives, which are exchanged / bought and sold at the secondary financial markets
3. Protection of the customers at the financial markets also includes establishment of a new Agency for protection of the customers and unification of the standards for customer / investor protection.
4. Tools that would be used in conditions of financial crises, including the "response regime" complementary to the existence of FDIC / Federal Deposit Insurance Corporation, intended to the proper / safe management of the firms that should go bankrupt, including that FED / Federal Reserve / the US Central Bank would accept the loan certifications of the Treasury / the Ministry of Finances of US in extraordinary and emergency cases.
5. Critical measures for increasing the international standards and cooperation, including proposals regarding the importance of the accounting regulation of the credit rating agencies.

The last, fifth provision is both very important and sensitive because the three of the large/global agencies for credit rating (Standard & Poor's, Fitch Ratings, Moody’s Ratings) have permanently given the highest credit ratings to the financial derivates that have shown and approved at the markets to be toxic and non-payable, in that way misleading (of course, for their own high profits) the investors to invest in “junk” securities.

NEO-LIBERALISM, DEREGULATION, LIBERALIZATION

The Dodd – Frank Act should successfully play the role of a general legal framework aimed to the reforming of the financial markets in USA (Reforming America’s. . . , 2011; US financial market reform, 2010) . It is about an intention to reform the financial markets in general, which means regulation of the secondary financial markets, that is, the markets of financial derivates as well (Ware, 2005). The secondary financial markets are exactly those markets that have experienced their radical expansion in the moments when the total economic growth in US has reached its highest rates (Gray, 2007). At the same time, those were the moments when the reputation of the neo-liberal economic / social – economic policies (Sasajkovski, 2004), grounded generally on the economic theories of the Chicago School of F. A. Hayek and M. Friedman, have also reached their highest levels. It is a period in which not only the Republican administrations, that is, those of R. W. Reagan (Reaganomics), G. H. W. Bush and G. W. Bush, have designed their social – economic policies naturally ideological/ideological– politically, strictly on the premises of the neo- liberal theories, but it is also a period of the Democratic administration of President W. J. Clinton (Eshbaugh, 2005).

In essence, the fact is that during the left ideologically–politically oriented democratic administration of Clinton, serious regulatory actions for regulation of the total complex of financial markets were not undertaken; in contrary, the process of virtually endless innovation of the financial derivates of the secondary financial markets was permanently running. It was that way, in fact, it had to be that way simply because the possible ideologically motivated efforts of the President Clinton administration for pro-regulatory reform of the financial markets would unavoidably confront the major course of the substantially high economic growth of the American economy grounded on neo-liberal theoretical premises and performed through neo-liberal social– economic policies (Sasajkovski, 2001). Regardless the basic ideological determination of Clinton as a politician, it would clearly be political suicide to intervene in the ideological and political matrix of the neo-liberal social– economic paradigm, which provided high rates of economic growth within those historical and social moments.

Therefore, during the time of the left oriented Democratic administration of President Clinton essentially neo-liberal social and economic policies continued to be carried out, including also within those ideological- political frameworks the abstinence from reaching for policies of pro-regulatory reforms of the financial markets (de la Torre, 2006) .

Moreover, during the administration of the President Clinton the Congress has passed a law, which open / deregulate the financial markets in US to almost maximum possible limits. Namely, on November 12, 1999 the Gramm – Leach – Bliley Act was passed, sponsored by three right wing / Republican Congressmen – Phil Gramm, Jim Leach and Thomas J. Bliley, also known as an Act for modernization of the financial services, in the period when the Republicans had majority in both Houses of the Congress. It's most important feature was that the US financial markets became open / liberated and deregulated for the banking, security and insurance companies, as well. In that way, the fundamentally important Glass – Steagall Act was derogated; this Act was passed in 1933, at the moment when the Great Depression reached its climax and that law prohibited the financial institutions operating on the financial market to be built like a combination of investment banks, commercial banks and insurance companies.

