Clinton's economic team: the wrong direction

by Kathleen Klenetsky

It doesn't take an advanced degree in tea-leaf reading to foresee that the first set of cabinet appointments which President-elect Bill Clinton has made spells disaster. In fact, it's difficult to imagine how Clinton could have picked an economic team much worse than the one he unveiled at a press conference in Little Rock, Arkansas on Dec. 10.

Backpedaling furiously from his campaign promise to spurn "business as usual" as practiced in Washington, and to go outside "insider" circles for his key cabinet members, the President-elect has taken his key economic appointees from the most corrupt and evil layers of the financial establishment, people long associated with the very policies which have plunged the United States into its economic crisis.

As Clinton himself put it in announcing his choice of **Sen. Lloyd Bentsen** (D-Tex.) to serve as treasury secretary, "I have chosen someone who will command the respect of Wall Street."

That same comment could be applied to all five of the people whom Clinton named to his economic team, beginning with **Roger Altman,** who will serve as Bentsen's number-two man at Treasury. Altman's business partner, and a person with whom he has collaborated extensively on proposals for national economic policy, just happens to be the author of the lead article in the latest issue of the Council on Foreign Relation's *Foreign Affairs,* which warns Clinton that if he doesn't do what Wall Street tells him, the "markets" will "cut him off at the knees."

Filling out Clinton's new economic team are:

- Wall Street banker **Robert Rubin** as head of the newly created National Economic Council, which Clinton describes as the economic policy equivalent of the National Security Council.
- **Leon Panetta,** chairman of the House Budget Committee, who will become director of the Office of Management and Budget (OMB), a post with great influence over national spending policy.
- **Alice Rivlin,** former chairman of the Congressional Budget Office and now at the Brookings Institution, who was tapped by Clinton to serve as Panetta's deputy at OMB.

In choosing these individuals, Clinton has performed an act of abject obeisance to the gods of Wall Street, all but openly vowing that he will run his administration according to the dictates of the financial markets.

This assessment is certainly borne out by the heavy emphasis which Clinton and his new appointees put on the issue of deficit reduction at their first press conference together—not to mention the ecstasy with which the financial markets, and their media organs, greeted the new team. Even before Dec. 10, Clinton was hinting that he planned to give deficit reduction much greater emphasis than he had indicated during the campaign, declaring during a trip to Washington a few days earlier, "There must be a very strong multi-year deficit reduction plan submitted at the same time I submit this coming year's budget, and that's what I am going to do."

As *EIR* has emphasized, reducing the budget deficit under current conditions, without expanding the productive base of the economy, will only make things worse (see *EIR,* Oct. 23, 1992, "Casino Mondiale: A Swindle Runs the Monetary System").

Free traders

Wall Street's gleeful response to the Clinton appointments is hardly surprising.

Take Bentsen, who, as treasury secretary, will play a leading role in the formulation of Clinton's domestic and international economic policy. One of the wealthiest men in the Senate, Bentsen has been an outspoken supporter of free trade. Considered the key player in the Senate on trade issues, Bentsen played a pivotal role in promoting the North American Free Trade Agreement. During the congressional debate over whether to grant President Bush "fast track" authority to negotiate NAFTA, Bentsen used all the powers at his disposal to line up the "yea" votes.

As chairman of the Senate Finance Committee, Bentsen regularly sponsored legislation favoring real estate speculators, as well as the oil industry. He also became known as one of the leading Democratic advocates of the misbegotten notion that the only way the U.S. can develop investment capital, is through imposing draconian cuts on the population's consumption.

On April 5, Bentsen penned a commentary for the *Washington Post* attacking President Bush for failing to make deficit reduction his top priority. In the course of the commentary, Bentsen praised the National Economic Commission, a bipartisan group created by Congress in close consultation with banker Felix Rohatyn of Lazard Frères, in 1987, to devise a formula for deficit reduction, including cuts in Social Security and Medicare.

