

Kerry's Short List

Truth is, the Senator hasn't relied much on economic advisers, but the new team emerging is heavily Clintonesque.

BY ALAN MURRAY

Ask Senator John Kerry's long-time aides to name people he has relied on for economic advice, and you're likely to get a blank stare. Push further, and they may mention a conversation he once had with the late MIT economist Rudi Dornbusch. Or an article he read by Blackstone Group Chairman Peter Peterson. Or a speech written for him more than a decade ago by former Commerce Undersecretary Robert Shapiro.

Truth is, Senator Kerry hasn't relied much on anyone for economic advice over the years. His Senate staff focused more on foreign policy, or POW/MIAs. A former prosecutor, he conducted investigations like the one into the BCCI scandal. Economic policy, say those who worked with him in the Senate, wasn't really his thing.

It is now. Candidate John Kerry recognizes that for all the focus on turmoil in Iraq, it's the economy and its troubles that offer his best shot at winning the White House. Key battleground states are suffering from large job losses. The state of Ohio, for instance, has lost more than 200,000 jobs since President Bush took office. To seduce such states from the Bush column, Kerry needs to show he can do better.

He plans to do that by relying on people who've already proven they can do better: President Clinton's economic team. When Kerry assembled a group of economic advisers in Boston in early April, the cast had a remarkably familiar look: former Clin-

Alan Murray is Washington bureau chief of CNBC and contributing editor of the Wall Street Journal.

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2099 Pennsylvania Avenue, N.W.
Suite 950

Washington, D.C. 20006

Phone: 202-861-0791

Fax: 202-861-0790

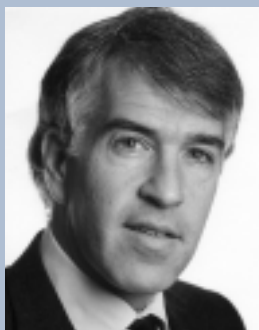
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The First Cut



Jim Johnson:

The Democratic Party's James Baker. Politically and financially savvy. Dark horse for VP but obvious choice for Treasury Secretary. Well-plugged into Washington and Wall Street powerbrokers. A heavyweight's heavyweight.



Roger Altman:

Clinton's Deputy Treasury Secretary fell victim to Whitewater but was cleared of wrongdoing. Possibly Treasury? A better bet: head of the President's National Economic Council. Even Republicans say he deserves a second chance.



Gene Sperling:

Consummate inside man will likely have become indispensable to Kerry by November. Possible Secretary of Education or Labor. Best placement: Director of OMB—would be formidable.



Laura D'Andrea Tyson:

Tough former Clinton NEC head, could run Commerce, Labor, even become U.S. Trade Representative.



Louis Susman:

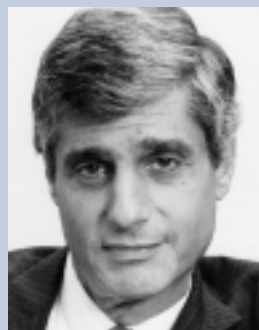
Kerry's highly effective money man, could become Senator's "Don Evans" running Commerce.



Steven Rattner:

Wall Street heavyweight and Democratic insider. Good fit for a number of top jobs.

Potomac Fever?



Bob Rubin



Larry Summers

Both are powerhouses and likely choices for Chairman of the Federal Reserve Board. Rubin's almost certain to have the right of first refusal. If he turns it down, Summers would be next in line, if not offered the World Bank.



Ted Kennedy

Kennedy vs. Clinton

Kerry's full embrace of Clintonomics doesn't always sit well with the two other big influences in the Democrat's campaign—Senator **Ted Kennedy**, who came to Senator Kerry's rescue in the primaries, and organized labor, which will provide him with foot soldiers during the long year ahead. Both are less inclined to worry about fiscal rectitude, and more insistent on increasing government "investment"—read: spending. In an interview with me, Kerry made a

nod in their direction by saying one area of disagreement with President Clinton's economic policies was his belief that "there should have been more infrastructure investment." But for the most part, Kerry seems to have made an early decision to favor the Clintonites—whose focus is fiscal prudence—over their Kennedy-labor rivals.

