

Obama nominates Jacob Lew, budget-cutter and ex-banker, to head Treasury

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US President Barack Obama announced the nomination of current White House chief of staff Jacob Lew as treasury secretary Thursday, underscoring the administration's commitment to slashing entitlements and its domination by Wall Street.

Lew, a longtime Washington operative and former Wall Street executive, helped negotiate cuts to Social Security with the Reagan administration in 1983, worked to slash social spending in the Clinton administration's Office of Management and Budget (OMB), and served as the Obama administration's point-man in budget-cutting negotiations with congressional Republicans.

Prior to joining the Obama administration in 2009, he earned millions of dollars as the chief operating officer of Citigroup's Alternative Investments unit, which made bets against the housing market as it collapsed.

Nominating one of the Democrats most associated with deep cuts to Social Security and Medicare underscores the administration's commitment to attacking these programs. "For all the talk out there about deficit reduction, making sure our books are balanced—this is the guy who did it," Obama said at Lew's nomination on Thursday afternoon.

Lew's nomination also makes clear that Obama has no reservations about naming a former Wall Street executive to head the department most responsible for the 2008 bank bailout and regulation of the financial industry. Lew's predecessor, Timothy Geithner, despite a lifetime spent facilitating the banks' crimes as a regulator, was never officially on their payroll.

As Obama's head of the Office of Management and Budget, Lew pushed for the administration's "grand bargain" proposal in 2011, which would have cut the deficit by \$4 trillion through the slashing of Medicare, Medicaid, and Social Security. As it turned out, the

White House was only able to negotiate a smaller \$2.4 billion deficit package with congressional Republicans. Obama intends to make good on the balance this year.

The "fiscal cliff" deal struck on New Year's Eve with Republicans, featuring the fig leaf of a small increase in taxes for the wealthy, sets the stage for a budget deal with Republicans that will slash trillions from key entitlement programs.

As a senior advisor to then-Democratic Speaker of the House Tip O'Neill, Lew worked to develop a bipartisan deal in 1983 with the Reagan administration undermining Social Security. The deal, reached after Reagan's campaign predicting the imminent financial collapse of the federal pension program, raised regressive payroll taxes and increased the retirement age by two years, to 67.

From August 1995 to July 1998, Lew served as Clinton's Deputy Director of the Office of Management and Budget (OMB), where he helped work out the Balanced Budget Act of 1997, which included \$112 billion in Medicare cuts, including reductions in payments to doctors and hospitals that take part in the program.

Clinton then nominated Lew to become the director of the OMB in 1998, a capacity in which he served till January 2001. With the election of the Bush Administration, Lew moved on to work as an "executive vice president and chief operating officer of New York University, where he was responsible for budget, finance, and operations," according to the White House. During this time, the university successfully carried out a campaign to end collective bargaining for graduate students.

In 2006, Lew moved on to a more lucrative employer, Citigroup, where he served first as managing director and chief operating officer of Citi Global Wealth

Management and later as the chief operating officer of Citi Alternative Investments (CAI), the hedge fund and real estate investing arm of the bank.

The unit that Lew oversaw made large investments in the hedge fund managed by billionaire John Paulson, which helped banks issue toxic mortgages during the subprime boom, then bet, using insider knowledge, that those mortgages would collapse in value. These activities were amply documented by the Senate Permanent Subcommittee on Investigations, and prompted a then-record \$550 million settlement between the Securities Exchange Commission and Paulson's partner in crime, Goldman Sachs.

At Citigroup, 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 received an additional \$900,000 bonus on top of his salary, which the Obama administration sought to cover up during his nomination.

Lew was tapped by Obama to become deputy secretary of State for management and resources in January 2009 under Hillary Clinton, a position in which he served through November 2010. He then moved on to head the Office of Management and Budget (OMB) from November 2010 through January 2012, after which he became Obama's third chief of staff. Lew's predecessors, Rahm Emanuel (2009-2010) and William Daley (2011-2012), were like him multi-millionaires who made their fortunes as top executives of major banks.

Lew's predecessor, Timothy Geithner, played a leading role in the bank bailout, first as president of the New York Fed, then as Obama's treasury secretary. During his time as the head of the New York Federal Reserve from 2003 to 2009, he did his best to cover up the practices that led to the 2008 crash, then, as treasury secretary, supervised the bank bailout while working to disguise the banks' ongoing criminality.



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