Summers: Rattlesnake In a Clown Suit

by John Hoefle

How did President Barack Obama, the man who was elected to reverse the disastrous policies of the Bush Administration, come to continue those policies, and to take even bigger steps down the road to disaster? A big part of the answer lies in the presence of Larry Summers, the head of Obama's National Economic Council, and the man who briefs the President daily on the financial crisis.

At first glance, Summers appears to be something of an enigma. He is, by all accounts, a highly intelligent man, yet the policies he has advocated and implemented have led to one disaster after another, a remarkable record of failure. Summers was a champion of deregulation in the Reagan Administration, and continued that policy in the Clinton Administration. Summers vociferously defended and protected the rise of the derivatives market and played a key role in the repeal of the provisions of the Glass-Steagall Act, which forbid commercial banks from speculating in the securities casino. The system that Summers helped to create has blown up spectacularly, yet he continues not only to defend his positions, but to push for unprecedented bailouts, in a futile attempt to rescue the failed system.

It is easy to conclude that Larry Summers is incompetent as an economist—that much is obvious—but we have to wonder if there are not deeper, more disturbing reasons for some of his actions. Is he merely the fool he appears to be on the surface, or does he have a more sinister agenda, which is visible only by examining the effects of his actions?

Boy Genius

Lawrence Henry Summers was born in New Haven, Conn., in 1954, into a family of economists. His parents, Robert and Anita Summers, were economics professors at Yale, and two of his uncles, Paul Samuelson and Kenneth Arrow, both later won Nobel prizes in economics. He spent most of his youth along the Philadelphia Main Line, after his parents took positions at the University of Pennsylvania's Wharton School of business.

Young Larry was something of a child prodigy. He skipped his last year of high school and entered the Massachusetts Institute of Technology at age 16; he then moved on to Harvard, where he got his Ph.D. A year after that, in 1983, at the age 28, he became one of the youngest tenured professors in Harvard history.

Early on, Summers developed the personality defects that would stay with him for the rest of his life. Summers used his intellect as both a weapon and a shield. He was cold, arrogant, and quick to dismiss anyone who did not agree with him as an idiot. He became an obnoxious bully, as a way of hiding his insecurities and covering up his lack of social skills. Underneath that unpleasant exterior, even today, remains the boy genius who never really grew up.

Summers' lack of social graces and disregard of those around him is so pronounced, and so annoying, that, during his tenure as president of Harvard University in the early 2000s, some of the faculty thought he might have a form of autism known as Asperger syndrome. Those social defects extend to his table manners, as well, judging by the reports of his predilection to talk while eating, often spraying his audience with saliva. Ultimately, the boorish genius who set out to reform Harvard would be tossed out.

Building the Casino

While still a graduate student at Harvard in 1982, Summers was invited by economist Martin Feldstein to join the staff of President Ronald Reagan's Council of Economic Advisors. The Reagan era marked the beginning of the deregulation frenzy in the United States, and set the nation on the road to disaster. Banking laws were relaxed, tax laws were changed to reward speculators, and the financial parasites swarmed into American markets. Summers was a relatively obscure functionary in this process, spending less than a year at the CEA, but his path as an economist and policy-maker was established.

Summers returned to Harvard as a tenured professor of economics in 1983, taking up the family business. By that time, his parents were well ensconced at Wharton, and his uncles were Nobel laureates, Paul Samuelson having won in 1970, and Kenneth Arrow in 1972.

