

## Lawrence Summers, Goodbye and Good Riddance

Obama's winter of neo-liberal discontent

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By **Mitchel Cohen**

Now that Lawrence Summers has left the president's cabinet and rebellions against neoliberalism and its austerity programs are washing over Europe, one might hope for a shift in President Obama's corporate and bank-friendly policies. But such optimism is not warranted. While the options for capitalist planners such as Summers may differ from administration to administration, the competition for corporations to maximize profits and for the government to "protect them" is invariable. In times of economic crisis, it becomes urgent for capitalism to strip down to essentials to control natural resources and repress all forms of organizing and resistance.



The case of Lawrence Summers is instructive for examining the neoliberal framework and for understanding the policies of the United States government on the brink of collapse.

### *The Post-Reagan Years*

In December 1991, Summers—following a stint as Ronald Reagan's top economics advisor (where he'd lobbied successfully for cuts in both corporate and capital gains taxes and opposed unemployment insurance), and then as economics advisor to presidential candidate Michael Dukakis—was the chief economist for the World Bank. In that capacity, Summers issued a memorandum to senior World Bank staff calling on them to use economic muscle to pressure non-industrial areas of the

world to accept (and pay for) more waste from the U.S. and elsewhere. He called this a "fairer redistribution" of the industrial world's wastes and pollution.

Summers's plan would not actually reduce toxic wastes and pollution per se, but proposed using the "free market" to widen the choices for where wastes could be dumped, rectifying what he saw as "the current toxic imbalance."

Summers, who edited the World Bank's World Development Report for 1992, claimed to have worked out "the economic logic behind dumping a load of toxic waste in the lowest wage country." He found that logic to be "impeccable and we should face up to that."

A worldwide firestorm erupted over Summers's comments, though the rage was fairly quiet in the United States. In his infamous memo, Summers argued that because of their poverty, "the concern over an agent that causes a one in a million change in the odds of prostate cancer is obviously going to be much higher in a country where people survive to get prostate cancer than in a country where under five mortality is 200 per thousand." Instead of eliminating the imperialist conditions causing their poverty and helping people to live longer and less toxic lives, Summers (and Obama, like Bush and Clinton) inflict ecological and human rights nightmares that intensify wretched conditions as a matter of "national security" and of shoring up the empire of capital.

Throughout the world, people saw through Summers's scheme to further exploit and poison them in the name of the "free market." They raised a ruckus. They understood that Summers's outrageous analysis was no aberration in an otherwise "sterling" career. For years Summers had blocked initiatives by environmental organizations to make the World Bank more ecologically and socially responsible. His 1992 "pollution" memo was simply one in a long train of schemes on behalf of the global capitalist class.

Greenpeace and numerous defenders of the planet demanded that the World Bank terminate Summers. Brazil's Secretary of the Environment, Jose Lutzenberger, wrote to Summers directly: "Your reasoning is perfectly logical but totally insane.... Your thoughts [provide] a concrete example of the unbelievable alienation, reductionist thinking, social ruthlessness and the arrogant ignorance of many conventional 'economists' concerning the nature of the world we live in.... If the World Bank keeps you as vice president it will lose all credibility. To me it would confirm what I often said...the best thing that could happen would be for the Bank

to disappear." Lutzenberger was fired shortly after writing the letter.



Instead of being shocked by the horror of the environmental devastation they were causing, the big corporations and governments of the U.S. and most other industrialized countries looked favorably on Summers's spin. Through Summers's neoliberal economic strategy, the dumping of toxic wastes (and later, genetically engineered grains) became not some isolated happenstance of industrial production that can be apologized for and dismissed, but a New

World Order strategy—a weapon in the imposition of structural adjustment programs on the "third world."

Summers wrote, "So much pollution is generated by non-tradable industries (transport, electrical generation) [which makes] the unit transport costs of solid waste...so high. [These non-tradable industries unfortunately] prevent world welfare-enhancing trade in air pollution and waste," as stipulated for domestic polluters in the 1990 Clean Air Act extension. Instead of outlawing dangerous pollutants and carcinogens, the Act granted "pollution credits"—ecology-destroying quotas—to corporations and municipalities in the U.S. Those who "under-pollute" may then sell their "excess" pollution credits—their "right" to ravage the environment—to companies that refused to cut back toxic waste or were unable to do so and still maintain their profit rates.

### ***The Bush/Clinton/Bush Years***

Caught with his foot in his mouth, Summers claimed he was half-joking, and found someone else to take the heat for writing the memo he'd signed. But claims to irony aside, the memo accurately expressed the trajectory of an expansive capitalism as evident in the views of the first Bush and Clinton administrations, who were maneuvering to establish new markets for toxic wastes, air pollution rights, water rights, and the like.

Summers's memo certainly took neoliberalism to new extremes. But that framework had long informed the policies of most U.S. government officials since the days of President Jimmy Carter. Georgia Democrat Andrew Young—Carter's ambassador

to the United Nations, who earlier in his life stood at the side of Dr. Martin Luther King, Jr.—put it most clearly: "My approach to Africa is in some ways like the Japanese approach to Asia, and my approach is not necessarily humanitarian. It is in the long-range interests of access to resources and the creation of markets for American goods and services."

