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## U.S. Deficit

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# International banks push budget crisis

by Susan Kokinda

The President, the Senate, and the House of Representatives, came to an agreement on a budget and deficit reduction package on Thursday night, Aug. 1. The agreement followed weeks of apocalyptic statements by the media and other frontmen for the international banking community about "institutional breakdown," "financial instability," and "threats to the sovereignty of the republic," if agreement were not reached and the deficit reduced. After months of infighting, agreement came quickly when President Reagan on July 29 rejected the proposals of Sen. Robert Dole (R-Kan.) and Senate Republicans for new taxes and cuts in Social Security cost-of-living increases. The House approved a package with both left intact by a vote of 309 to 119, and the Senate approved it 67 to 32, and then went into recess.

But what was demonstrated anew in the week's activities, is that the budget process itself is one of the gravest threats to U.S. national security. The destruction of U.S. military capabilities, and the destruction of American living standards, two key goals of the financial oligarchy which uses the budget process for these ends, advanced further.

Of the \$55.5 billion in budget deficit-reduction projected for FY1986, \$27.5 billion, or roughly half, will come from cuts in defense. Over three years, \$137 billion in defense cuts will be made out of \$277 billion in savings, or over half.

As the decimation of defense proceeds, President Reagan also proposed that the separation of Social Security from the budget process take place sooner than planned. That Social Security has been a political football, i.e., a subject of constituency pressure, is the only thing that has kept benefits from being slashed at a faster rate. Cuts in Medicare and Medicaid were made, and farm program cuts were projected to total \$7.9 billion over three years.

Setting the stage for this "budget" exercise, all the participants in the compromise immediately proclaimed it little better than no budget package at all. The most optimistic estimates of the effect of the package came from the Senate Budget Committee, which used Office of Management and Budget spending and economic growth-rate assumptions to project an FY1988 deficit of \$112 billion, compared to the Congressional Budget Office's figure of \$161 billion.

The "budget process" and its chief defenders, such as Federal Reserve Board Chairman Paul Volcker and the International Monetary Fund (IMF), are at the root of the U.S. deficit and the "institutional" crisis. The "out-of-control" deficits have two, controllable causes.

The first is the policy of usury instituted by Paul Volcker and the Federal Reserve Board in 1979. The skyrocketing of interest rates destroyed the productive economy, and thereby, the tax base of the United States, increased the magnitude of social expenditures because of unemployment, and ballooned interest payments on the national debt. The current budget deficit is wholly a function of this policy of usury. Indeed, the budget could be balanced tomorrow by freezing interest payments on the federal debt, which has been the *only* part of the budget to grow significantly in the last five years.

The second cause is the budget process itself.

In its present form, the budget process is unconstitutional. The role of the U.S. Congress is to create conditions in the U.S. economy for production, through appropriate tax and credit policies and through direct investment in activities such as water projects and research and development. The role of the U.S. Congress is *not* to engage in the accounting profession.

But, with the 1974 imposition of the Budget Act and the "budget process," Congress ceased to legislate policies to promote production and national security. Instead, Congress spends most of its time reshaping and cutting and paring federal programs to "fit" into a construct of budgetary ceilings, with the realities of national security and domestic economic production left wholly outside the process.

The budget process should be seen as the made-for-America version of the conditionalities imposed by the International Monetary Fund on the nations of Ibero-America and Africa—with results visible in famine and pestilence.

Under terms of the process, Congress ignores the demands of its constituents for prosperity and for national security, and all are sacrificed on the altar of the "budget process" in order to achieve creditworthiness in the eyes of international bankers.

### A long dirty history

Enemies of the American Republic have been working for over 100 years to emasculate the American political process with the balanced-budget hoax. In 1888, Woodrow Wilson attacked the spending authority of the U.S. Congress, especially singling out its role in building a transportation infrastructure in the country. Wilson called for the imposition of a budget process and for revising the U.S. Constitution along British parliamentary lines! That same Woodrow Wilson would, as President 15 years later, set up the unconstitutional Federal Reserve as another bludgeon against the American System.