Regarding the topic of this paper, it is very interesting and important that the President Clinton, without any strong opposition, has signed the Act proposed by the Congressmen Gramm – Leach – Bliley, including himself / his presidency / his administration (left / democratic ideological – political orientation) in the main course of a continual (right / republic ideological – political orientation) pro-liberal and deregulatory reform of the financial markets in US (Sherman, 2009).

The passing of the Gramm – Leach – Bliley Act in the Congress and its signing by the President, placing it in the left / democratically right / republican ideologically political context, was in fact the second major economic / social – economic failure of the administration of President W. J. Clinton, at the end of his mandate, of course, after the disastrous failure of his effort to reform the American health care system through introduction of a basic health insurance for all people without exception, at the very beginning of his first mandate. This reform of the health care system in reality is contained in two legal projects: Patient Protection and Affordable Care Act, signed by the President on March 23, 2010, and Health Care and Education Reconciliation Act, signed by Obama on March 30, 2010. That is, the administration of President B. H. Obama succeeded to pass those Acts on the reform of the health care system and it is undoubtedly major achievement of his social – economic policies, in addition to the Dodd – Frank Act – the pro-regulatory (ideologically political left / democratic) reform of the financial markets in USA.

It is very interesting and indicative that through the entire period of dominant reign of (right) neo-liberal theories and neoliberal social – economic policies in US, even at the time of (left) presidential administration, the period of significant growth of the American economy grounded on the ideological postulates and the concrete social – economic policies of the so- called Reaganomics, the presidents / governors of the Federal Reserve System (FED) , and the American Central Bank, were the two persons having rich careers in the investment banking and the insurance companies - Paul A. Volcker, Jr. and Alan Greenspan and one person from the academic community who is clearly neo-liberally determined – Ben Bernanke. Especially Greenspan was the one who has strongly and fiercely supported the further, almost unlimited deregulation and liberalization of the financial markets (Strahan, 2002), that is, he was also strongly and fiercely opposing all indications both by the academic and political circles, for possible regulation of those markets. Greenspan was extreme adherent and supporter especially of the development of the secondary financial markets, that is, maximum unlimited liberty of the financial subjects (not that much the commercial banks but the investment banks and insurance companies) to create and operate / market financial derivatives at the secondary financial markets.

Exactly the global financially economic crisis, that is, the bubble found in its generic core, were (that bubble and that crisis) in fact formed from boundless “mountains” of contaminated, worthless, non- payable (“junk”) financial derivatives, placed at the extremely deregulated and liberated secondary financial markets in US (Roxburgh, 2010) .

Indisputable is the exactness of the statement for that “junk”, that is, for the consequences caused by the global financially economic crisis (or, maybe they were only the last drop in the glass of crisis), but also so indisputable is the statement that those subjects (investing banks and insurance companies, especially the speculations of the hedge funds) that were marketing that “junk” had especially good earnings (through the famous bonuses) their managing apparatus.

Here is the connection between the business / working past of Volcker and especially of Greenspan and their positions and actions as presidents of the federal reserves, that is like fierce advocates of the unlimited development of wealth of financial derivatives and both the deregulation and liberalization of the secondary financial markets. For such positions and actions they had really suitable social – economic environment – the success of the neo-liberal Reaganomics (parallel to the identical success of the neo- liberal Thatcherism in Great Britain), that is the high rates of economic growth in US in the periods of their mandates as presidents of FED.

It is really very important to point out in this context that at the same time period Volcker and Greenspan had incredibly strong support for their deregulatory and liberal policies by a number of Treasury secretaries / ministers of finance as well. In that sense paradigmatic is the case of Lawrence H. Summers, Treasury Secretary in the period of President Clinton and shortly the President of the National Economic Council / NEC of President Obama.

In the summer 2008 when the crisis appeared Henry M. Paulson Jr. was the Treasure Secretary who claimed that the crisis was not so serious and that the markets of derivatives were not so much contaminated; previously, he was CEO of Goldman Sachs, an investment bank that had a major role regarding the speculative investments in the secondary markets.

