‘Pericles’ Paulson Delivers Speech Reeking of Schacht

by Nancy Spannaus

The much awaited first public utterances of the new Bush Administration Secretary of the Treasury occurred at Columbia University in New York City on Aug. 1. And if anyone was expecting a change from the sophistry of the Bush League, they were proven to have been sorely disappointed. Paulson, now dubbed by Lyndon LaRouche as “Pericles Paulson,” after the Greek leader who brought down the Athenian Republic, babbled on like a true Bush Leaguer, about the need to slash Social Security, Medicare, and Medicaid—the three key budgetary problems facing the government, he said. He gushed about the great growth of the U.S. economy, extolled the virtues of workers jumping from one dead-end job to the next, and vowed his loyalty to globalization and free trade. LaRouche said that these words could have been delivered by Hitler’s Economics Minister, Hjalmar Schacht, or by Hitler himself.

However, while the criticisms to be made of Paulson’s address are virtually self-evident, what remains unclear, is whether Paulson really believes any of the slop he presented on this Aug. 1 occasion. Since what he said is so terribly absurd, in fact, must we not suspect that what he said on that occasion was intended more to conceal than to reveal his underlying agenda?

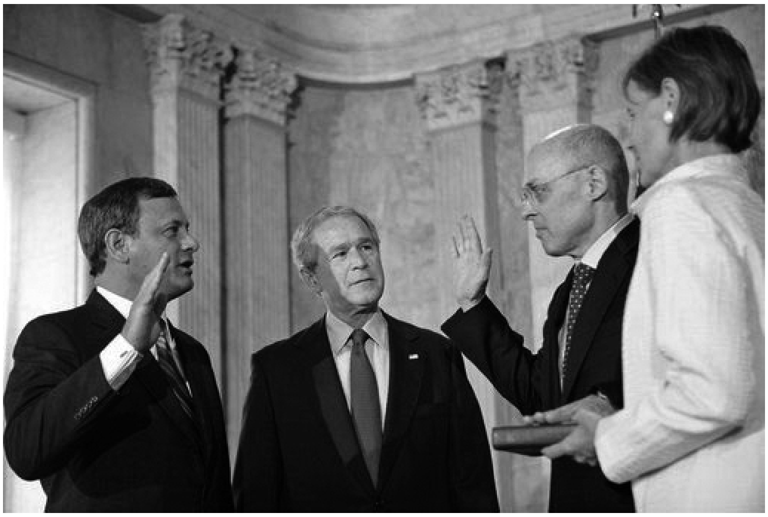
The Schachtian character of the new Treasury Secretary’s speech was reflected primarily in his emphasis on cutting entitlements. He said: “The biggest economic issue facing our country is the growth in spending on the major entitlement programs: Medicare, Medicaid, and Social Security. The cost to the Federal government of these three programs, without fundamental reform, is projected to more than double . . . by 2060. . . . The longer we wait to fix this problem, the more limited will be the options available to us, the greater the cost, and the more severe the economic impact on our nation.”

After regurgitating discredited Wall Street arguments for privatization of Social Security, which the LaRouche movement-led Democrats, and many sane Republicans, to trounce in 2005, he gushed, “I admire the President’s political courage and willingness to address entitlement reform.”

Whistling Past the Graveyard

The most one could have hoped from the Paulson appointment as Treasury Secretary, was that, coming from outside the Bush political family, he might have shown some willingness to admit the reality of the onrushing financial disaster which characterizes the bankrupt world economic system, now in its last throes. Leading bankers around the world, from Frankfurt, to London, to Washington, D.C., have been discussing, mostly among themselves, the impending threat of a “financial tsunami,” while frantically seeking to stanch the potential global effects of the series of hedge-fund collapses which have been hitting, one after the other, since the Spring of this year.

The hedge-fund collapses, these bankers know, immediately threaten the already bankrupt international banks, in ways far beyond what happened with the implosion of the Long Term Capital Management (LTCM) hedge fund in the Fall of 1998. That collapse nearly brought the entire global financial system to a standstill, as International Monetary Fund Managing Director Michel Camdessus only felt free to admit approximately a year later. The crisis was “solved” (i.e., delayed) by the insane policy called the “wall of money,” which simply set into motion a hyperinflationary process identified by LaRouche as comparable to that of Weimar Germany in the second half of 1923.


