

Larry Summers' Flight Forward

by Jeffrey Steinberg

May 9—On April 29, White House economic advisor and wanna-be White House Chief of Staff Larry Summers attended the 61st anniversary celebration at the Israeli Embassy in Washington, D.C. and delivered what he claimed were official remarks, sanctioned by President Barack Obama.

According to an account in the Israeli daily newspaper *Ma'ariv*, and confirmed by eyewitnesses, Summers promised that the upcoming White House visit of Israel's Prime Minister Benjamin Netanyahu would be warmly received, and that the President would not pressure Israel to sign a peace agreement "at any price." Summers said that the Administration would only seek "peace that defends innocent people, peace that guarantees freedom, peace that does not reward terror, peace that the Middle East deserves after such a long time."

Summers' self-professed "official" remarks immediately sent shock-waves through official Washington. Israeli officials took the statement as a welcome signal that the Obama Administration had dramatically shifted policy—away from the anticipated intensified pressure on Netanyahu, to accept the idea of a two-state solution, an idea the Prime Minister has explicitly rejected, along with any peace agreement with Syria that would involve a return of the Golan Heights.

Within the Obama Administration itself, Summers'

actions produced a firestorm of behind-the-scenes protests, particularly from Secretary of State Hillary Clinton and Middle East peace envoy George Mitchell, who were both reportedly furious at the idea that Summers had gone behind their backs to deliver assurances to Netanyahu that he could get away with his well-known stall-and-evade tactics, to subvert any serious peace process.

According to sources close to the Administration, both Clinton and Mitchell are still "on the ceiling," over Summers' actions, which not only explicitly contradicted clearly defined Presidential policy, they raised a very real question about whether the President had, indeed, authorized his notoriously pro-Likud economic advisor to bypass the State Department and national security team, to offer Israel and Netanyahu a free ride.

While Summers was apparently given Presidential authorization to attend the Israeli anniversary celebration, U.S. intelligence community sources expressed doubt that Summers' remarks were fully vetted by the President or his top advisors. Indeed, the question is: Did Larry Summers pull one of his classic flights forward, and were Summers' actions part of a premeditated, move to box the President into a policy change, on the eve of the annual meeting of the official Israeli lobby, AIPAC (American Israel Public Affairs Commit-

tee), and the upcoming Netanyahu visit to the White House?

Following his devastating April 11, 2009 international webcast, in which he warned of Obama's "Nero Complex," and the President's impulse to crush all critics, regardless of the validity of their criticisms, Lyndon LaRouche warned that if Summers' actions in any way reflected the President's actual intentions, it would represent a serious break with Secretary of State Clinton and the entire national security team, which represents the best of the Obama Cabinet.

In his April 11 webcast, LaRouche had warned, that if the President is not brought back under the control of those sane Cabinet advisors, who represent the larger institution of the Presidency, LaRouche would expect to see an early break with the Secretary of State—despite her substantial early successes in reversing some of the most egregious foreign policy crimes of the Bush-Cheney Administration.

LaRouche warned, on May 2, in a statement posted on the LaRouche Political Action Committee (LPAC) website, that unless the President repudiated Summers' treachery, his failure to act would likely bring about the rapid collapse of his Presidency.

On May 6, LaRouche commented further, in discussions with colleagues:

"What I did over the weekend, and have been doing all along in respect to Obama, is to put pressure on the President, to ensure that he does not cave in to Larry Summers, who has been attempting to manipulate the President. Summers' intention with his policy statement last week at the Israeli Embassy, was to bluff the President into going with his policy on Israel. He was acting under the assumption, that he could brainwash the President. However, Obama did not cave in. What Summers doesn't understand, is that this President may turn on someone whom he perceives as trying to ma-



World Economic Forum/Remy

White House economic advisor and wanna-be Chief of Staff Larry Summers is battling it out with the sane elements of the Obama Administration.

nipulate him.

"The stated intention of what I have been doing in criticizing President Obama, is to ensure that he breaks free from the brainwashing by Summers. He must become alert to the fact that he is being used. The only hope, is that Obama comes to his senses, and recognizes that he is being duped and used by these clowns.

"I am using a high-risk operation to get the President angry at the people who are brainwashing him. My purpose, is to make him into a President, by setting him free. I know his personality. So, I am putting maximum pressure on him, to liberate him from his brainwasher, Larry Summers.

"Summers is jittery that Obama is uncontrollable. Therefore, he is trying to preemptively box him in, based on his psychological vulnerabili-

ties. That is why Summers tried to preemptively set a policy for the Obama administration.

"Summers' primary personal affinity is as an extreme pro-fascist, right-wing Israeli agent, a type we are not unfamiliar with. His agenda is to swindle the President, by pushing him into capitulating to that agenda. But the President did not take the bait.

"Summers has thus made a big mistake. It is time to get rid of him. Summers went out of control. The President doesn't need such people. When your enemy makes a mistake like that, don't mishandle it."

Other Fronts of Attack

U.S. intelligence community sources report that, since his failed Israeli Embassy gambit, Summers has been weakened. But he remains on the job, and his efforts to manipulate the President in a disastrous policy direction, on behalf of Wall Street and the City of London financial oligarchy, are buttressed by other top Obama advisors, like White House Office of Management and Budget director Peter Orszag, who is pushing a FY 2010 budget that slashes vital infrastructure proj-

ects, and promises the biggest cuts in social welfare programs since Herbert Hoover and the 1929 Crash.

Orszag is part of the “behavioral economics” mafia that has surrounded the President, and has so far successfully elbowed out any qualified economic advisors from access to Obama. Summers played a pivotal role in shutting out Paul Volcker, the former Federal Reserve chairman, who has repeatedly called for the return to Glass-Steagall, and other banking regulations.