2008 GLOBAL FINANCIAL –ECONOMIC CRISIS, STATE INTERVENTIONISM, STATE REGULATION

This neoliberal idyll between the combination / "organic unity" of the market deregulation and liberal theories and policies and the high and stable economic growth was ruined by the global financial – economic crisis (The global financial crisis:. . . , 2009) . It was / it is still a crisis that has showed and proved without any dilemmas something which is of most profound and essential significance in the context of the topic of this paper. It is the fact that the neo- liberal economy, the economy of the rationally and to the maximum liberated / free markets, the economy of rationally and optimally conducted deregulation and liberation simply has no its own autonomous mechanism and instruments of something that could / should be an efficient and effective anti-crisis / counter- crisis management (Sasajkovski, 2009). It is in any case indisputable because the development of the crisis showed and proved that it can be prevailed only / exceptionally through the mechanisms, instruments, competencies and power of the state / the state interventionism / the state regulation (Aikins, 2009).

Speaking in this sense, it is not accidental the admission by neo- liberal theoreticians, politicians and bankers that "all of us were Keynesians" . The fact that after the short denial of the Secretary Paulson Jr. to admit that the anti-crisis / counter- crisis instruments, measures and power of the state interventionism should be activated and mobilized, the very Secretary himself as well as the President of FED, Bernanke, were official proposers and bearers of the state – interventionist anti –crisis / counter- crisis measures. Measures that are by their nature in collision regarding the nature of the neo- liberal economy, that is, neo- liberal markets. In that way the right / republican neo- liberal government of G. W. Bush most openly and directly, at least with a function and objectives of anti-crisis / counter-crisis management, had to accept the capitalistic – left / state – interventionist theory of J. M. Keynes on the counter-cyclic (anti- crisis / counter / crisis) of the use of the state interventionism, certainly, based and carried out firstly through activation and mobilization of the fiscal and monetary policy, among other things, followed / updated by decrease of the reference rates to zero (0,25 %) and by conscious and rational adoption of the growth of the budgetary deficit. The nature of the crisis enabled this anti-crisis / counter- crisis approach – the crisis was- and still is stag-deflation (recession + deflation) , it is a syntagm used for the first time by Nouriel Roubini, and not stagflation (recession + inflation) , such was the case for example with the Big Depression. Exactly due to this inflation component of the Big Depression, the right / republican administration of H. C. Hoover, consistently to its ideological / ideologically – political determination, anti- crisis / counter- crisis, that is, anti- depressive / counter- depressive, tried to act through the increase of the interest rates and introduction of fiscal discipline, simply in order to regain the trust of the markets which were to get the economy out of the crisis, instead of the state interventionism (relevant use both of the monetary and fiscal policies) .

In that way the right / neo- liberal government of G. W. Bush found itself in essentially the same position like previously did the government of W. J. Clinton, when, as it was previously elaborated and underlined, the administration of Clinton had to essentially redirect its left / state – interventionist ideally – typical ideological / ideologically - political orientation, being unable to opposite the main neo-liberal course of stable growing American economy, at the time when the Republicans passed the Gramm – Leach – Bliley Act.

Stag-deflation nature of the 2008 Great Crisis, that is, its deflation component (Roubini, 2008), enabled the strong use of the monetary and fiscal policies – their facilitation as two basic components of the anti- crisis / counter- crisis state intervenetionism. Although, we must emphasize that the left / democratic administration of President F. D. Roosevelt, which has inherited the Hoover's administration, in those stagflation conditions of the Big Depression remained ideologically / ideologically politically consistent and successful through the New deal project, that is through the activation and use of the fiscal and monetary policy, strictly respecting the theory of Keynes, succeeded to raise the level of the aggregate demand in an anti-crisis / counter- crisis manner.

Given the dominance of those theoretical and ideological / ideologically political frameworks of the anti-crisis / counter- crisis use of the state interventionism, the administration of B. H. Obama has had completely suitable ground to approach a serious revision of the neo- liberal basis of the today's American economy. It is special counter neo- liberal reform of the US economy, grounded on the fundamentals of the state – capitalist interventionism and carried out through the policies and the processes of strengthening of the competencies and the power of the state regulation in regard to the permanent deregulation and freedom of the markets, predominantly in regard to that permanent deregulation and liberalization of the financial markets (U. S. Financial Regulatory Reforms:. . . , 2009) .

