

Rice makes clear, while it was U.S. policy (as opposed to the stated positions of British Prime Minister Margaret Thatcher and French President François Mitterrand) to allow reunification of East and West Germany to occur, the Bush Administration whole-heartedly embraced a reunified Germany's "self-containment" within what became the European Union and the single currency, the euro. Nevertheless, the German government awarded Zoellick with a Knight Commander Cross for his role as head of this delegation, which also included Rice, who had done most of the preparatory study work at the National Security Council.

It was then-Secretary of State Baker, Zoellick's boss at the time, who conditioned any aid to the former East bloc upon acquiescence to "IMF conditionalities." These conditionalities have condemned these nations to the worst austerity and economic servitude, making economic conditions worse than they had been under Communism.

Lawrence Lindsey

More of the Same Brand of Poison

by John Hoefle

The old saying that the more things change the more they stay the same, could have been coined to describe the emergence of Lawrence Lindsey as the chief economic strategist of the George W. Bush Presidential campaign. Lindsey, who is said to be the likely Treasury Secretary were Dubya to win, is so close in background and profile to current Treasury Secretary Lawrence



Summers, that *Fortune* once described them as "separated at birth." Both men were born in 1954, both obtained doctorates in economics from Harvard, writing their theses on taxation; both studied under economist Martin Feldstein at Harvard, and served stints on the President's Council of Economic Advisers.

The main difference between the two is that Summers is a Democrat and Lindsey a Republican, but given the Gore campaign's determination to turn the Democratic Party into another Republican Party, that's not much of a difference.

Bubble Baby

Lindsey, like Summers, is not only a Baby Boomer, but a Bubble Baby. His entire political career has occurred during the financial "booms" of the 1980s and 1990s, when money and the markets have reigned supreme, and industrial production and infrastructure have largely been considered unnecessary expenses. To a Bubble Baby economist, the manipulation of money is paramount.

In 1981, Lindsey joined the Reagan Administration's Council of Economic Advisers, chaired by Martin Feldstein, where he pushed the Wall Street tax-cutting, bubble-building policy known as "Reaganomics." He left the CEA in 1984 and returned to Harvard, where he earned his Ph.D. in economics, with a thesis on taxation. His thesis adviser was none other than his CEA boss and supply-side mentor, Martin Feldstein. From 1984 to 1989, Lindsey was an associate professor of economics at Harvard, where he polluted the minds of countless young economists, infecting them with the mental virus of monetarism.

In 1989, Lindsey moved back into government, appointed by President George Bush as a special assistant to the President for policy development. By 1989, the Reagan/Bush "economic miracle" had collapsed, and the Bush Administration was desperately seeking ways to roll over the mountain of unpayable debt created during the go-go '80s. The rollover was accomplished, at great expense to the physical economy and the lives of many among the lower income strata, through a combination of flooding the economy with money, leaning on bank examiners to ignore bad loans and insolvent banks, and a head-long rush into the virtual world of derivatives.

Lindsey was a tireless advocate for the financial markets. In 1990 he published his first book, *The Growth Experiment: How the New Tax Policy Is Transforming the U.S. Economy*, shamelessly pushing the idea that the cancerous growth of the financial bubble represented progress.

In 1991, proud Papa Bush rewarded Lindsey by appointing him to a six-year stint as a governor of the Federal Reserve System, where he served with his other mentor (Feldstein being the first), Alan Greenspan. During the early 1990s, under the watchful, and nurturing, eye of the Fed, the derivatives market exploded, and the bubble grew.

In 1997, when his term expired, Lindsey left the Fed for the American Enterprise Institute, where he became the Arthur F. Burns Scholar in Economics; the position was named after a former chairman of the Fed. At AEI, Lindsey continued to push policies to benefit the bubble. In 1999, he released his second book, *Economic Puppetmasters: Lessons From the Halls of Power*. Lindsey focussed on four "puppetmasters" and the institutions they represent: the Fed's Greenspan, the Japanese Finance Ministry's Eisuke Sakakibara, German Chancellor Helmut Kohl, and speculator/drug-legalizer George Soros. While these men are indeed powerful, they are not—as Lindsey well knows—the real puppetmasters. The real puppetmasters, as *EIR* has documented over the years, are

the elite of the financial oligarchy, who set the axioms under which the Greenspans and Lindseys of the world operate.

