

# Money Talks

Robert Rubin remembers Clintonomics.

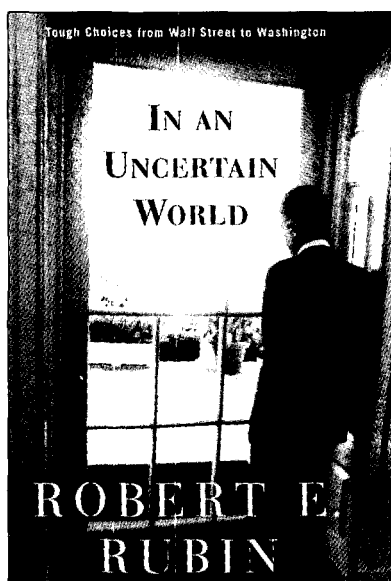
By Steven Mufson

The thought of Robert Rubin ever writing a memoir would have struck those of us who met him during his first weeks in Washington as far-fetched. In his debut luncheon with reporters and editors at *The Washington Post*, the understated former co-chairman of Goldman Sachs seemed barely able to ask for a cup of coffee without letting his young, garrulous aide Gene Sperling speak for him.

That was before federal budget battles, the Asian financial crisis, the Mexico rescue, and the roaring '90s economy turned Rubin into one of the most widely recognized U.S. Treasury secretaries ever, adorning the covers of newsweeklies and briefly (if implausibly) rumored to be a possible vice presidential candidate for Al Gore.

Now, a decade after his arrival in Washington, a more politically seasoned and somewhat less cautious Rubin has written, with the help of *Slate* editor Jacob Weisberg, a memoir of his days on Wall Street and his six and a half years in the Clinton administration.

In *an Uncertain World: Tough Choices from Wall Street to Washington* is no kiss-and-tell memoir, though it does have a few moments of humor and genuine tension. The philosophic core of the book is not profound, composed of Rubin's "fundamental view that nothing in life is certain and that, consequently, all decisions



**In an Uncertain World: Tough Choices from Wall Street to Washington**

By Robert E. Rubin and Jacob Weisberg

Random House, \$35.00

are about probabilities." He imagines "the mind as a virtual legal pad," where variables and probabilities are identified then subjected to a decision based on "instinct, experience and 'feel.'" This is Rubin's recurring theme throughout the book, and it helps explain how he got along so well with the number-crunching Republican Federal Reserve chairman Alan Greenspan.

But the book is illuminating, most of all for the light it sheds on America's current fiscal situation. Once again the nation finds itself with large

structural deficits, growing international uncertainty, and gargantuan Social Security obligations of the Baby Boom generation looming ever closer. Mindful of Republican efforts to discredit the Clinton administration's economic policies, Rubin makes a spirited and largely persuasive defense of those policies while denouncing the "fiscally unsound" tax-cutting frenzy of the Bush administration.

## Arrant Nonsense

When Clinton was elected in 1992, the federal government had little credibility on fiscal matters. I had been covering economic policy for the three previous years and "smoke and mirrors" had become an annual feature after the release of administration budget proposals. Taxes were taboo (or heavily disguised), because the first President Bush had sworn he would back "no new taxes." Spending would not be called spending. Democrats and Republicans used every conceivable trick to make it appear they were living up to the rules of the Gramm-Rudman Act—legislation that had been designed to force lawmakers to balance the books.

So when the Clinton administration released its first budget proposals, I instinctively started writing the "smoke and mirrors" story, until a senior editor came by to suggest that this time it might be different. And it was (mostly). Rubin and the rest of the Clinton team weren't saints ("a small puff of smoke and a little glint of a mirror," as one congressional budget expert described the first budget proposals), and many economic policy issues under their watch were, and are, open to legitimate debate. But even though the president's credibility in his personal life would be destroyed, the administration's credibility on economic issues grew. More importantly, record-breaking deficits disappeared, replaced by record-breaking surpluses, and the politics of scarcity ended. Once again Democ-

rats and Republicans could debate what government should or should not do rather than what it simply could not do.

It has become fashionable among some people to attribute the prosperity of the Clinton era to the former president's good fortune. And while Rubin's book doesn't have any startling revelations about the economic policy decisions of the Clinton presidency, it does serve as a reminder that Clinton did indeed make some tough and potentially unpopular choices.