That is exactly the essence of the Dodd – Frank Act – to employ the almost epochal moment of the major financial – economic crisis, essentially as a crisis which has its own genesis at the point of the fundamental weaknesses and dysfunctionalities of the optimally deregulated and liberalized financial markets, especially of the secondary financial markets – the markets of financial derivatives, that is, as a basic crisis of both the American and the global neo-liberal economy (The Global Financial Crisis…, 2009). Economy which unlimitedly urges and radically strengthens the market speculations, based on the maximal realization of the greedy interests of the financial corporatism of Wall Street to disadvantage of the customers of those markets (Jafee, 2011). That is exactly why the Dodd – Frank Act is nominated and defined by its proposers in the Congress, as well as by Obama's administration, not only as a law on (regulatory / state – intervening) reform of the financial markets (Wall Street), but it is also underlined that the aim of this law, that is, the reform of the financial markets (Calomiris, 2009), as one of its most essential and fundamental objectives, is to provide a protection of the customers of those financial markets whose interests are jeopardized by the radical greed of the neo- liberal financial – market corporatism.

Speaking in this context, we should also emphasize that the major financial – economic crisis, as one of its most relevant consequences, imposed the need of transparency and, it elucidated the incredibly strong unscrupulousness of the financial markets, caused fundamentally exactly from the greed of the financial – market corporatism, wherein that unscrupulousness is primarily manifested as disrespect and deceit of the customers of those markets (primarily the secondary financial markets) – placement and sale of securities (primarily financial derivatives) while completely knowing and being conscious that they are totally and absolutely speculative, worthless, non-payable, deeply toxic, in one word, simple "junk" .

FINAL POINT

In reality, Dodd – Frank Act represents a synonym, symbol and metaphor for revitalization of the regulatory politics of the state interventionism in the fields of the social and economic relations in USA. This Act, along with the acts reforming the health care system – through introduction of obligatory basic health insurance (resulting in high penalties for the people who will not be insured), in the most direct, thorough and essential way indicates and illustrates the directions, forms and contents of the building / restoration of the American “Big Government”.

In addition, these reform projects could be supplemented by the announcement of the Plan to create jobs made by the President Obama, which in this (preliminary) phase of its promotion, elaboration and argumentation contains a package of left-democratic/left capitalistic state intervention determinations/particular social – economic reforms that should really cause large ideological- political tensions in USA – for example, interventions / reforms in the tax, labor, social protection areas etc. It should be expected that the mentioned tensions would be more certain and stronger due to the actual right – republic / right – capitalistic majority in the Congress, which will surely try to force the actual administration, as well as the left – democratic/state – interventionist minority in the Congress to involve in heavy discussions and compromises that would certainly and possibly, even in certain strategic points ideologically and politically balance the reform/state – interventionist sharpness of the plan.

Yet, while analyzing in this sense we should not exclude the ideological and political relevancy of the pressure that the radical right (neo-conservatist and non-liberal) movement Tea party would more than certainly exert.

However, that is what exactly happened – the ideological and political discussions and compromises that have followed this summer 2011 the painful proposing and passing the law on increasing the amount of the fiscal debt, for example.

In any case, the statement for the missed opportunity is undisputable, created by and through the depth and seriousness of the American and global financial – economic crisis, as well as from the theoretical concept and the concrete social and economic policies for its resolution (both the concept and the policies of the state interventionism), by the Administration of the President Obama through those two legal projects – the Dodd – Frank Act and the laws on reform of the health care revitalizing the theoretical concept of a “Big Government”, that is revitalizing the theoretical concept of the left – capitalistic state interventionism – the concept of state regulation of the social and economic relations/state regulation of the markets (primarily the financial markets) visa vi the competition/exclusively right – capitalistic concept of neoliberal deregulation and liberation of the social-economic relationships/neo-liberal deregulation and liberalization of the markets (primarily the financial markets) .

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