

# Rohatyn's new 'New Deal': fascism with a democratic face

by Steve Parsons

In 1975, when the elite of New York's "Our Crowd" oligarchy decided to set a precedent for the "controlled disintegration" of U.S. cities, Felix Rohatyn, from the top investment bank Lazard Frères, was assigned to head a newly-created agency misnamed the Municipal Assistance Corporation, or "Big MAC." As its chairman for the past 15 years, and in tandem with the state-run Financial Control Board, Rohatyn has wielded virtually dictatorial power over New York City's government, specifying incredibly high levels of austerity and disinvestment in the city to guarantee an uninterrupted flow of city debt payments into Wall Street's coffers. Rohatyn was heralded as the "savior of New York," and the Big MAC-control board model was wielded against cities across America.

Rohatyn's New York "success" resulted in Wall Street's restoration of the city's creditworthiness and bond ratings—at the expense of decimating the nation's greatest city. His policies fostered new levels of unparalleled speculation and decay, complementing the national hot-air boom of the 1980s. Ironically, and lawfully, the success of these measures has now generated in New York a renewed—and far worse—financial crisis.

In short, Rohatyn's innovative ideas for New York and other urban areas were dismal failures, by any real physical economic measure, and have only exacerbated the economic and financial unraveling now seen in New York and throughout the country.

Rohatyn and his New York solution exemplify the approach of the so-called more "enlightened" sections of the U.S. financial elite who realize that they must shift gears in order to maintain control over the American population and the economy while exacting such looting. Supposedly innovative thinkers like Rohatyn are trotted out to float new, often "radical" ideas to induce the population to accept fascist regimentation under an aura of democratic choice, in order to preserve and augment the establishment's political power.

In November, Felix the Fixer unveiled the perspective of at least a significant faction of the establishment for dealing with the U.S. economic collapse. That perspective can be summed up as "fascism with a democratic face."

But, like his achievements in New York, Rohatyn's latest scheme cannot work; it will merely aggravate the ongoing collapse.

## The fascist demagogue

In a Nov. 13 speech in New York City, Rohatyn condemned the decade-long debacle of unbridled speculation, debt pyramiding, and disinvestment in the real economy. There has been "no attempt whatsoever," he said, "to deal with this country's basic problems: our loss of industrial competitiveness; the inadequacy of our public investments; the failure of our public schools; the capital inadequacy of our financial institutions; the losing fight against drugs and crime." The government has perpetrated "the most gigantic spending and speculative binge in the country's history . . . they have bankrupted the richest country in the world."

Rohatyn's prescription is an updated version of the New Deal of the 1930s, replete with a retooled National Recovery Act and a new leader in the mold of President Franklin Delano Roosevelt, who can rally the population to accept sacrifice.

"Neither the national economy nor our social structure can function unless state and local governments can fulfill their roles," said Rohatyn. "This is no longer possible . . . without a change in the federal role and reallocation of national resources. This can only happen if, for some period of time, be it four or eight years, a national administration, elected on the basis of a specific *national recovery program*, and commanding a majority in both houses of the Congress, is able to put this program into effect. . . . I believe that the Democratic Party, if it adapts to the reality of the 1990s, is most likely to come up with such a program. . . ."

"I know that any call for strong government immediately evokes cries of authoritarianism; but there is something between fascism and anarchy. . . . That something is a democratically-elected government that can act based on policies the voters understand and support."

With his track record as the butcher of New York City, Rohatyn is hardly calling for a real recovery program along the lines of that proposed by economist Lyndon LaRouche, but for a demagogic President who can skillfully manipulate gullible voters into accepting further looting in pursuit of so-called recovery policies.

"I believe that voters are looking for political leaders with a serious program to deal with this nation's problems. Taxes, by themselves, are not a program. The right leader, with a coherent program, can convince the country that some taxes will have to be included to pay for such a program, as long

as the taxes are clearly dedicated to a particular purpose,” Rohatyn continued.

One big problem for Rohatyn and company is that no saleable American Mussolini has yet come to the fore. Rohatyn’s choice might be New York Gov. Mario Cuomo, who on Dec. 17 traveled to Washington to deliver a Rohatyn-scripted diatribe against the administration’s economic policies.