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ton Treasury Secretary Robert Rubin was there, as was former Clinton Deputy Treasury Secretary Roger Altman and former Clinton National Economic Council Chairman Gene Sperling. Two younger alumni from the Clinton administration—Jason Furman and Sarah Bianchi—were also on hand. The only person missing was former Treasury chief Lawrence Summers. As head of Harvard University, he has to avoid an active role in the campaign. But as one of the others put it: "He takes our phone calls."

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Kerry disputes the notion that this is a new direction for him, and the notion that he is a neophyte in economic policy. He points out that he served ten years on

the Senate Banking Committee, was a member of the Senate Commerce Committee, is now a member of the Senate Finance Committee, and chairs the Senate Small Business Committee—which he renamed the Small Business and Entrepreneurship Committee. He can rattle off a long list of moderate-sounding initiatives that he helped champion—low documentation loans, the New Markets initiative, a targeted capital gains tax cut, and so on. He is particularly proud of his early support of the Gramm-Rudman-Hollings deficit-cutting measure in the late 1980s. Speaking of Clintonomics, Kerry says, "It was sound policy, that I took part in. In fact, I preceded it."

What would a Kerry economic team look like? Any speculation at this early stage of the campaign has to be taken with a few buckets of salt. Twelve years ago, Bill Clinton was relying on the advice of a group of long-time friends and aides—Ira Magaziner, Derek Shearer,

Robert Shapiro, and Robert Reich—none of whom, except Reich, ended up in major cabinet posts. Mr. Clinton surprised everyone when he picked Senator Lloyd Bentsen as his Treasury Secretary. Likewise, four years ago, pre-election speculation on who would be Treasury chief never even touched on former Alcoa Chairman Paul O'Neill, who got the job.

But with that huge caveat, here's the early handicapping:

Roger Altman. During the 1992 campaign, savvy commentators predicted Altman was Clinton's likely choice to be Treasury chief. He had all the right qualities: a small fortune earned on Wall Street, experience at the Treasury in a previous administration, and a long-time association with Clinton (they went to Georgetown University together.) When he was passed over for Senator Bentsen and named deputy Treasury secretary instead, the smart money said he would gain seasoning and replace the elderly Bentsen in a couple of years' time.

But Altman became a victim of the first Clinton scandal: Whitewater. As the number-two Treasury official, he became acting head of the Resolution Trust Corporation, set up to deal with the massive failure of savings and loans. While holding that post, he gave top White House officials a "heads up" about RTC criminal referrals that involved the Clintons. He then

let a White House aide talk him out of recusing himself from the investigation, and had a phone conversation with another White House aide who called to criticize the RTC's choice of a Republican lawyer to head the investigation. After his contacts with the White House became public, Altman was forced to endure sixteen hours of grueling congressional testimony. Two weeks later, he resigned.

Altman was cleared of legal wrongdoing. But his actions still struck many members of Congress from both political parties as, at a minimum, ethically questionable.

Now, Altman—who is more experienced, and more affluent—is once again being mentioned as a potential Treasury Secretary. But some worry he would face a tough confirmation battle in the Senate. That's not a certainty. One Senate Republican, who was an early advocate of Altman's resignation ten years ago, said, when I asked if he'd vote to confirm Altman: "Time heals a lot of things." But a cautious Kerry may not want to take the risk.

Moreover, Mr. Altman also has had health problems, undergoing a heart transplant in recent years, which could argue against a high-profile post. Although on that score, Vice President Dick Cheney has gone a long way toward making government safe for those with mended hearts.

My early guess: Altman will get the job Robert Rubin took in the first years of the Clinton administration—head of the President's National Economic Council.

James Johnson. The joke around Washington is that Johnson, former head of Fannie Mae and the manager of Walter Mondale's 1984 campaign, may "pull a

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Cheney." Like Cheney four years ago, Johnson was asked to head up the search for Kerry's vice presidential nominee. And like Cheney, the wags say, he should just offer himself up for the job.

That's an indication of how highly he's regarded. But no one seriously expects it to happen. Instead, Treasury Secretary would make a nice consolation prize.

Johnson certainly has the right résumé. He's both politically and financially savvy. And he has a velvety

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smooth manner that's reminiscent of James Baker, the successful Treasury Secretary and Secretary of State in the first Bush administration. He knows everyone who matters in Washington, and everyone who matters on Wall Street. Most importantly, he is a vice chair of Senator Kerry's finance committee, having raised more than \$100,000. Those who know him say he'd be perfect for the job.