White House/Eric Draper

Henry Paulson is sworn in as Secretary of the Treasury on July 10, while George Bush looks on. "Paulson has put himself high on the list of those who are dangerous to the U.S. economy," said Lyndon LaRouche.

Today the global bubbles are even in more danger of popping—from the U.S. housing market, to credit derivatives. The dramatic ongoing flight into raw materials, of hyperinflationary proportions, underscores the fact that the top international financiers are well aware that the system is going to blow, and wish to position themselves for the post-crash world.

Yet Treasury Secretary Paulson could hardly contain his enthusiasm for what he called the "economic strength" of the U.S. economy. He boasted: "Over the past year, the global economy has been more robust than at any point I can recall during this period."

"In Asia, not only are China and India growing, but so are South Korea and Japan. In Latin America, Mexico, Brazil, and others are experiencing strong growth and improved fiscal performance. In Europe, there are signs of moderate recovery in countries like Germany and France. And here at home the economic growth has been strong."

Paulson's description of the U.S. economy—in the face of the infrastructure breakdowns, wholesale shutdowns of core industries such as auto, and murderous cutbacks in basic social services due to budget cuts, especially in health—more than qualifies him to be called a Sophist like the Athenian Pericles (if not just an outright liar).

He continued: "The remarkable recovery is a true testament to the strength and resilience of our nation's extraordinary economic system and entrepreneurial spirit. I can assure you that the President's tax cuts and economic policies played a major role in this recovery, by helping to restore market confidence, investor confidence, business confidence, and consumer confidence. I watched the tax cuts and economic policies change behavior in very real and tangible ways."

Only if the "confidence" Paulson is talking of is interpreted as a "confidence game," does his statement bear any resemblance to reality.

A Schachtian Model for the World

"The overall dynamism and strength of the U.S. economy remains the model for the rest of the world," Paulson intoned. As an example, he cited the "income mobility" of the American population, as a sign of allegedly great opportunities opening up for the workforce. In fact, this mobility would be better described as labor recycling, whereby hundreds of thousands of high-paying industrial jobs are replaced by low-paying jobs in service industries. Paulson admitted that "the average American between the ages of 18 and 38 has held slightly more than ten jobs"—which he didn't seem to think was a problem. He claimed that the "bulk" of these job changes increased the wages of the job changer, but admitted that "income mobility can be downward as well." (This latter is a fact well documented by any honest look at purchasing power in the "post-industrial" era of the last 30 years.) What was important, Paulson said, was the "volume of mobility," not the long-term impact of the policy on the physical economy, or the standard of living, of the nation.

Paulson then launched into his discussion of the major government entitlement programs which he claims must be cut. "The cost to the Federal government of these three programs [Medicare, Medicaid, and Social Security], without fundamental reform, is projected to more than double, from the current level, 8% of GDP, to nearly 17% by 2060. If left unchecked, these programs would significantly impair our economic flexibility and erode our competitiveness."

Here the new Treasury Secretary is simply repeating the monetarist arguments of those, like Administration Godfather George Shultz, who tried to push through the privatization of Social Security during President Bush's first term; he proposes to abandon the standard of the general welfare, in favor of "competitiveness"—i.e., to benefit the financiers who game the market.

Paulson listed as other priorities: "I believe in a strong dollar . . . determined by open and competitive markets"; energy security; and free trade and the "global economy." "But I must tell you, in all candor, that I am very concerned about the anti-trade rhetoric I hear coming from some quarters here and around the world." Taking absolutely no cognizance of the need the U.S. economy has for the industrial jobs it is losing, Paulson told the "hard-working men and women" who have lost their jobs not to worry about it, but to become "more competitive."

Lyndon LaRouche concluded that by this speech, "Paulson has put himself high on the list of those who are dangerous to the U.S. economy."