The elder George Bush knows this well, for it is with precisely these people that he has negotiated, to get his mediocre son elected first the Governor of Texas, and then the President of the United States. It is also why Lawrence Lindsey is now the chief economic adviser of Dubya.

‘Greed Is Good’

The essence of Lindsey’s philosophy was stated in a speech he gave to a Community Development Lending Conference in Dallas in October 1996.

“In the short term,” Governor Lindsey stated, “one can rely on a sense of guilt, or charity, or a fear of enforcement action to motivate behavior. But it will not last. The only permanent motivating force in this world is self-interest.”

Shades of Bernard de Mandeville’s *Fable of the Bees!* Such a philosophy is neither new nor limited to Lindsey, but it does make him (im)morally qualified to run the economic policy of the Bush family.

Lindsey’s economic specialty is the use of tax policy to stimulate “growth,” through the application of incentives to investors. Since the biggest investors are the rich, growth, in Lindsey’s view, comes from helping the rich get richer.

In an article in the Sept. 8, 1997 *Forbes*, Lindsey complained that no one had thanked the rich for paying \$45 billion more than expected in taxes that year. In 1995, Lindsey wrote, the top 5% of American households got 21% of the nation’s aggregate income, up from 17% in 1985. That was “good news for the IRS,” he said, “since the rich pay a far higher percentage of their income to the government than the other 95% of the population does. That rich 5% now pays about 47% of all income taxes.”

“Whatever else one thinks about income inequality,” he concluded, “it does create revenue for the government to spend. . . . Wouldn’t you think that the rich would be at least entitled to a small thank-you from the guys in Washington?”

This desire to protect the rich from the ravages of government fits like a glove with the Republican philosophy of building up their capital. But “greed is good” makes a bad campaign slogan, so the euphemism “compassionate conservatism” is touted in its place. (We are the party of inclusion, Bush insists, to which one is tempted to reply, “Yes, you wish to include all of our money in your pockets.” It’s not exactly survival of the fittest—after all, the mediocre Bushes have always depended upon powerful patrons for their survival—but it’s close. Call it survival of the well-connected.)

Lindsey’s assignment—and Bush’s—is to preserve and increase the power and capital of the rich, while pretending to create prosperity for all. Vote Republican and we can all get rich together. Or, in the words of BusinessWeek writer Owen Ullman, Lindsey & Co. “want a program that will shatter the image created by congressional Republicans of a party of rich, heartless extremists, but will provide a formula that

can bring Corporate America firmly back into the fold without totally turning off the right wing.” The philosophy of Newt Gingrich is not being repudiated, just Newt’s unsavory image.

One of Lindsey’s pet proposals is the privatization of Social Security, putting the proceeds of the Social Security tax into the stock and bond markets, where they can supposedly benefit from the market’s boom. The reason for this, they insist, is to protect the population and keep the Social Security system from going bankrupt. But the problem with Social Security is that the pro-finance, anti-physical economy policies of Bush, Lindsey, and their stringpullers, is responsible for the decay of the productive sector of the economy, of which the Social Security problems are but a reflection. The effect of the Bush/Lindsey plan, over the next two decades, would be to double the amount of money in the financial markets. The post-industrial policy is the problem, and more post-industrialism will make matters worse.

Lindsey’s policy prescription for the economy is to reduce the tax burden on the rich, pour Social Security funds into the markets, and increase the pace of globalization. That is, he is calling for more of the poison which has brought the U.S. and the world to the brink of economic ruin—a policy which, under Reagan, Bush I, and now Bush II, he has devoted his life to implementing and nurturing. The more things change, the more they stay the same.

DO YOU KNOW

- that the American Revolution was fought *against* British “free trade” economics?
- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?

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