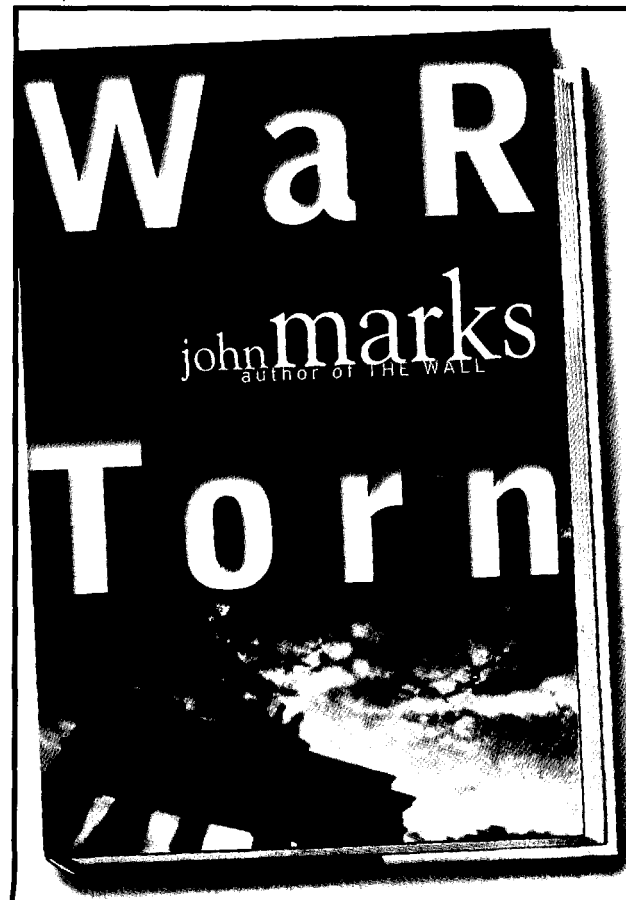
The first was his decision in 1993 to press for a budget package aimed at reducing the mounting federal deficit. The package—a combination of modest trims in federal spending, an inching up of the tax rates on upper-income earners, and an expansion of the Earned Income Tax Credit for the working poor—passed without Republican support. With hindsight, the administration's budget plan appears prudent. It boosted confidence in Washington's

fiscal responsibility and thereby helped drive interest rates lower. Liberals at the time accused Clinton of betrayal for abandoning the middle class tax cuts he had campaigned on, but those accusations seem trivial now. Conservatives at the time predicted the deal would slow the economy. It was instead followed by the longest economic expansion in American history.

Many conservative economists have since argued that interest rates had already begun falling under the first Bush administration, and that the economy's total amount of savings and investment is not affected by the federal deficit because individuals and corporations adjust their behavior. Rubin calls the idea that big long-term fiscal deficits have no effect on interest rates "arrant nonsense" and spends several pages calculating just how much of a premium can be attributed to the deficit. Republicans who argue that the growth of the late 1990s was a result of Ronald Reagan's tax cuts, Rubin quips, might as well

give credit to Herbert Hoover. And to those who think that technology advances explain American success, Rubin notes that identical technologies failed to spark the same growth in Japan or Europe. Credit, he argues, must go to Clinton's budget-balancing fiscal policies, pro-trade achievements, and willingness to intervene selectively to stabilize international markets.

Rubin portrays Clinton as smart, engaged, and willing to take political risks to do what seemed right. In a fast-paced chapter about the Mexican financial crisis of 1994, Rubin recalls going to Clinton, describing the situation, and telling him that the rescue plan that Rubin and his team had devised with the IMF would be "massive, potentially unpopular, and risky." It would be criticized as "bailing out" wealthy American and European investors, Rubin predicted, and it would bring a battle with Congress, which in elections nine weeks earlier had fallen under control of the Republicans.



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White House Chief of Staff Leon Panetta, who supported the package, still told Clinton it could cost him the election in 1996. Nonetheless, Rubin says, Clinton did not hesitate to support the rescue package for Mexico. "He gained nothing politically by helping Mexico and risked much at a time when his political capital had already been greatly diminished," Rubin writes. It was, he says, a Bill Clinton "the public too seldom saw."

