Obama's Wall Street cabinet

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A series of articles published over the weekend, based on financial disclosure reports released by the Obama administration last Friday concerning top White House officials, documents the extent to which the administration, in both its personnel and policies, is a political instrument of Wall Street.

Policies that are extraordinarily favorable to the financial elite that were put in place over the past month by the Obama administration have fed a surge in share values on Wall Street. These include the scheme to use hundreds of billions of dollars in public funds to pay hedge funds to buy up the banks' toxic assets at inflated prices, the Auto Task Force's rejection of the recovery plans of Chrysler and General Motors and its demand for even more brutal layoffs, wage cuts and attacks on workers' health benefits and pensions, and the decision by the Financial Accounting Standards Board (FASB) to weaken "mark-to-market" accounting rules and permit banks to inflate the value of their toxic assets.

At the same time, Obama has campaigned against restrictions on bonuses paid to executives at insurance giant American International Group (AIG) and other bailed-out firms, and repeatedly assured Wall Street that he will slash social spending, including Medicare, Medicaid and Social Security.

The new financial disclosures reveal that top Obama advisors directly involved in setting these policies have received millions from Wall Street firms, including those that have received huge taxpayer bailouts.

The case of Lawrence Summers, director of the National Economic Council and Obama's top economic adviser, highlights the politically incestuous character of relations between the Obama administration and the American financial elite.

Last year, Summers pocketed $5 million as a managing director of D.E. Shaw, one of the biggest hedge funds in the world, and another $2.7 million for speeches delivered to Wall Street firms that have received government bailout money. This includes $45,000 from Citigroup and $67,500 each from JPMorgan Chase and the now-liquidated Lehman Brothers.

For a speech to Goldman Sachs executives, Summers walked away with $135,000. This is substantially more than double the earnings for an entire year of high-seniority auto workers, who have been pilloried by the Obama administration and the media for their supposedly exorbitant and "unsustainable" wages.

Alluding diplomatically to the flagrant conflict of interest revealed by these disclosures, the *New York Times* noted on Saturday: "Mr. Summers, the director of the National Economic Council, wields important influence over Mr. Obama's policy decisions for the troubled financial industry, including firms from which he recently received payments."

Summers was a leading advocate of banking deregulation. As treasury secretary in the second Clinton administration, he oversaw the lifting of basic financial regulations dating from the 1930s. The *Times* article notes that among his current responsibilities is deciding "whether—and how—to tighten regulation of hedge funds."

Summers is not an exception. He is rather typical of the Wall Street insiders who comprise a cabinet and White House team that is filled with multi-millionaires, presided over by a president who parlayed his own political career into a multi-million-dollar fortune.

Michael Froman, deputy national security adviser for international economic affairs, worked for Citigroup and received more than $7.4 million from the bank from January of 2008 until he entered the Obama administration this year. This included a $2.25 million year-end bonus handed him this past January, within weeks of his joining the Obama administration.

Citigroup has thus far been the beneficiary of $45 billion in cash and over $300 billion in government guarantees of its bad debts.

David Axelrod, the Obama campaign's top strategist and now senior adviser to the president, was paid $1.55 million last year from two consulting firms he controls. He has agreed to buyouts that will garner him another $3 million over the next five years. His disclosure claims personal assets of between $7 and $10 million.

Obama's deputy national security adviser, Thomas E. Donilon, was paid $3.9 million by a Washington law firm whose major clients include Citigroup, Goldman Sachs and the private equity firm Apollo Management.

Louis Caldera, director of the White House Military Office, made $227,155 last year from IndyMac Bancorp, the California bank that heavily promoted subprime mortgages. It collapsed last summer and was placed under federal receivership.

The presence of multi-millionaire Wall Street insiders extends to second- and third-tier positions in the Obama administration as well. David Stevens, who has been tapped by Obama to head the Federal Housing Administration, is the president and chief operating officer of Long and Foster Cos., a real estate brokerage firm. From 1999 to 2005, Stevens served as a top executive for Freddie Mac, the federally-backed mortgage lending giant that was bailed out and seized by federal regulators in September.

Neal Wolin, Obama's selection for deputy counsel to the president for economic policy, is a top executive at the insurance giant Hartford Financial Services, where his salary was $4.5 million.

Obama's Auto Task Force has as its top advisers two investment bankers with a long resume in corporate downsizing and asset-stripping.

It is not new for leading figures from finance to be named to high posts in a US administration. However, there has traditionally been an effort to demonstrate a degree of independence from Wall Street in the selection of cabinet officials and high-ranking presidential aides, often through the appointment of figures from academia or the public sector. In previous decades, moreover, representatives of the corporate elite were more likely to come from industry than from finance.

In the Obama administration such considerations have largely been abandoned.

This will not come as a surprise to those who critically followed Obama's election campaign. While he postured before the electorate as a critic of the war in Iraq and a quasi-populist force for "change," he was from the first heavily dependent on the financial and political backing of powerful financiers in Chicago. Banks, hedge funds and other financial firms lavishly backed his presidential bid, giving him considerably more than they gave to his Republican opponent, Senator John McCain.

Alongside Wall Street, the Obama cabinet is dominated by the military, including three recently retired four-star military officers: former Marine General James Jones as national security adviser; Admiral Dennis Blair as director of national intelligence, and former Army Chief of Staff Erik Shinseki as secretary of veterans' affairs.

These are the deeply reactionary political and class interests that are represented by the Obama administration.

Friday's financial disclosures further expose the bankruptcy of American democracy. Elections have no real effect on government policy, which is determined by the interests of the financial aristocracy that dominates both political parties. The working class can fight for its own interests—for jobs, decent living standards, health care, education, housing and an end to war—only through a break with the two parties of American capitalism and the development of a mass, independent socialist movement.

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