

# Senate handles Obama's treasury pick with kid gloves

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16 February 2013

Jacob Lew, US President Barack Obama's nominee for treasury secretary and an ex-Citigroup executive who received a million-dollar bonus after the bank got bailed out, breezed through his Senate Finance Committee confirmation hearing Wednesday.

The committee's support for Lew's appointment underscores the bipartisan commitment to cut corporate taxes, raise taxes on workers and slash social programs.

Lew is expected to be confirmed by the Senate soon, with no significant opposition in either party to his appointment, despite his association with the fraud surrounding the 2008 financial meltdown. Last week, the *Wall Street Journal* reported that Lew held offshore investments in the Cayman Islands, a practice that Obama singled out for criticism in his first term.

"Mr. Lew has been confirmed by the Senate three times already," wrote Max Baucus, chairman of the finance committee, adding, "I don't expect there to be any reason why he should not be confirmed this time around as well."

"Frankly, I think you've done really well today," concluded Senator Orrin G. Hatch of Utah, the committee's highest-ranking Republican. "My gosh, I have nothing but respect for people like you who give yourself to our government."

The hearing was particularly friendly, with Republicans and Democrats alike giving Lew a free pass. "This hearing sounds so polite and calm you might wonder whether Lew is getting confirmed for an assistant secretary job, not the senior role on the administration's economic team right in the middle of a giant budget brawl," commented the *Journal's* live blog of the hearing.

Lew struck an unapologetically right-wing tone in his prepared remarks Wednesday, reasserting the Obama administration's commitment to lowering corporate

taxes and eliminating deductions that benefit many working-class Americans, referred to as "broadening the base."

"We must put our nation back on a path of fiscal sustainability," Lew said in his introductory remarks. "Over the past two years, we have locked in \$2.5 trillion in deficit reduction through spending cuts and revenue increases. And we can do even more to shrink the deficit over the next decade through a balanced mix of spending reductions and tax reforms, and sensible reforms to Medicare that will help the program stay sound in the future."

Lew flaunted his credentials as a vociferous budget cutter and long-time facilitator of bipartisan attacks on social programs. As an advisor to then-Democratic Speaker of the House Tip O'Neill, Lew helped develop the 1983 budget deal that raised regressive payroll taxes and increased the Social Security retirement age by two years, to 67.

"By asking me to take part in the negotiations that led to the historic agreement with President Reagan to save Social Security, [O'Neill] allowed me to gain a deep understanding of what could be accomplished through bipartisan cooperation," Lew said.

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. "Working across the aisle while serving under President Clinton, I helped negotiate the groundbreaking agreement with Congress to balance the federal budget," he boasted.

After taking a break from the government to earn millions as a Wall Street executive, Lew joined the Obama administration to head the Office of Management and Budget (OMB) from November 2010

through January 2012, after which he moved on to become Obama's third chief of staff.

"At the Office of Management and Budget, pursuing sound fiscal policy required transcending politics and making tough calls. We eliminated and cut programs, and we worked with Democrats and Republicans to pass the Budget Control Act, which has reduced federal discretionary spending to historically low levels," he said.

While Wednesday's hearing largely consisted of deference and softball questions, some of the committee members felt compelled to politely ask about Lew's practices as a multimillionaire Wall Street executive. In 2007, Lew invested \$56,000 in a Citigroup hedge fund operating out of the Cayman Islands. Obama had previously denounced such investments, which he called an "outrage" and a "tax scam" because they are often used to avoid paying taxes on investments.

Lew was likewise questioned about his role at Citigroup, which paid him a \$940,000 bonus shortly after the firm was bailed out by the government. Asked about the bonus, Lew stated unapologetically, "I was compensated for my work."

Lew joined Citigroup in 2006 and became chief operating officer for its alternative investments unit in Jan. 2008. He held the position during the peak of the financial crisis, when Citi received a \$45 billion bailout from the federal government.

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.

"I was not in the business of making investment decisions," Lew said in his defense. "I was certainly aware of things that were going on. I was working in a financial institution. I learned a great deal about the financial products. But I wasn't designing them and I wasn't opining on them."

The elevation of Lew to the post of treasury secretary, the government position most closely associated with

the bank bailouts, is only the latest signal by the Obama administration that those responsible for the 2008 financial crisis will in no way be held responsible for their crimes.

Moreover, the appointment of Lew—one of the Democrats most closely associated with entitlement cuts—underscores the Obama administration's commitment to slashing trillions of dollars from Medicare, Medicaid and Social Security.



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