

## Economy: Obama chooses those who have a record of failure

Wednesday 3 December 2008, by [MILLET Damien](#), [TOUSSAINT Éric](#) (Date first published: 28 November 2008).

Some expected Barack Obama, the newly elected president of the United States, to appoint a completely new economic team so as to implement another New Deal. Obama was going to completely change capitalism, since he couldn't actually do away with it, and a whole new series of economic regulations were supposed to be on the books. But in fact Obama has selected the most conservative among the Democrats advisors; the very ones who organised frenzied deregulation when Bill Clinton was president at the end of the 1990s. The consistence of his choice, through three emblematic names, is revealing.

**Robert Rubin** was Secretary of the Treasury from 1995 to 1999. As soon as he came into office he had to face a financial crisis in Mexico, which was the first major failure of the neoliberal model in the 1990s. Later, hand in hand with the IMF, he enforced shock therapies that actually worsened the crises that occurred in South-East Asia in 1997-98 and in Russia and Latin America in 1999. Never for a moment did Rubin doubt the benefits of liberalisation and he contributed to imposing on the populations of developing countries the very policies which have caused their living conditions to deteriorate and social inequality to deepen. In the United States he insisted on the abrogation of the Glass Steagall Act – officially named the Banking Act – voted in 1933 to ensure that deposit banks and investment banks were not in the same hands. Its abrogation opened the door to all sorts of excesses on the part of finance people greedy for more profits, and eventually led to the current international crisis. To come a full circle, the repeal of Banking Act made it possible for Citicorp to merge with Travelers Group and become the banking giant Citigroup. Rubin was later to become one of the main executive officers of Citigroup... which the US government recently bailed out in November 2008 in that it guaranteed over 300 billion dollars of assets! And in spite of his record, Rubin is one of Obama's main advisors.

**Lawrence Summers** has been appointed to the position of Director of the National Economic Council, a position inside the White House. Yet his CV is marred by a number of stains, some of which should have been indelible... In December 1991, when he was the World Bank's chief economist, Summers went so far as to write in an internal note: *The under-populated countries of Africa are largely under-polluted. Their air quality is unnecessarily good compared to Los Angeles or Mexico (...) There needs to be greater migration of pollutant industries towards the least developed countries (...) and greater concern about a factor increasing the risk of prostate cancer in a country where people live long enough to get the disease, than in a country where 200 children per thousand die before the age of five.* [1] He even adds, still in 1991: *There are no limits on the planet's capacity for absorption likely to hold us back in the foreseeable future. The danger of an apocalypse due to global warming or anything else is non-existent. The idea that the world is heading into the abyss is profoundly wrong. The idea that we should place limits on growth because of natural limitations is a serious error; indeed, the social cost of such an error would be enormous if ever it were to be acted upon.* [2] With Summers at the helm productivist capitalism has a bright future ahead.

When he became Secretary of the Treasury under Clinton in 1999, he exerted pressure on the president of the WB, James Wolfensohn, for him to get rid of Joseph Stiglitz, who had succeeded him as chief economist and who was highly critical of the neoliberal policies that Summers et Rubin were

implementing wherever financial fires broke out on the surface of the earth. After George W. Bush's arrival he became president of Harvard University in 2001, and hit the headlines in February 2005 when he antagonised the academic community in a debate within the National Bureau of Economic Research. [3] Asked why there are so few women in senior positions in the scientific field he claimed that women are naturally less gifted for scientific studies than men and swept aside possible explanations based on family or social background, or on discrimination. This led to a hot controversy [4] both within and outside academia. Although he did apologise, under besiege by the outraged Harvard professors and students, he had to resign in 2006.

While his part of responsibility for the current situation is not *proven*, *his biography, on the Harvard university website, claims that he "led the effort to enact the most sweeping financial deregulation in 60 years"*. [5] One can hardly be more explicit!

Finally, **Timothy Geithner** has been appointed Secretary of the Treasury. Currently president and chief executive officer of the Federal Reserve Bank of New York he used to be Undersecretary of the Treasury for International Affairs from 1998 to 2001, under Rubin and Summers successively, and active in Brazil, Mexico, Indonesia, South Korea, and Thailand, which are all text-book cases of the damage ultraliberalism can wreak and which were all in deep crisis during that period. The measures put forward by this infernal trio led to the populations of these countries bearing the brunt of the crises. Rubin and Summers are Geithner's mentors. Now the pupil is catching up with his masters. No doubt he will continue to defend major private financial institutions and remain deaf to fundamental human rights, which are flouted in the United States and throughout the world as a consequence of the economic policies he so vehemently advocates.

Claiming that you intend to regulate the global economy while giving decisional power to people who are responsible for its deregulation, is like giving the job of fireman to arsonists.

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## P.S.

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\* Committee for the Abolition of Third World Debt (CADTM)

<http://www.cadtm.org>

\* Damien Millet is spokesperson for CADTM France. Eric Toussaint is president of CADTM Belgium. They are the authors of *Who Owes Who? 50 Questions about World Debt*, Zed Books, London, 2004. Eric Toussaint is author of *The World Bank: Critical Primer*, Pluto Press / *Between the lines* / David Philip Publisher, London - Toronto - Cape Town, 2008.

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## Footnotes

[1] Extracts were published in *The Economist* (8 February 1992) and in *The Financial Times* (10 February 1992) under the title 'Save Planet Earth from Economists.'

[2] Lawrence Summers, on the occasion of the annual assembly of the WB and the IMF in Bangkok in 1991, interview with Kirsten Garrett, 'Background Briefing,' Australian Broadcasting Company, second programme.

[3] *Financial Times*, 26-27 February 2005.

[4] The debate was also fed by the disapproval Summers' attack against Cornel West met with.

Cornel West is a black liberal academic, Professor of Religion and African-American Studies at the university of Princeton. Summers, a notorious pro-sionist, blamed West for his antisemitism because he supported students' boycott of Israel's products as long as the Israeli government did not respect the rights of Palestinians. See *Financial Times* 26-27 February 2005. Today Cornel West, who wholeheartedly supported Obama, is upset that the latter should have turned to deregulators like Summers and Rubin. See

[www.democracynow.org/2008/11/19/cor...](http://www.democracynow.org/2008/11/19/cor...)

[5] <http://www.president.harvard.edu/hi...>