Who’s who in the Obama cabinet

Economic and budget policy

Patrick Martin
19 January 2009

We are here posting the first in a series of profiles of the major appointees to the cabinet and top White House staff of Barack Obama. Part two, “Who’s who in the Obama cabinet—Internal security” *will be posted January 20.* Part three, “Who’s who in the Obama cabinet—National security and foreign policy”, *will be posted January 21.* Part four, “Who’s who in the Obama cabinet—Domestic policy”, *will be posted January 22.*

Timothy Geithner, treasury secretary

A career government official involved in overseeing financial markets, Geithner is one of three protégés of Clinton administration Treasury Secretary Robert Rubin (former co-chairman of Goldman Sachs and until January 9 board member and special counsel at Citigroup) who have been named to top economic and budget positions in the Obama administration. He served in the Clinton administration, helping manage the 1995-96 Mexican peso crisis and the Asian financial crisis of 1997-98. He then worked for the International Monetary Fund before his appointment by President Bush to his current position as president of the Federal Reserve Bank of New York, which conducts the day-to-day operations of the Fed on Wall Street.

Since the Wall Street meltdown began 18 months ago, with the collapse of the subprime mortgage market, Geithner has worked closely with the current treasury secretary, Henry Paulson, and Federal Reserve Chairman Ben Bernanke. During that period, all five of the major New York investment banks—Goldman Sachs, Morgan Stanley, Merrill Lynch, Lehman Brothers and Bear Stearns—have been compelled to convert into commercial banks, merged, been taken over or collapsed.

Once confirmed as treasury secretary, Geithner’s first task will be to distribute the second half of the $700 billion bailout for Wall Street approved last year by the Democratic-controlled Congress. Geithner, Paulson and Bernanke headed the bailout effort that funneled the first $350 billion into the coffers of the major banks, as well as Fannie Mae, Freddie Mac, the insurance company American International Group and US auto companies. Geithner will play the lead role in doling out the remaining $350 billion, which was released to the Treasury last week after the Senate defeated a resolution to block further handouts, and is currently involved in plans to further expand the bank bailout.

Lawrence Summers, director of the White House’s National Economic Council

Formerly undersecretary and then secretary of the treasury in the Clinton administration, Summers was considered the key crisis manager during the Mexican and Asian currency collapses in the late 1990s. A magazine cover at the time depicted Summers, his boss Robert Rubin, then treasury secretary, and Federal Reserve Board Chairman Alan Greenspan as “the committee to save the world.” In 1999, the Republican-controlled Congress adopted legislation repealing the New Deal-era Glass-Steagall Act, which separated commercial from investment banking and imposed other restrictions on banking operations. Summers and the Clinton administration backed this deregulation of financial markets, which contributed to the collapse of 2008.

After leaving government with the end of the Clinton administration, Summers became president of Harvard University, but his stormy tenure came to an abrupt end after a series of clashes with the faculty, which included his now-notorious comments about the supposedly innate differences between male and female students in relation to the most abstract scientific fields, particularly mathematics.

Summers served as a top economic adviser to the Obama campaign but was chosen for the lower-profile White House position, which, unlike treasury secretary, does not require Senate confirmation, in part because of the prospect of contentious questioning about his views on gender. If Fed Chairman Bernanke is not reappointed this year—his term expires next January—Summers is a likely candidate to succeed him.

Paul Volcker, chairman of the President's Economic Recovery Advisory Board

The 82-year-old former investment banker was the key figure in the Reagan-era onslaught against the working class which, combined with the betrayals of the trade union leadership, destroyed the unions as a significant social force in the United States. Volcker was appointed chairman of the Federal Reserve Board by Democratic President Jimmy Carter in 1979 and promptly adopted an inflation-fighting strategy based on driving up interest rates to unprecedented levels (above 20 percent at one point), so that corporations could use the resulting mass unemployment to slash wages and benefits and undermine other hard-won workers' gains.

During most of Volcker's eight years at the Fed, he worked in tandem with the Reagan administration in its offensive against the labor movement. He hailed Reagan's mass firing of the striking air traffic controllers and the destruction of their union, PATCO, as a key turning point in bringing inflation under control. At the worst point in the Volcker-induced recession, in 1982-83, the US unemployment rate approached 10 percent, the highest in the post-World War II era.

In his new position as an Obama adviser, Volcker serves as a guarantor to big business and the financial interests that the new administration will proceed ruthlessly against the working class. The *Wall Street Journal*, in an editorial last week, suggested that Volcker be given the authority to set new financial regulations. Other business spokesmen have suggested Volcker or someone like him as the new "car czar," with authority over the bailout of the US auto industry and the accompanying cuts in auto workers' jobs, wages and benefits.

Peter Orszag, director of the Office of Management and Budget

The third Robert Rubin acolyte to take a top financial position with Obama, Orszag moves over from the Congressional Budget Office (CBO), where he was appointed by the new Democratic majority, elected in 2006. He is regarded as the foremost Democratic Party expert on cutting spending for entitlement programs like Medicare and Social Security, and has written extensively on the need for fiscal austerity.

Orszag worked in the Clinton White House, first as an economist at the Council of Economic Advisers, then as a special assistant to the president for economic policy. After leaving the Clinton administration, he served as head of the Hamilton Project, a think tank devoted to controlling government spending set up and financed by Robert Rubin.

In an interview on his role at the CBO, he declared, "I have not viewed CBO's job as just to passively evaluate what Congress proposes, but rather to be an analytical resource. And part of that is to highlight things that are true and that people may not want to hear, including that we need to address health-care costs."

Mary Schapiro, chairwoman of the Securities and Exchange Commission

A former member of the Securities and Exchange Commission (SEC) first appointed by Ronald Reagan, Schapiro is a classic case of an industry insider taking over a supposedly independent regulatory agency. After six years on the SEC, Schapiro was appointed chairman of the federal Commodity Futures Trading Commission by President Clinton in 1994, where she was responsible for regulating the US futures markets in agricultural commodities, metals, energy and financial products. She also served on the President's Working Group on Financial Markets with other top federal officials.

For the past 12 years, after leaving government at the end of Clinton's first term, Schapiro has worked for the securities industry as an advocate of "self-regulation," first with the National Association of Securities Dealers, the industry trade association, and most recently as head of the Financial Industry Regulatory Authority. She served on the board of directors at Duke Energy and Kraft Foods.

A front-page article in the January 15 *Wall Street Journal* carried the headline "Obama's Pick to Head SEC Has Record of Being a Regulator With a Light Touch," and noted that "a close examination of Ms. Schapiro's record as a regulator shows she has infrequently pursued tough action against big Wall Street firms."