# "Let the Plunder Begin": The Return of Robert Rubin

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Global Research, January 08, 2010
7 January 2010

Region: USA
Theme: Global Economy

*"Capitalism is the astounding belief that the most wickedest of men will do the most wickedest of things for the greatest good of everyone."* John Maynard Keynes

There's no denying that the economy is getting better, but will it last? Many economists don't think so, including experts at opposite ends of the ideological spectrum, like Paul Krugman and Martin Feldstein. They think the economy will begin to fizzle sometime in the latter part of 2010 when Obama's $787 billion fiscal stimulus runs out and consumers are forced to pick up the slack in demand. That's a safe bet, too, considering that unemployment will still be somewhere in the neighborhood of 9 percent and households will still be digging out from the $13 trillion they lost during the crisis. And the fact that the Fed is planning to end its quantitative easing (QE) program in early April, doesn't help either. That will just suck more liquidity out of the system and push long-term interest rates higher. When that happens, housing prices will fall, inventory will rise, and a surge in foreclosures will put more pressure on the banks balance sheets. That's why the pros are so glum, because they know the economy needs a second dose of stimulus to stay on track, but the politicos are dead-set against it. Congress is afraid of the backlash from voters in the upcoming midterm elections. They'd rather drive the economy back into recession then risk losing their jobs.

Despite the propaganda in the media, stimulus works. In fact, Goldman Sachs attributes all of last quarter's (positive) growth to Obama's stimulus. Here's how Nobel prize winning economist Joseph Stiglitz sums it up in his China Daily article "Harsh lessons we may need to learn again":

"Keynesian policies do work. Countries, like Australia, that implemented large, well-designed stimulus programs early emerged from the crisis faster. Other countries succumbed to the old orthodoxy pushed by the financial wizards who got us into this mess in the first place.

Whenever an economy goes into recession, deficits appear, as tax revenues fall faster than expenditures. The old orthodoxy held that one had to cut the deficit – raise taxes or cut expenditures – to "restore confidence." But those policies almost always reduced aggregate demand, pushed the economy into a deeper slump, and further undermined confidence."

When consumers are forced to cut back on spending, because they're too far in debt or worried about their jobs, the government has to step in and make up the difference or the economy goes into a tailspin. The deficits need be big enough to maintain aggregate demand while the private sector regains its footing. Otherwise, consumer spending declines, which lowers earnings and forces businesses to lay off more workers. It's a viscous circle.

But if the stimulus is distributed wisely, multipliers kick in and help to lift the economy out of the doldrums. Here's a good breakdown of how it works from an article in the New York Times:

"Every dollar of additional infrastructure spending means $1.57 in economic activity, according to Moody's, and general aid to states carries a $1.41 "bang" for each federal buck. Even more effective are increases for food stamps ($1.74) and unemployment checks ($1.61), because recipients quickly spend their benefits on goods and services.

By contrast, most temporary tax cuts cost more than the stimulus they provide, according to research by Moody's. That is true of two tax breaks in the stimulus law that Congress, pressed by industry lobbyists, recently extended and sweetened — a tax credit for homebuyers (90 cents of stimulus for each dollar of tax subsidy) and extra deductions for businesses' net operating losses (21 cents). " ("New Consensus Sees Stimulus Package as Worthy Step " Jackie Calmes and Michael Cooper, New York Times)

So far, the stimulus has done exactly what it was designed to do; give the economy a big enough boost to get through a deflationary rough patch. Unemployment is flattening out, manufacturing is expanding again, the stock market keeps climbing higher, and a recent survey of individual investors shows the highest ratio of bulls-to-bears since 2007. That's a good start, but the economy is still weak and needs more help. So why are policymakers so eager to take the patient off the ventilator before he can breathe on his own again?

Politics, that's why.

The congress is worried about voter rage at the ballotbox, but that doesn't explain why Obama has started moaning about slashing deficits in the middle of a severe slump. The administration's agenda is entirely different than congress's. The White House economics team is trying to garner support for policies that will strap the faltering economy into a fiscal straightjacket and pound the green shoots into mush. All the railing against deficits is just empty blather backed by junk economics.