## Keeping his distance

Rubin is charmingly candid about how he first came to the attention of Democratic Party leaders for a wholly different kind of economic acumen: political fundraising. As a senior partner and co-chairman at Goldman Sachs, he was a campaign finance rainmaker, and that gave him entrée. Rubin became Walter Mondale's New York State finance chairman in the 1984 presidential campaign. He concedes bluntly that "my place at the Mondale table came from fund-raising." In 1991, he co-hosted a series of small dinners held by a group of 15 wealthy New York business and media figures with prospective Democratic presidential candidates. One was named Bill Clinton.

But Rubin does come by his twin interests in finance and politics quite naturally. Rubin's paternal grandfather fled to the United States from Minsk, Russia. Like many Jewish immigrants he arrived penniless, but grew wealthy speculating in Florida real estate during the 1920s before losing his fortune in the land bust that followed the stock market crash of 1929. Rubin's maternal grandfather was a lawyer and real estate investor whose real passion was politics. He ran a Democratic club in Brooklyn, part of the party's machine, and was a major figure in his slice of Brooklyn.

Unlike his grandfathers, however, Rubin entered the worlds of business and politics from the top. A graduate of Harvard College and Yale Law School, he joined Goldman Sachs,

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one of the most respected investment banks, after becoming bored with practicing law at Cleary Gottlieb. He touches on some of the giants of Goldman Sachs, the tempestuous Gus Levy and legendary "Bunny" Lasker. And he is not too proud to recount how he lost half a million dollars of the firm's money by guessing wrong on a merger. He must not have bet wrong too often, because he rose to the top of the firm.

Rubin spent 26 years on Wall Street as a trader, but he came to Washington unburdened by the arrogance and missionary zeal many businessmen bring to government. In business and politics, both known for their rude, over-the-top ways, Rubin was distinguished by his courtesy and reserve. He writes that when he came to the nation's capital in 1993 as head of the newly created National Economic Council, he had much to learn from the more experienced political hands, even if many of them were 20 years younger than he was. But those young political hands in the White House learned much from Rubin—especially a respect for

the power of financial markets.

Rubin was a good fit for the Democratic Party in the Clinton era. During those years, Democrats traded places with the pre-Reagan Republicans and became the party of fiscal responsibility, all things being relative. Rubin wanted the government to have social programs, but he wanted government to figure out how to pay for them without running huge deficits.

Clinton adviser James Carville lampooned Rubin's concern about bond markets by calling him "Nick" after Bush Treasury Secretary Nicholas Brady. But Rubin was, in fact, a liberal in a business suit, concerned with "the fundamental problem of an urban underclass cut off from the mainstream of American society."

This concern for the poor led him to side with administration liberals in opposing Clinton's signing of the welfare reform bill of 1996. "I felt strongly that some people on welfare are unable to work for reasons that are beyond their control, whether psychological, physical, or simply through a lack of work skills and work habits." He says cutting off food stamps and other benefits to legal immigrants "just seemed wrong to me." Clinton eventually got some of these benefits put back, and Rubin retained his respect for his boss.

Perhaps Rubin was able to keep a favorable view of Clinton because he was not a great chum of the president. Rubin likes a full night's sleep. He returned home to New York on weekends. He tells one revealing anecdote about his relationship with his Clinton colleagues. During the early days of the administration, Vice President Al Gore suggested the Cabinet members spend a weekend at Camp David. After dinner, they sat in a circle and each person was supposed to tell something personal the others didn't know. "When my turn came, I said I didn't have anything I particularly wanted to share," Rubin recalls.

Perhaps that distance helped his



relationship with Clinton in the end. Monica Lewinsky is mentioned in the book only twice, and there is no news in either instance. Whereas many of Clinton's most devoted supporters have spoken of their bitterness and sense of betrayal about Clinton's affair, Rubin betrays none of those feelings. Indeed on the subject of Lewinsky, Rubin is relatively forgiving. He says Clinton was "remarkably focused" and that in talking to him about economic problems in Russia, for example, "you wouldn't have known he had anything else to worry about." And whereas some former Clinton aides have said Clinton could have accomplished greater things were it not for Lewinsky and the impeachment, Rubin says that wasn't true in the economic sphere. He believes that the next big economic policy issue at the time was Social Security reform, but there wasn't any appetite for such a potentially unpopular undertaking among Republicans, who controlled Congress, or among Democrats when a government surplus was in sight. "Well before the scandal, we already felt stuck," he says.