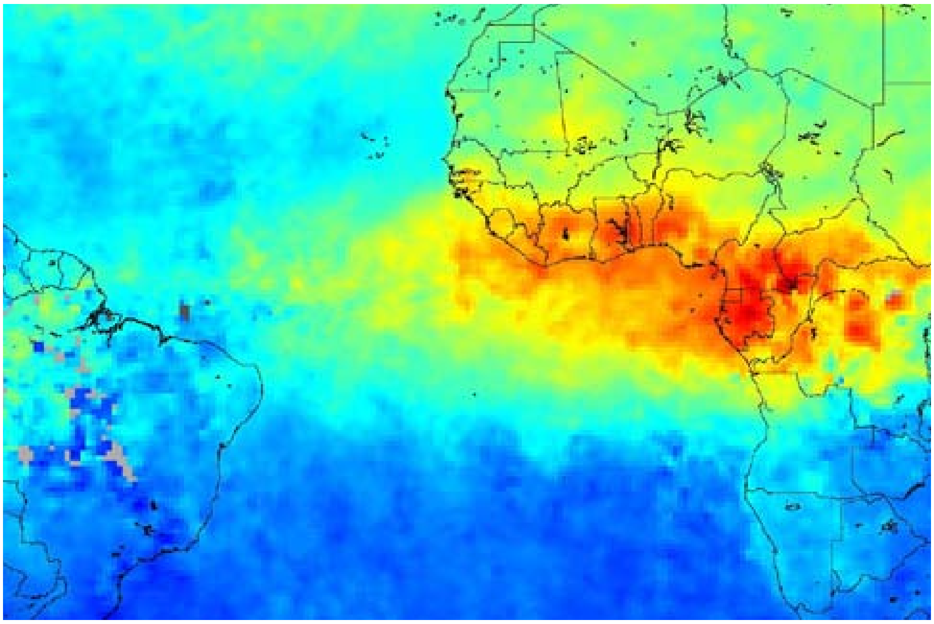
Samuelson, a Keynesian, is best-known as the author of *Economics* (1948), the best-selling economics textbook of all time, and thus, the man who helped train a whole generation of Baby Boomer economists. He is also known for his insistence that the economy had "built-in stabilizers" which made the sort of financial blowout we have just witnessed, impossible.

Arrow cut his economic teeth at the Cowles Commission, the then-University of Chicago-based incubator of econometrics and the use of mathematical models in economics in the late 1940s. He then moved on to Stanford University, where he took a professorship, and worked with the military-industrial complex's systems analysis vehicle, the RAND Corporation. Later, he took Fellowships at Churchill College, Cambridge, and All Souls College, Oxford. The Cowles group was the U.S. arm of Bertrand Russell's Cambridge systems analysis group, which pushed game theory and Malthusianism as an infection of economic theory.

Samuelson and Arrow are considered by many to be the fathers of that warmed-over Keynesian fascism known as neo-classical economics. Arrow became so taken with derivatives, that a 1998 article in *Scientific American* stated that he "imagined a security for every condition in the world—and any risk, from bankruptcy to a rained-out picnic, could be shifted to someone else."

Spreading the Pollution

Summers returned to public life in 1991, as the chief economist at the World Bank. That position is damning enough in itself, given the World Bank's role in keeping the so-called developing sector countries from becoming sovereign nations. As we see with Gordon Brown's push to elevate the International Monetary Fund into a global financial dictator under the guise of today's financial crisis, both the IMF and its World Bank sibling have become creatures of the British Empire's drive to reclaim its global dominance.



NASA Earth Observatory Collection

As chief economist for the World Bank in 1991, Summers signed a memo complaining, "I've always thought that under-populated countries in Africa are also vastly under-polluted." Shown here, NASA's mapping of pollution from fires in the savanna south of the Sahara Desert, and in the tropical rainforests just north of the Equator. These are not wildfires, but result from the burning of agricultural waste associated with subsistence farming. The fires burn across the continent every year from December through April.

Working for fascists is not quite the same as being one yourself, although at some level, certainly by the level of chief economist, the distinction pales into insignificance. But Summers removed all doubt as to his status in a memo issued under his signature in December 1991.

"I think the economic logic behind dumping a load of toxic waste in the lowest wage countries is impeccable and we should face up to that I've always thought that under-populated countries in Africa are also vastly under-polluted," the memo said.

Summers claims he did not write the memo but merely signed it, and that may be true. But whether he authored those contemptible words or not, he endorsed them. What kind of man would consider some nations "vastly under-polluted"? The concept shows a such a callous disregard for human life as to be considered evidence of a pathological personality. The boy genius not only never grew up, but he apparently turned into some sort of a monster.

The relevance of this viewpoint to the present period should not be overlooked. Today, Summers is pushing a different type of toxic waste—worthless financial paper—upon the American taxpayer, showing as little regard for the American people as he did for the Africans. One could easily update that sentence to defend the "economic logic" behind the Bush/Obama bailout scheme.

Defending Looting

In fact, one could argue that Larry Summers has devoted his career to defending the rights of private interests to loot the public.

In 1990, Summers was hired by Lithuania to advise the nation on its transformation from a Soviet state into a market economy. The results, as Michael Ames documented in a Nov. 10, 2008, article in *The Nation,* "were literally suicidal." Lithuania's suicide rate nearly doubled. Summers' policies so destroyed the nation that, "after just two years of Summers-nomics, the traumatized Lithuanians voted the communist party back into power." It was after this display of nation-wrecking, that Summers was hired by the World Bank. Summers played a similarly destructive role in Russia, as documented by Rachel Douglas elsewhere in this report.

