Ex-Citigroup exec replaces ex-JPMorgan banker

Daley resigns as White House chief of staff

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President Barack Obama on Monday announced the resignation of his chief of staff, William Daley, and the appointment of the current budget director, Jacob Lew, to replace him. Daley is expected to become co-chair of Obama's reelection campaign, where he will use his Wall Street connections to raise millions in campaign cash from the financial industry.

According to numerous reports, Daley's departure, coming after a bit less than a year at the top White House post and at the start of an election year, took Obama by surprise. Only last October Daley had said he would remain until after the 2012 elections.

However, it had been widely reported that Daley was the focus of tensions within the White House, and last November, after the administration failed to secure a "grand bargain" deficit-cutting deal with the Republicans, Daley announced he was giving up day-to-day management of White House affairs.

There was some press speculation that Daley's departure was related to Obama's decision to base his reelection campaign on attacking congressional Republicans for obstructing his supposed jobs initiatives, combined with doses of populist rhetoric about defending the middle class and fighting Wall Street. Whatever electoral calculations may have been involved, however, the shift in White House personnel does not reflect any change in the right-wing, pro-corporate policies of the Obama administration.

On the contrary, the appointment of Lew underscores the incestuous relationship between the Obama White House and Wall Street. All three of Obama's chiefs of staff—Rahm Emanuel (2009-2010), Daley (2011-2012) and Lew—are multi-millionaires who made their fortunes as top executives of major banks.

Emanuel, who resigned in September 2010 to run for mayor of Chicago, made more than $18 million in the two-and-a half years he spent at a Chicago investment firm between a stint in the Clinton White House and six years in the House of Representatives. He left Congress in 2009 to run the Obama White House. Emanuel was the top recipient in the House of Representatives of campaign contributions from hedge funds, private equity firms and the broader investment industry during the 2008 election cycle.

Daley, son and brother of Chicago's longest-serving mayors, headed the Commerce Department under Clinton and then joined JPMorgan Chase, where he made millions as the bank's Midwest chairman and head of its global lobbying department, where he worked to block Obama's new consumer financial protection bureau.

Long considered a representative of the right wing of the Democratic Party, even as the party as a whole lurched ever more to the right, Daley was tapped by Obama following the Democratic rout in the 2010 congressional elections. He was brought in, replacing interim White House head Peter Rouse, to reassure the corporations and banks that Obama would fully implement their agenda of deregulation and austerity and to conciliate the Republicans. His appointment signaled a further shift to the right by the Obama administration.

Lew is a longtime Washington insider, having served as a top adviser to the late House Speaker Tip O'Neill in the 1980s and director of the Office of Management and Budget (OMB) in the final years of the Clinton administration. He was deputy director of the State Department under Hillary Clinton in 2009 and 2010, until he left to become OMB director for Obama.

Prior to joining the Obama administration, Lew spent three years as a top executive at Citigroup. (The man he replaced as budget director, Peter Orszag, accepted a multi-million-dollar position as a high-level Citigroup official within months of leaving his post in the Obama administration).

In 2008, at the time of the financial crash, Lew was chief operating officer of Citigroup Alternative Investments, an internal private equity, hedge fund and real estate investing arm of the bank. Lew's unit invested heavily and profitably in the hedge fund managed by billionaire John Paulson, which made billions of dollars by betting that the subprime housing market would collapse.

Paulson was named by the Senate Permanent Subcommittee on Investigations as well as the Securities and Exchange Commission as playing a central role in securities fraud committed by Goldman Sachs. Both federal bodies charged that Goldman made millions by selling subprime-backed securities to investors, without telling them that the underlying mortgages had been hand-picked by Paulson, who was, along with Goldman, betting that the securities would collapse.

For his contribution to the financial collapse, Lew received a salary of $1.1 million. Two weeks before he joined the Obama State Department, and after Citigroup had received $45 billion in taxpayer bailout money, Lew was awarded an additional $900,000 bonus by Citigroup.

Lew headed up the Obama administration's efforts to forge an agreement with congressional Republicans over the spring and summer for $4 trillion in deficit-reduction over the next decade. The White House and the Republican leadership created a crisis over the deadline for raising the federal debt limit in order to push through unprecedented cuts in basic social programs.

Under Lew's direction, the administration sought to outflank the Republicans from the right, including in its budget proposal cuts in Social Security as well as billions in reductions in Medicare and Medicaid. The deal collapsed as a result of Republican opposition. In the end, the two sides passed a scaled-down plan to slash $2.4 trillion, including sweeping cuts in food stamps, home heating assistance, public health and housing. The agreement excluded any tax increase on corporations or the rich.

Both the Democrats and Republicans acknowledge the August 2011 deal to be a mere down payment on more massive cuts to be enacted after the November elections.