Johnson hasn't been part of the Kerry camp's effort to forge its economic policies. But that's certainly not a disqualification—Treasury Secretaries are seldom chosen from those who do the dirty work of a campaign.

Gene Sperling. Sperling is relatively new to the Kerry team, having flirted a bit with Senator John Edwards—and anyone else who asked—during the primaries. But those who've worked with Sperling in the past are betting that candidate Kerry will be totally dependent on him by the time November rolls around.

That's because Sperling has what every Presidential candidate needs—the ability to instantly devise economic programs, write economic talking points, and respond to economic criticisms in a way that is both politically sound and economically respectable. He has become an indispensable campaign "type," and among the cognoscenti, his name has become a common noun. Economic reporters routinely ask other political candidates: "Who is your Sperling?"

“So tell me again why you want to work in Washington?”

If there is a Kerry cabinet, whoever gets the honor of staffing the economic jobs may come to regret it. With the surplus gone, the “fun” policy decisions—cutting taxes, cutting interest rates, creating new entitlements—are clearly over.

The Fed is likely to start tightening monetary policy soon after the election—if it isn’t forced to do so beforehand. And rising rates are sure to focus attention on the yawning budget deficit.

That will set the stage for a massive showdown between a President Kerry and a GOP-led Congress—assuming the GOP retains control, as now seems likely. Republican leaders will attempt to block any effort to roll back tax cuts. And members of Congress from both parties will resist steep spending cuts.

Crawling out of that trap will test the skills of anyone the Democratic party has to offer.

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For his part, Sperling would like to rise above his well-earned reputation as the ultimate political-economic hack, and take a post as a cabinet secretary in the next Democratic administration. If not Treasury Secretary, he’d probably like Secretary of Education or Secretary of Labor.

But if Kerry is smart, he’ll make Sperling the director of his Office of Management and Budget. It’s one of the most powerful, and most important, posts in any administration. And Sperling already knows budget numbers, and budget politics, better than anyone in the business.

Robert Rubin and Larry Summers. There’s probably only one post suitable for either of these two power-

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houses: Chairman of the Federal Reserve Board. And it just so happens that job is scheduled to open up in 2006, when Alan Greenspan’s term as member of the Fed’s Board of Governors will expire.

The problem is, which one will get the nod? Rubin is almost certain to have the right of first refusal. His status within the Democratic party, and on Wall Street, is unmatched. But those who know him also say it’s at least possible that he’d turn the job down. In that case, Summers would be next in line. Harvard’s overseers wouldn’t be happy to see their president leave after six years on the job. But they probably wouldn’t be able to stop him.

The one other job that might lure Summers away from Harvard is the presidency of the World Bank.

OTHERS TO WATCH

Laura D’Andrea Tyson, who now runs the London Business School and served as head of the National Economic Council under President Clinton, is touting Kerry these days, and would make an attractive addition to his cabinet. She could be a Commerce Secretary, a Labor Secretary, or even the U.S. Trade Representative.

Lou Susman of Chicago is Kerry’s national finance chairman and the vice chair of Citigroup Global Markets. He’s overseen an unprecedented success as Kerry’s top fundraiser. And he was on hand in April for Kerry’s big economic speech. He could be a good candidate for the Commerce job.

Steven Rattner. Former deputy chairman of Lazard and now the head of his own investment firm, Quadrangle, Rattner has been a fixture in the Democratic party for a couple of decades. He attended Kerry’s economics meeting in Boston. And he’d be a good fit for any number of economic policy positions.

Some important Kerry insiders say to keep a sharp eye on a few more “dark horse” figures. The word is Senator **Kent Conrad** (ND) and Representative **John Spratt** (SC) are extremely close to Kerry who thinks a lot of their abilities. **Franklin Raines**, now chairman and CEO at Fannie Mae who served as OMB director under President Clinton, is likely to be considered for something big. Two well-known figures in the business world—investor extraordinaire **Warren Buffet** and Ap-

And Who Are the Dark Horses?



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(D-ND)



Rep. John Spratt
(D-SC)



Franklin Raines



Steve Jobs



Warren Buffett

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