Here's ex-Treasury Secretary Robert Rubin–one of the chief architects of the global financial crisis–articulating the position of his proteges at 1600 Pennsylvania Ave.

Robert Rubin: "Putting another major stimulus on top of already huge deficits and rising debt-to-GDP ratios would have risks. And further expansion of the Federal Reserve Board's balance sheet could create significant problems…. Today's economic conditions would ordinarily be met with expansionary policy, but our fiscal and monetary conditions are a serious constraint, and waiting too long to address them could cause a new crisis….

First, there must be sound fiscal and monetary policies. The United States faces projected 10-year federal budget deficits that seriously threaten its bond market, exchange rate, economy, and the economic future of every American worker and family. Those risks are exacerbated by the context of those deficits: a low household-savings rate, even after recent increases; large funding requirements for federal debt maturities every year; heavy overweighting of dollar-denominated assets in foreign portfolios; worsened fiscal prospects in the decades after the current 10-year budget period; and competing claims for capital to fund deficits in other countries." ("Getting the Economy back on track" Robert Rubin, Newsweek)

Interesting. Rubin admits that the recession "would ordinarily be met with expansionary policy", but suggests that he has a better remedy than stimulus. Does that make sense? After all, it was Keynes counter-cyclical public spending (stimulus) that just produced positive GDP for the first time in 4 quarters, whereas, it was Rubin's deregulation of the financial system that pushed the global economy to the brink of disaster. There's no question of whose theory is more credible or likely to work. Even so, it's worth considering what Rubin has to say, because it clarifies the views of Obama's chief economics advisors Geithner and Summers. After all, the trio is joined at the hip.

Rubin again: "The American people are growing increasingly concerned about deficits, creating a public environment more conducive to political action. And the Obama administration, in my view, has a deep understanding of the critical importance of addressing this issue….. "

Indeed. So, Obama has already joined the ranks of the deficit terrorists.

Rubin again: "As President Obama and the other G20 leaders warned, restrictive trade measures in response to the current crisis could lead to highly destructive trade wars. For the long run, we should continue pursuing the open markets that the Peterson Institute for International Economics, a Washington think tank, estimates have added $1 trillion to America's current GDP."

So Rubin is working for Peterson? That explains everything. Here's an excerpt from a Dean Baker article which appeared in the UK Guardian this week:

"Peter Peterson is a Wall Street billionaire and former Nixon administration cabinet member who has been trying to gut Social Security payments and Medicare for at least the last quarter of a century. He has written several books that warn of a demographic disaster when the baby boomers retire. These books often include nonsense arguments to make his case. For example, in one of the books making his pitch for cutting social security as matter of generational equity, Peterson proposes reducing the annual cost of living adjustment." (Guardian)

Ah ha! So, the real goal is to slash spending to impose onerous austerity measures that will lay the groundwork for dismantling critical social programs, like Social Security, Medicaid and Medicare. That's why Rubin is working hand-in-hand with his allies in and out of the White House. It has nothing to do with what's best for the country. It's another looting operation spearheaded by the same band of Wall Street pirates who just blew up the financial system.

Rubin again: "For American workers, sustained growth is the most powerful force for higher wages and greater personal economic security….The dynamism of American society, its flexible labor and capital markets, its entrepreneurial spirit and the sheer size of its economy, are great strengths for succeeding in a rapidly transforming global economy….Finally, in an increasingly interdependent world, transnational issues key to all of us can only be addressed through effective global governance."

Yada, yada, yada. More free trade, more outsourcing, more off-shoring, more lost jobs, more structural adjustment (at home, this time) more privatization, more screwball globalist Utopianism. It's all right out of the Neoliberal playbook, corporate America's sacred text. And it looks President Moonbeam is marching in lockstep with the rest of the hucksters.

Face it; the Obama administration is less interested in engineering a strong recovery than they are with micromanaging a protracted downturn. That's because a long drawn-out mini-Depression puts the Rubin troupe right where they want to be—with one hand choking the life out of the economy while the other steals whatever is left in the national vault.



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