Bush reshuffles economic officials: more CEOs and bankers

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After a year of dismal economic performance, in which American capitalism has been rocked by the biggest series of corporate scandals since the Great Depression, the Bush administration has replaced three leading officials responsible for economic policy. But the identity of the "new faces" only underscores the extraordinarily narrow social base of this government—yet another corporate CEO and two investment bankers, for a regime already top-heavy with former officials from Wall Street and the Fortune 500.

The resignations of Treasury Secretary Paul O'Neill and chairman of the National Economic Council Lawrence Lindsey were announced by the White House on Friday, December 6, only minutes after the release of Labor Department figures showing a further jump in the unemployment rate to 6.0 percent. The two men had been informed of their dismissal on Wednesday evening, in phone calls by Vice President Richard Cheney, and both submitted the requested letters of resignation the following day.

O'Neill's replacement, John Snow, CEO of the giant railway firm CSX, was announced on Monday, December 9. The next day the White House announced the appointment of William Donaldson, founder of the investment banking firm Donaldson Lufkin Jenrette and former head of the New York Stock Exchange, as chairman of the Securities and Exchange Commission, replacing Harvey Pitt, who was sacked on election day, November 5. On Thursday, December 12, came the appointment of Lindsey's replacement: Stephen Friedman, former co-chairman of the huge investment banking firm Goldman Sachs.

The brusque character of the dismissals of Lindsey and O'Neill reveals the underlying fragility of the Bush administration and the weakness of its political support, barely a month after the November 5 elections which supposedly, according to the media and the Democratic and Republican politicians, demonstrated Bush's wide popularity.

The White House and Bush's principal political adviser, Karl Rove, clearly fear that the ongoing deterioration of the US economy—with unemployment steadily rising and more than $2 trillion wiped out in the stock market decline—will undermine the administration, despite the virtual collapse of any opposition on domestic or foreign policy from the Democratic Party.

The firing of the two top economic officials does not signal any significant shift in Bush administration policy. Its domestic agenda for 2003 reportedly includes such measures as a $300 billion cut in corporate taxes, making permanent the income tax for the wealthy which was enacted in 2001 but will expire in 2010, further efforts to privatize Social Security, the beginning of a drive to privatize the Postal Service, and a drastic cut in environmental and health and safety regulation of big business.

Bush has also announced he will implement portions of his "faith-based initiative" unilaterally and without congressional approval, to increase the federal financing of churches and other religious organizations.

Both O'Neill and Lindsey were reportedly blamed for public relations blunders during their tenure. O'Neill repeatedly roiled the international currency markets with offhand comments about the value of the dollar and the inadvisability of bailouts of countries like Turkey, Brazil and Argentina. Lindsey raised eyebrows in September when he estimated the cost of war with Iraq at $200 billion, undercutting suggestions by the most rabid warmongers in the Bush administration that conquest of Iraq could be accomplished cheaply and easily.

Their dismissal in favor of two more cautious spokesmen for corporate America reflects the belief of Bush, Rove & Co. that better "communications skills"—i.e., cynical lying on a scale matched only by the administration's spokesmen in the "war on terror"—can make popular a policy which aims to rob the vast majority of the American people to increase the wealth of the top one percent.

Whatever the difference in style, John Snow would appear in terms of background and career to be a clone of Paul O'Neill. Both were mid-level officials in the Ford administration—O'Neill at the Office of Management and Budget, Snow in the Department of Transportation—where

they became acquainted with Cheney, the real power behind the throne in the current White House.

They left government after Ford was defeated in the 1976 elections, and did not return to government during the Reagan years, instead moving up to lucrative positions at the top of the corporate ladder—O'Neill as CEO of International Paper and then Alcoa, Snow as CEO of the largest railroad in the eastern half of the US, the Chessie System (Chesapeake & Ohio, later CSX). Both retained contacts and influence in Washington, O'Neill as a crony of Fed Chairman Alan Greenspan, Snow as head of the Business Roundtable, one of the principal corporate lobbies.

There is one significant difference in their corporate activities. O'Neill formed close relations with the trade union bureaucracy, particularly the United Steelworkers union at Alcoa, where he became identified with a policy of improving workplace safety. Snow worked on the deregulation of the trucking industry while in the Ford administration, then became a leading advocate of deregulation of the entire transportation industry. While CSX is a unionized railroad, Snow's principal role there was to push forward deregulation and privatization, culminating in the breakup of the government-owned Conrail system, which was sold off to CSX and Norfolk Southern.

Friedman is also something of a clone, not of Lindsey, but of Robert Rubin, the head of the National Economic Council when it was first established by Bill Clinton, and later Treasury secretary. Friedman and Rubin were the co-chairmen of Goldman Sachs in 1991-92, with one multimillionaire investment banker raising money for the Republicans, the other for the Democrats. This association led to a three-day delay in the announcement of the Friedman nomination, as some far-right elements lobbied the White House to reverse its decision on the grounds that Friedman was not sufficiently partisan and not a fanatical tax-cutter.

The nomination of the third economic official, William Donaldson to head the Securities and Exchange Commission, reveals another major concern of the Bush White House—the fear that the scandals which devastated corporate America in the year since Enron filed for bankruptcy will touch leading administration officials personally.

Bush's first SEC chairman, Harvey Pitt, was under heavy fire throughout the year because of his close ties to the accounting industry—he was an attorney for the industry and its chief lobbyist—and his disinterest in an aggressive investigation into the scandals involving banking, securities, telecommunications and energy-trading firms.

Donaldson, while inevitably described in the corporate-controlled media as a paragon of probity and the oxymoronic "business ethics," will be a reliable defender, not just of big business in general, but of the Bush family in particular. He is a long-time friend of the elder George H.W. Bush and his brother Jonathan Bush. A Yale graduate, Donaldson is a member of the Skull & Bones society, the secretive fraternal organization to which both the presidents Bush belong. Before co-founding the powerful investment firm Donaldson Lufkin Jenrette in 1959, he served his stock market apprenticeship as a broker and banker at G.H. Walker & Co., run by Herbert Walker, a Bush relation.

Donaldson later served as undersecretary of state to Henry Kissinger and counsel to former vice president Nelson A. Rockefeller, went back to investment banking, then headed the New York Stock Exchange (1990-1995) and served on the board of directors of Aetna, the huge health care insurer, before being named Aetna's CEO last year. The selection of a former head of the stock exchange to be the market's chief regulator typifies the Bush administration's policy of giving corporate America free rein.

All three men are fabulously rich—Donaldson and Friedman through the stock exchange, Snow from the huge payouts now commonplace for the CEOs of big American corporations. Their appointments symbolize the vice-like grip which a tiny oligarchy of wealth exercises over American society.

Snow enjoyed a $2.2 million salary and an $11 million bonus last year, according to CSX financial statements. Under the company's executive compensation program, he borrowed $24.5 million from CSX in 1996 and purchased company stock valued at $32.3 million, producing a windfall profit of nearly $8 million. The company forgave its outstanding loans to Snow and other executives in 2000. He is also eligible to receive several million dollars in severance benefits under terms of a contract provision that awards this perk if he leaves the company to "fulfill an appointment to public office."