In a May 7 White House press conference, President Obama announced harsh budget cuts, that would reduce “discretionary spending” to levels not seen since 1962—two years *before* the creation of Medicare and Medicaid. The President, with Orszag standing beside him, announced that he would also seek “bipartisan” reform of Social Security, a buzzword for the kind of privatization schemes that were crushed in 2004-05, when then-President George W. Bush tried to bum-rush it through Congress. At that time, at the strong urging of former Treasury Secretary Robert Rubin, and with the help of a massive mobilization by LPAC, Democrats refused even to discuss the issue. Now, the behaviorists, led by Orszag, are trying to revive these murderous schemes, and use President Obama’s personal approval ratings, to achieve what Bush was never able to accomplish: rip out the heart of the Franklin Roosevelt general welfare provisions.

Lyndon LaRouche is not alone in his devastating critiques of the Obama Administration’s disastrous bailout-the-banks-and-kill-the-people policies. There is a growing popular revolt against the President’s failure to deliver on any of his campaign promises to create jobs and improve the lives of average Americans. And, a number of leading economists—including some who are part of the Volcker advisory commission to the President—are speaking out in sharper language than ever before.

The 1980s savings and loan regulator William K. Black said in an interview May 6, that the policies of Summers and Treasury Secretary Timothy Geithner “will destroy Obama’s Presidency.” (Black’s audio interview is posted on www.truthout.org.) Black said, “Accounting fraud is again the driver” in the current banking crisis.

Black pointed to three elements which led to the 1980s S&L fraud: gutting the underwriting, gutting the internal controls, and a Ponzi scheme for very rapid growth. The same elements are dominant in today’s

bank fraud, Black said, but, “Instead of arresting bankers, we’re funneling more money to them.”

“None of those people in the [Obama] senior ranks have ever been successful regulators,” said Black. “Summers and Geithner worked in the Clinton Treasury Department; they helped make the Asian crisis worse. They used the IMF-type policies that made things worse. Then he [Geithner] went to the IMF and made things worse. The guy has a track record of failure everywhere he’s gone. Now President Obama has picked him as Treasury Secretary.”

Asked about Credit Default Obligations, Black said, “The idea that we should re-establish these markets—which seems to be the driving force of Summers and Geithner—is disastrous. It will produce future crises, as well as making the current crisis worse. It will destroy the Obama Presidency. We are bailing out favored, rich, foreign shareholders and bankers; and eventually the American people are going to be incredibly outraged when they get the facts. . . . This is the greatest looting of the American people in our history.”

In a May 6 interview with Truthout’s Matt Renner, University of Texas economist James K. Galbraith once again blasted the Obama Administration’s bank bailout schemes, and the “stress test” scam, as a coverup of massive criminal fraud by leading bankers. Galbraith noted that the bank bailout is an extension of the Bush Administration’s Paulson Plan, and is based on the false assumption that the toxic assets on the books of the banks have some value—which most do not. Galbraith warned that the consequences of bailing out the big banks will be to bankrupt many smaller community banks, which will be hit with substantial increases in insurance charges. Asked whether the bank fraud, exposed by Black, is part of a willful Bush-era policy, Galbraith said that it is willful—and that the fraud is widespread throughout the entire financial sector.

“In the savings and loan crisis,” Galbraith elaborated, “there were 1,000 felony convictions for S&L insiders, and about 700 or so went to jail. This is a bigger crisis, so you could easily be talking about a larger number of convictions. . . . Aside from the Department of Justice, the regulators are highly important. In the case of a troubled bank, the FDIC has the power to install new management. One of the responsibilities of the new management is to cooperate in criminal referrals as appropriate.”

Asked what kinds of emergency measures he

would like to see enacted immediately, Galbraith called for three actions, addressing the emergency needs of the population. “First would be enhancing Social Security. Second would be to enact a holiday on the payroll tax, and third would be to reduce the Medicare eligibility age to 55. I think if you get those things, you will greatly help American households get through this recession and greatly help the elderly population survive the collapse of their stock portfolios and home values.... People-centric measures would be very, very helpful.”

LaRouche endorsed Galbraith’s recommendations, calling for their immediate implementation.

Pelosi’s Treason

In tandem with the antics of Summers, Geithner, and Orszag, Speaker of the House Nancy Pelosi, a notorious asset of such Wall Street and City of London swindlers as George Soros and Felix Rohatyn, moved to kill any serious probe into the biggest global looting spree since the collapse of the Lombard banking system, and the 14th-Century Dark Age.

On May 6, Pelosi killed a House version of the Dorgan-McCain Senate bill, creating a Congressional Pecora Committee, to get to the bottom of the current onrushing financial crash. The original Pecora investigation, run through the Senate Banking Committee during 1932-34, exposed massive criminal fraud by top Wall Street bankers, and created the political climate for FDR’s successful reorganization and regulation of the U.S. banking system, including Glass-Steagall, the Securities and Exchange Commission Act, and other vital New Deal legislation.

While claiming to support a “Pecora Commission,” Pelosi killed a House bill sponsored by Rep. John Dingell (D-Mich.), and instead rammed through a Republican bill to create an independent commission, modeled on the disastrous 9/11 Commission, to produce a report in late 2010!

The treachery of Pelosi, Summers, Geithner, and Orszag threatens the very survival of the United States, and must be crushed, by a coordinated effort, involving a mobilization of the American people, as well as a sharp intervention from within the institution of the Presidency. If Summers, Geithner, Orszag, and Pelosi are allowed to get away with their looting and austerity schemes, the Obama Presidency will be destroyed, and the United States along with it.