## Deficit redux

If there is any bitterness in the book, Rubin reserves it for members of Congress. He spears former House Speaker Newt Gingrich for toying with the possibility of an unprecedented and potentially disastrous default on U.S. government bonds in 1995. Gingrich opposed the normally routine measure to raise the national debt ceiling unless he could attach unrelated and unacceptable items to the legislation. The debate was harsh. Ultimately Rubin found a way to pay the government's bills for a short period, and Gingrich backed down. After that fight was over, Gingrich was friendly again. But, Rubin writes, "even after a few years in Washington, I couldn't relate to the idea that you shouldn't take it personally when someone

calls you a liar and a thief. The propensity to convert policy and political disagreement into personalized assault can have consequences for decision-making."

He also remains incredulous that Gingrich would use the federal government's reputation and credibility as a hostage for a political agenda. "At the time, I didn't think that this threat was serious," Rubin writes. It was, he said then and now, "unthinkable."


But in Washington politics these days, the unthinkable has become reality. To me, it is hard to conceive how any president would want to return to an era of big budget deficits. Having written about the

1990 budget battle under the first President Bush and seen the close call President Clinton had getting his budget deal through Congress, I would think that any president would want to avoid such legislative bloodshed. And yet surpluses are now gone, massive long-term deficits are back, apparently by design, and the government's reserves of credibility have been depleted once again. Replenishing them will take leadership, and time. Even in Rubin's "uncertain world," that much seems certain.

**Steven Mufson** is deputy editor of the Outlook section at *The Washington Post*. He covered U.S. economic policy for the *Post* from 1990 to 1993.

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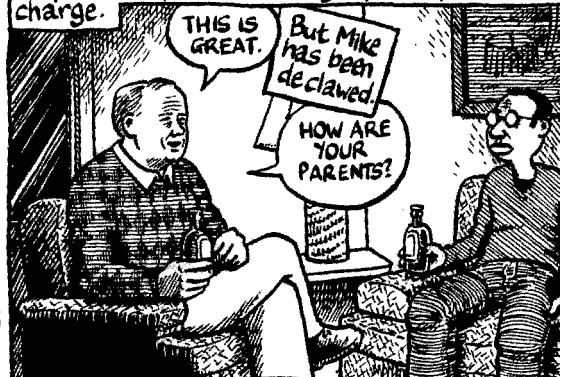
# MEANWHILE in AMERICA

by Joe Sacco  
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There was a time when Mike struck fear into the hearts of his friends, when a visit from Mike meant smashed furniture, ruptured sewage lines, and the prospect of finding him passed out on your futon.

And now that he's here visiting me, I don't know what to expect. I've just bought a couch and I'm waiting with newly acquired bourgeois trepidation for the evening's first spill or discharge.



He's married now, with two kids. He's an engineer on cargo ships and spends half his time at sea. Mike is fulfilling his high school dream.

Talk turns—as it always does with Mike—to old friends, the missing and the gone forever.

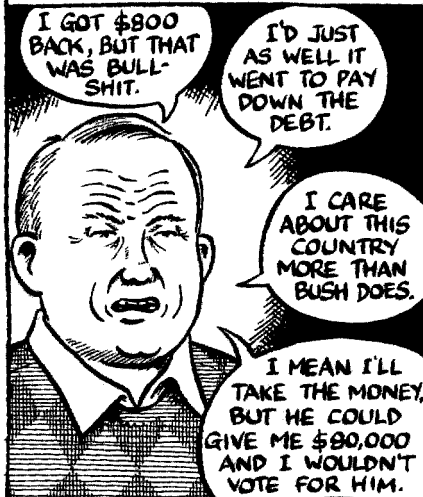


No one I know cares as deeply about old friends as Mike. They live in his heart even if their ashes are long scattered. I suddenly feel shame in his presence.

Even back in high school, before our more personal losses, Mike exhibited a streak of sentimentality that unnerved me. He would get almost teary eyed about the assassination of his hero JFK, an event which had taken place when we were barely out of diapers.



I ask what he thinks of Bush and Co., and among Mike's only printable comments is this on the tax cut:



And what of his precious Democrats?