Summers took Young's imperialist worldview a few notches further. In his infamous memo, Summers argued that poor countries should exploit their "comparative advantage" of low wages, access to natural resources, and lower environmental standards.

While few poor countries have "developed" by following Summers's advice to beg the world to dump their wastes in their countries, it has proved very effective for companies like Nike, "which has taken advantage of low wages throughout Asia, or even G.M., which produces cars and trucks in Mexico with the same technology as in Michigan but with lower wage workers. Makers of polluting technologies such as incinerators that are being phased out in industrialized countries have also benefited, because they are able to stay in business by selling to third world countries. U.S. manufacturers that wanted to escape environmental regulations (like furniture makers who use toxic glues, solvents, and paints) have capitalized by shifting from places like Los Angeles to Mexico" (Russell Mokhiber and Robert Weissman, "Memo Misfire: World Bank 'Spoof' Memo on Toxic Waste Holds More Irony Than Laughs," *San Francisco Bay Guardian*, May 1999).

Just as they would a decade-and-a-half later in their high hopes for Barack Obama, many environmental activists foolishly thought that with the Clinton administration taking over in Washington in 1993 the environment would be saved, things would improve, peace would reign, and Summers, then of the World Bank, would go away. Instead, Clinton and Gore brought Summers and his mentor, former member of the board of the Carnegie Corporation of New York Robert Rubin, into their Administration. Together they pushed through legislation in Congress that institutionalized NAFTA, GATT, and the World Trade Organization, among other regressive policies. Even before taking office, President Clinton sought to appoint Summers to a national policy position: chair of the President's Council of Economic Advisors, the position Summers later held in the Obama administration.

Environmental and other radical groups were outraged and fought against his appointment. For a time, they were successful. But Summers's work on behalf of

global capitalism would not go unrewarded for long. The day following Clinton's inauguration as the 42nd President of the United States, he appointed Lawrence Summers to the post of Undersecretary for International Affairs at the U.S. Treasury, a position traditionally responsible for "the formulation of U.S. economic policy in the Third World, including U.S. policy related to the IMF, the World Bank and the regional development banks."

Summers became the leading voice within the Clinton administration against participation in greenhouse gas reductions via the Kyoto Treaty negotiations. He convinced himself that, while industrialized countries needed to rid themselves of toxic wastes, that did not have to become a serious barrier to an expansive global capitalism. He could "re-invent" it as a marketing opportunity. And so he blustered his way

forward: "There are no limits to the carrying capacity of the earth that are likely to bind any time in the foreseeable future. There isn't a risk of an apocalypse due to global warming or anything else. The idea that we should put limits on growth because of some natural limit, is a profound error and one that, were it ever to prove influential, would have staggering social costs."



And foster that expansion he did with all its consequent social costs.

Summers—"the scheming architect of an end-run around Congress that resulted in the \$12 billion Mexican bailout" in 1995—became a leading proponent of bailing out the rich and soaking the working class to pay for it. A key official characterized the Mexico bailout this way: "Early in 1995, the size of the collapsing emerging market bubble so terrified official Washington that Treasury Secretary Robert Rubin...embraced a public bailout for private investors in Mexico. It is some measure of the ethical laxity of Washington that this rescue for friends and former clients of a sitting Treasury Secretary went almost completely unchallenged. Rubin, lest we all forget, is the chief fiscal officer of the United States. When a Treasury Secretary condones a public bailout for private foreign debts, he commits an act of fraud."

Green Party Presidential Candidate Ralph Nader also expressed opposition to the Mexican bailout, which was really a gift of billions of dollars to U.S. banks to whom Mexico owed its debt: "The Mexican political economy is basically a

lawless, criminal operation run by a dictatorial regime in cahoots with oligarchs who keep getting richer through privatization and through other transfers of public wealth. Private privilege becomes public policy through secret government that is unaccountable and is affected by the institutional conflicts of interest perpetrated by Government officials on leave from their financial posts in New York."

The advocate of de-regulation was now demanding that government bail out de-regulated countries and financial corporations—good practice for the hypocrisy to come.

### *Indonesia and Neoliberalism*

The interpenetration of high-finance, ecological destruction, and war has always been a hallmark of capitalism. Summers understood this only too well. He became the principal economist shaping U.S. financial aid to the government of Indonesia. As massive fires gutted Indonesia's forests and produced unbreathable clouds of smoke that hung for 1,000 miles over the region for many months, and as Indonesia's military was preparing to again invade and massacre civilians in East Timor and as anti-imperialists and enviro-activists throughout the world protested the U.S.'s economic and military assistance to the murderous Indonesian junta, Summers said: "We welcome the announcement in Jakarta today that the International Monetary Fund and the Government of Indonesia have reached agreement on a revised economic program designed to stabilize the Indonesian economy. The United States has a strong economic and national security interest in seeing Indonesia succeed in these efforts, which will depend on its ability to sustain both economic and political reforms.... We look forward to the timely board approval and disbursement of these funds, as well as those from the World Bank.