Summers later turned his attention back to the United States, and in 1997, as Deputy Secretary of the Treasury under Robert Rubin, launched a rabid defense of the derivatives markets. The target of Summers' ire was Brooksley Born, the chairman of the Commodity Futures Trading Commission (CFTC), who warned that the lack of oversight of the derivatives market posed "grave dangers to the public interest."

"It is the large institutions which have the greatest power to hurt us all by their attempts at manipulation," Born prophetically warned.

At that point the global derivatives market was only about $100 trillion, a huge sum, but one which pales in comparison to the quadrillion-dollar-plus derivatives bubble today, the bubble Summers and company are trying so desperately to save. Had we put a stop to it in 1993, as demanded by Lyndon LaRouche, or even begun to regulate it closely as suggested by Born in 1997, we would not today be sitting at the edge of a new Dark Age.

Summers was Treasury's point man to defeat Born's push for derivatives regulation, joined in the fight by Fed chairman Alan Greenspan and the International Swaps and Derivatives Association (ISDA), the derivatives market trade and lobbying outfit. They demanded, and got, a law which forbid the CFTC from interfering in the derivatives markets; Born left office, and her successor at the CFTC promised the agency would keep its mouth shut in the future.

Fittingly, one of the spokesman for the ISDA in the matter was Mark Haedicke of Enron, who declared that the proposed derivatives regulations were "obviously unacceptable in the global marketplace." Haedicke insisted that the market professionals were much more competent and savvy than the regulators, and threatened that the derivatives speculators would all move to the City of London if the U.S. government interfered in the market.

As it turned out, the experts were wrong: Enron crashed and burned in 2001, but not before it gave Summers another chance to screw the American people.

That chance came in the Summer of 2000, when the State of California was caught in the grip of a severe electricity crisis. California was the paradigm for electricity deregulation at the time, one of the first states to deregulate, and touted as the model for the nation. But the promised low prices and plentiful supplies never materialized—instead the state was hit with the deadly combination of prices soaring into the stratosphere and repeated blackouts and brownouts.

It was obvious at the time that the energy pirates, led by Enron, were gaming the California market, rapaciously running up prices and manipulating the supply. The citizens were enraged, and Gov. Gray Davis began looking for ways to undo the damage done by deregulation.

The response from Washington was swift. Summers, who by then was Treasury Secretary, teamed up with Greenspan and Enron's Ken Lay, to demand that Davis not only drop any attempt to re-regulate the electricity markets, but that the state deregulate even further, and relax its environmental standards. The markets are paramount, the trio insisted, and must be reassured.

For Summers, it was just another application of his inhuman "economic logic." For the people of California, it was a disaster. But, as Bertrand Russell once said, in calling for a Black Death to spread through the world once in every generation, "The state of affairs might be somewhat unpleasant, but what of it?" What are people, if not cattle to be harvested? As the mafia hitmen say, "Nothing personal, it's just business."

Dump the Fool

It should be clear by now that the nation can no longer tolerate the economic logic of Larry Summers, and that Summers must go if the nation is to survive. The man is a walking disaster, leaving nothing but carnage in his wake. Lithuania chose communism over Summers' brand of economic fascism—people were literally killing themselves to get away! Summers was hated at Harvard, and hated in Russia, and will soon be hated all over America as the effects of his policies are felt.

If the Obama Administration continues to follow the policies advocated by Summers, President Obama will soon join the list of the hated, becoming not another Lincoln or FDR, but another Hoover.

Summers remains the boy genius who never grew up, a man who never matured into a adult human being. We can give him compassion, but we can not allow him to make policy, at the expense of destroying the nation.

However, as we suggested at the outset, there is reason to suspect that Summers is more than just an incompetent economist. If you infer his intent not from what he says, but from the effects of his actions, a more disturbing suspicion emerges, one that suggests Summers intends to destroy nations. That what he did to Lithuania, Russia, California, and the entire United States, is deliberate. Perhaps the cloud of confusion he forms by his behavior, and his repeated attacks on his opponents, are designed to hide his true agenda, his agentry on behalf of a hidden imperial faction.

Perhaps what Larry Summers really is, is a rattlesnake in a clown suit.

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