But Cuomo is hardly a viable option. He barely squeaked through his re-election campaign against non-entities in November, and is on the verge of becoming an anathema because of severe budget cuts he is now making in his home state.

### What is the new ‘New Deal’?

A closer look at some of the key aspects of Rohatyn’s fascist “New Deal” proposal reveals their fraudulent nature.

Rohatyn does not disagree with the establishment’s, and Bush’s, utopian policy of out-of-area military deployments to enforce looting and genocide against Third World populations. He recognizes, however, that this can only be sustained with sufficient domestic economic and social discipline, as well as bludgeoning our erstwhile NATO allies to bear more of the burden.

“The U.S., today,” he stated, “is the only superpower . . . that can exercise influence anywhere on the globe. . . . We have to maintain the unquestioned military capability to deter aggression and punish it, if need be. However, if we do not deal with urgent domestic problems which have long been neglected, we will have neither the means, nor the reach, to exercise our influence as powerfully as we have to. . . . There will be other Kuwaits; other Iraqs.” But: “The European Community will have to carry a much larger share of responsibility for regional stability.”

Our trading partners are to be victimized through a “more aggressive international posture.” Any financing the United States provides, especially for the Third World, must be tied to increasing “privatization” of nations’ national industries—that is, through the sale of national industries to multinational corporations. Actual physical capital formation in these industries is to be sacrificed to profits being squeezed out of them.

Rohatyn decries the lack of capital available for rebuilding infrastructure and industry, as well as education. But where is the capital funding supposed to come from? From a virtual police-state regimentation of the society, which “will require a mobilization and a reallocation of domestic resources requiring war-like determination and a willingness to experiment which we have not seen since the New Deal.”

This means, specifically:

- Gouging “the sacred cows: social security, Medicare, military cuts, taxes.”

- Gutting the labor force, which he euphemistically described as “generat[ing] capital through high savings and

productivity rates.”

- Most importantly, looting the \$2 trillion pool of workers’ pension funds.

Rohatyn proffers two schemes for grabbing these funds. first, the creation of “special state bonds, guaranteed by the federal government” and financed with a 50¢ or more national gasoline tax; and second, a 20% tax on pension fund income.

### Bailing out the banks

All of this is premised on preserving, at all costs, the debt bubble and the major financial institutions that created it. While castigating the excesses of “speculation and financial irresponsibility . . . financial deregulation, easy credit, and regulatory neglect,” Rohatyn, in almost the same breath, wants even more deregulation—such as limiting deposit insurance and ending the separation among banking, insurance, and securities brokering—“to provide our country with a banking system that can respond to our needs.” There should be no doubt that the “our” referred to is Rohatyn’s establishment friends.

This will all feed into shrinking and consolidating the banking system into just a few large national banks, led by the Federal Reserve, which will function as enforcer, stockholder, and bankroller.

“The Federal Reserve Bank could . . . encourage the creation of institutions of sufficient size and efficiency. . . . The Fed should be authorized to inject new capital as part of such a program through the purchase of new non-voting bank securities to provide an adequate capital base. This was done by the RFC [Reconstruction Finance Corp.] in the 1930s. Our banking system, today, requires a minimum of \$25 billion, more likely \$50 billion of new capital to function effectively.”

This would mean that the Federal Reserve, which from its inception has been the handmaiden of the House of Morgan interests, would control, top-down, every aspect of banking policy, including most emphatically, the allocation of credit to only its favored allies.

Furthermore, the Fed should replace all bank regulatory agencies and subsume dictatorial control, says Rohatyn cronny Henry Kaufman. According to *Washington Post* columnist Hobart Rowen, “Kaufman thinks there needs to be an overhaul of the entire existing system of financial regulation to ease what he called ‘the crumbling’ of credit. ‘We need centralization in regulation and supervision,’ Kaufman says, nominating the Fed for the job.”

These “innovative ideas” are likely to turn up, at least in part, in the overhaul of the banking system that Treasury Secretary Nicholas Brady will propose in 1991. This, of course, would come at the expense of the taxpayer and the productive economy—which in their collapse will, ironically, ensure the destruction of the very financial institutions and elites which Rohatyn is trying to save.