"We also welcome the Asian Development Bank's announcement that it has approved a substantial loan to improve financial sector governance in Indonesia. This loan will support efforts to strengthen Indonesia's banking system and is critical to restoring financial stability and growth."

Nearing the end of his second term, President Clinton upgraded Summers who replaced the retiring Robert Rubin. At his 1999 confirmation hearings, not a single U.S. senator bothered to ask Summers whether he still found "the economic logic behind dumping a load of toxic waste in the lowest wage country" to be "impeccable."

Summers provided the ideological rationalizations for the new mechanisms of neoliberalism, the primary strategy of global capitalism and its brave new world order:

- promoting cutbacks in all public services while "enclosing" (privatizing) lands, resources, and social services that had been in the public domain and previously used in common (water, forests, air, transportation, medical care, etc.), sometimes using the legal pretext of "eminent domain" at home, economic and military might abroad
- patenting what would become known as "intellectual property rights" (corporate ownership of genetic sequences in people and other living organisms)
- establishing a new market and "stock exchange" for trade in "pollution credits"
- impoverishing peasants and villagers, driving both labor and nature under the domination of new forms of exploitation and expropriation

In the 1990s, opponents of U.S. policies focused on the horrors of the massive bombardment of Kuwait/Iraq, and then Yugoslavia. But in general they failed to fully observe the underlying long-term economic goals that the bombardments and de-structuralizations were designed to accomplish. In a similar way, Bush and Obama's "war on terror" is used today as a cover for repressing resistance to the expansion of empire. The Somali pirates, for example, have become one of the more visible forms of resistance to the dumping of hazardous wastes off the north-east coast of Africa—a consequence of the neoliberal project of Summers. There is a growing understanding that "neither government regulations nor the capitalist market is capable of providing adequate protection for natural ecosystems or communities affected by environmental pollution," and so some of the victims of neoliberalism are taking matters into their own hands against the corporations poisoning them.

### ***From Bush to Obama***

Just as he'd argued for deregulating trade in toxic waste, Summers testified before Congress that the banks and financial institutions were capable of regulating themselves. He was a main opponent of the Glass-Steagall Act of 1933 that restricted what banks were allowed to do. Congress overturned the Glass-Steagall Act, leading to the economic crisis the world has been enmeshed in for the past four years. Former President Clinton himself has had second thoughts about Summers's role here, saying that Summers was wrong in the advice he gave him against

regulating derivatives. Yet, President Obama seems to have had no second thoughts over appointing Summers as director of the White House's National Economic Council.

In the Autumn of 2006, Summers became a part-time managing director of the investment and technology development firm D.E. Shaw & Co. He was paid \$5.2 million in his second of two years working there, while working just one day a week. At the same time, he also collected \$2.7 million in speaking fees from the same corporations that Summers would later allot government bailout money.

When Summers's hero, right-wing economist Milton Friedman, died in 2006, Summers wrote an op-ed in the *New York Times* titled "The Great Liberator." In it, he argued that, "Any honest Democrat will admit that we are now all Friedmanites" and that Friedman had made real contributions to monetary policy. But his real contribution, Summers opined, was "in convincing people of the importance of allowing free markets to operate."



Under Summers and other officials from the World Bank, International Monetary Fund, and World Trade Organization, "world trade...burgeoned with imbalanced cargoes: banned pesticides, leaded gasoline, CFCs, asbestos, and other products restricted in the North [but which] are sold to the South," according to Jim Vallette, formerly of Greenpeace. "Tropical timber, oil,

coal, and other natural resources flow from South to North with little or no benefit to the host communities; and while regulations tighten around dirty coal and dangerous nuclear power plants in the North, they are proliferating in Asia, Africa, Eastern Europe, and Latin America, where they are owned and operated by Northern corporations.

"This trade has been facilitated through tens of billions of dollars of financing by the World Bank, the U.S. Overseas Private Investment Corporation, and the U.S. Export Import Bank, [quasi-]government institutions in which Mr. Summers has wielded his economic logic. His 1991 memo can be considered a working thesis



behind this decade's dominant global economic policies."

When President Barack Obama announced his appointment of Summers, a fellow Harvard alumnus, as director of his National Economic Council, Obama completely disregarded Summers's responsibility in causing or exacerbating the international financial crises and the great suffering they have caused. Instead, Obama heaped praise on Summers, oblivious to the impact (or maybe in support) of the devastation Summers's policies wrought on behalf of capital: "As Under Secretary, Deputy Secretary, and then Secretary of the Treasury, Summers helped guide us through several major international financial crises—and was a central architect of the policies that led to the longest economic expansion in American history, with record surpluses, rising family incomes and more than 20 million new jobs.... I am glad he will be by my side, playing the critical role of coordinating my Administration's economic policy in the White House—and I will rely heavily on his advice as we navigate the uncharted waters of this economic crisis."

So much for Obama's slogan of "change." The die was cast before he stepped foot in the White House.

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