

Budget summit hits a snag in its drive for austerity

by William Jones

Bush administration officials are now admitting that the "recovery," which they claim has been going on for the past eight years, is a fraud. But rather than draw the appropriate conclusion that there is something wrong with the policies they have been pursuing, they are using the fact of the government's fiscal crisis to ram through a fascist austerity regime.

The drama with which Office of Management and Budget Director Richard G. Darman announced on July 16 that the U.S. government now faces a fiscal 1991 budget deficit of \$168.8 billion, well above the \$100.5 billion deficit forecast in January and the third revision of administration figures this year, was meant to destroy any opposition among U.S. legislators such to austerity.

The crisis atmosphere was heightened when ominous news from the Resolution Trust Corp. indicated that the agency responsible for the savings and loans bailout would run out of money by the end of September, unless something is done to get more funds into the pipeline.

The "budget summit," meeting for the last couple of weeks under a cloak of silence, was faced with the task of revamping all the current attempts to bring down the deficit, including the Gramm-Rudman-Hollings legislation, in order to prevent an automatic \$100 million across-the-board reduction in government spending which will come into effect if the negotiators have not succeeded in bringing down the deficit to \$64 billion.

Darman stated that the consequences of a Gramm-Rudman sequestration would involve cuts of up to 1 million military personnel, cuts in the air traffic control system, a halt in all new cleanups of toxic waste sites, and a one-third reduction in research, prevention, and treatment of drug addiction. Already the cuts in defense spending have led to huge layoffs in the U.S. defense industry. Proposed defense cuts are now seriously jeopardizing the Strategic Defense

Initiative.

"It's better that people see it now, to try to build some impetus to get an agreement," said Democratic budget negotiator Leon Panetta (D-Calif.). "I'm hoping the magnitude of this sequester order will help establish the depth of the crisis we are facing."

While Darman wielded the stick, Federal Reserve chairman Alan Greenspan promised to lower interest rates if the administration and the Congress reached an agreement on significant cuts in the federal budget. Admitting that the risk of "recession" had increased "slightly," Greenspan indicated a willingness to turn on the money supply spigot, if only the austerity package were agreed upon.

In collaboration with the Democratic congressional leadership, the administration is driving for a kind of *Notverordnung*, or emergency decree to implement austerity, similar to that introduced by Heinrich Brüning in the Weimar Republic in the 1920s.

Opposition from LaRouche

Such an austerity regime does not have to happen. Congressional candidate Lyndon LaRouche, who has warned for years that a depression would come if the Establishment did not change its policies, is now bombarding the Washington, D.C. area and Virginia's 10th Congressional District with radio announcements and campaign literature on the crisis, and what can be done.

In a statement released by his campaign headquarters on July 19, LaRouche stressed that "the United States is presently, and has been, for more than two quarters, in an economic depression: not a recession, a depression.

"It is also apparent that the attempts of George Bush's team, since the last year of the Reagan administration, to cover up the disaster in the international and national monetary, financial, and economic realms, can no longer be sus-

tained. We are in a depression, and there is no way in which a bailout of a sick banking system, a sick real estate market, and so forth, can be accomplished under the present general rules of the international system, or of the United States government and financial markets.

“There must be a fundamental reform of the type which I have called for over longer than a decade, over approximately 15 years. The keystone of the reform must be, very soon, a new international monetary order, to replace the bankrupt remains of the old Bretton Woods system, established at the end of World War II.”

The bankrupt economies of the United States, the British Commonwealth, the communist countries, and most of the Third World, he said, must be put through something like a Chapter 11 bankruptcy reorganization, writing off much of that unpayable debt. The new world monetary system must be built around the nucleus of the only part of the world economic and monetary system which is still generally viable outside of Japan: the European Monetary System. It must be a gold-reserve monetary system, attuned to the “neo-mercantilist” rules of national banking. It must generate low-interest credit for investments in economic infrastructure and in technologically progressive agriculture and manufactures. It must foster stable and growing levels of international trade among participating nations.

Republicans revolt against increase

Opposition to the administration policy is also coming from House Republicans, angry at the President’s reversal of his no-new-tax pledge. On July 18, they overwhelmingly adopted a resolution declaring their opposition to tax increases as part of a compromise to reduce the budget deficit. Bush’s reneging on his “solemn” pledge of “no new taxes” was a condition imposed by the Democratic leadership on President Bush in order for them to continue budget negotiations.

Many Republicans, facing re-election this year, felt that the President pulled the rug from under them by his move, and was taking more consideration to his own re-election in 1992 than their re-election in 1990. “We admire the President, and we support the President,” averred Rep. Mickey Edwards (R-Okla.), one of the prime movers behind the resolution, “but we don’t work for the President.” Another California Republican, Rep. David Dreier, said, “We’ve been getting hit on this issue and it hasn’t been fun.”

The Democratic congressional leadership reacted strongly to the resolution, claiming that it contradicted both the President’s announced position on taxes and the bipartisan agreement among congressional leaders that tax increases would have to be a component of any final accord on a deficit-reduction package. Intense in-fighting has been waged between the White House and the congressional leadership as to who will pay the political price if the austerity package leads to mass revolt in the country. House Budget Committee

Chairman Panetta said that the “rejection of the President’s position on taxes by a solid phalanx of House Republicans raises serious questions of whether you can put together an agreement that will pass.” House Majority Leader George Mitchell (D-Me.) warned on July 20 that the Democrats would not support any austerity package unless it was supported by a majority of Republicans in the House and the Senate.

Attempts were made to quell the Republican revolt. Sen. Phil Gramm (R-Texas) said that the resolution was “meaningless, because it simply says that in an ideal world, if we were in control of the House and the Senate, [this is] what we might like to do.” Sen. Pete Domenici (R-N.M.) complained that “some people are trying to make this budget summit a tax summit. We believe that spending is the big issue, the first issue. . . . Frankly, we know that defense is going to come down substantially, there’s a whole shopping list of entitlements that can be reformed that will save a substantial sum of money, and we’re not talking about much more in revenue than the president had in his budget.” Republican House Whip Newt Gingrich (R-Ga.), an original supporter of the House Republican resolution, reversed himself on the issue saying that he was “prepared to sponsor and support” legislation to raise taxes to reduce the federal budget deficit.

In spite of efforts to smoothe things over, the rancor among the House Republicans continues to smolder. A Republican National Committee member from Arizona, Jack London, warned, “If, after this budget summit is over, we perceive that the President lied to us on ‘no new taxes,’ then he’s dead for the second term.”

Democrats in disarray

Also in the Democratic camp, behind the facade of unity over the need for bringing down the deficit, there is a great deal of dissension over exactly how to implement an austerity package without committing political suicide.

In the absence of budget guidelines, the House Appropriations Committee reported out of committee four appropriations bills which substantially exceeded the White House budget, trying to save some constituent support, in the hope that defense would take an even greater hit than that proposed by President Bush in order to balance out the increases. Although the committee has gone along with the lie that the budget deficit is the real cause of the country’s economic woes, the appropriations bills indicate that there will be a real tug of war over where the cuts will be implemented.

Recent moves to take Social Security off budget also clearly show that legislators are none too keen on going back to face their constituents this year. Calls for tougher measures against S&L “crooks,” and beating the drum for protectionist moves against allies in Europe and the Far East, are among the more desperate moves being made to place the blame for the depression on “outside forces.” But they will do nothing to solve the problem, and will certainly not make it go away.