Speculators and budget-slashers

Bentsen's deputy, Roger Altman, fits a similar profile. A longtime friend of Clinton's (they attended Georgetown University together), Altman served as assistant treasury secretary in the Carter administration. At present, he is chief executive officer of The Blackstone Group, a small but powerful Wall Street firm which specializes in mergers and acquisitions and buying up bankrupt savings and loan institutions. Blackstone has been involved in some of the largest Japanese takeovers of U.S. corporations, including Sony Corp.'s purchase of Columbia Pictures, while Altman's own corporate links include Nestlé and the firm of Kohlberg Kravis Roberts, corporate raiders *par excellence*.

Altman's affiliation with Blackstone puts him smack in the center of the establishment, while linking him to some of the main forces behind the crusade for economic policies that will gouge living standards. This link runs through Peter Peterson, founder of Blackstone, and chairman of the Council on Foreign Relations. A longtime advocate of slashing social spending, especially for the elderly, Peterson has recently emerged as the brains behind the Concord Coalition, co-founded by former senators Warren Rudman and Paul Tsongas, whose mission is to lobby for deep cuts in entitlement programs and tax increases.

Based on his record as an adviser to New York City on its economic crisis, one can justifiably assume that Altman will urge Clinton to apply the same destructive austerity measures that he's pushed on New York. For example, one of his prime activities as a member of Mayor David Dinkins's Management Advisory Task Force, has been to devise ways to slash the Medicaid program.

Altman won't be the only Wall Streeter making policy for Clinton. He will be joined by Robert Rubin, who will head up the National Economic Council. Rubin, who helped engineer and finance the Clinton campaign from its inception, will be coming to the Clinton administration from his position as co-chairman of Goldman Sachs, the biggest Wall Street actor in the derivatives market. During his years at Goldman Sachs, Rubin specialized in the super-speculative area of risk arbitrage. According to published sources, Rubin commands a salary in the $30 million-per-year range, not quite the Main Street American Clinton promised to bring into his high command.

Rounding out the team are Leon Panetta and Alice Rivlin, known as deficit "hawks"; i.e., they insist that slashing the budget deficit, no matter what the cost to the American population, must get first priority.

Panetta is closely identified with the anti-entitlements (Social Security, Medicare, etc.) campaign. As chairman of the House Budget Committee, he championed a series of deficit proposals that target entitlements programs. This past summer, Panetta sharply criticized Clinton for not presenting a deficit-reduction program as harsh as Ross Perot's.

Rivlin, another deficit hardliner, as well as an ardent conservationist, ran the Congressional Budget Office in the 1970s, and then went on to the Brookings Institution. She supports increased taxes, and in her latest book, *Reviving the American Dream,* calls for a national consumption tax.

She has recently participated in three influential task forces, all of which have made recommendations to the incoming administration. These include the Carnegie Endowment's National Commission on America and the New World, and the Center for Strategic and International Studies' Strengthening of America Commission, both of whose reports demand truly draconian policies, including, in the case of CSIS, a $2 billion deficit reduction program over the next 10 years. In addition, she helped author a report for the National Commission on the Environment which urges raising the federal gasoline tax by 20¢ a gallon a year for five years; a carbon tax; eliminating subsidies for agriculture and natural resource industries; and toughening the climate treaty signed at the Earth Summit in Rio.

What these appointments imply is that the Clinton administration will not act to clean up the financial mess created by two decades of wild financial speculation and usury, but will try to do what it takes to keep the current system afloat, which means a steady diet of austerity for the American population. This will no doubt be couched in the rhetoric of "shared sacrifice" and "cutting consumption to bolster investment," but the bottom line will be the same.

Although Clinton's economic package may include some stimuli, in the form of a minimal infrastructure program and limited investment tax credit, it will be weighted far more heavily toward tax increases, lethal cuts in health care and other social spending, and the opening stages of a campaign to reduce the Social Security system to the point of irrelevancy.