

Gramm-Rudman nightmare bears down on the President

by Nicholas F. Benton

Treasury Secretary James Baker III's reputation for consummate coolness under fire was badly shaken by his sweat-filled appearance before the White House press corps Oct. 15, the day before the stock market set another one-day record drop to lose 12% of its total value—virtually matching the Great Crash of 1929—in barely a week.

Baker appeared with Beryl Sprinkel, head of the President's Council of Economic Advisers, in an ill-fated attempt to inject a dose of "confidence-building" into the behavior of the market. The market lurched down another 30 points after their mid-afternoon press conference, and then nose-dived 110 points in record trading the next day.

It wasn't only Baker's sweaty forehead and unusual halting manner which betrayed the fears underlying his feigned optimism. It was the fact that he banked the full weight of his case for a "fundamentally sound" U.S. economy on the fact that the automatic sequestration trigger had been restored by law to the Gramm-Rudman-Hollings deficit reduction law.

That same day, the Congressional Budget Office, in accordance with the Gramm-Rudman-Hollings law, released a report on what the effects of that automatic trigger would look like, cutting \$23.5 billion from the fiscal year 1988 budget. The devastation wreaked upon the nation's defense, its space program, its fight against AIDS, and its airline safety, energy, and agriculture programs looks worse than the effects of a small nuclear war.

The fact that irreconcilable differences exist between the President and a Democrat-controlled Congress committed to usurping key constitutional powers from the executive branch in the areas of foreign policy and defense, virtually assures that nothing will stop the countdown to the "automatic sequester," set to trigger on Nov. 20.

Faced with a scenario that resembles some "doomsday

machine" from a 1950s science-fiction movie, no wonder investors in the U.S. economy are bailing out. Baker's idea of "confidence-building" was to present a nightmare far more frightening than any mere bump in interest rates. Far from imparting confidence, for example, the \$35.8 billion in defense cuts threatened by the sequester are seen as crippling the ability of the United States to protect its assets abroad, including the stability of many of its most important military and trading allies, especially in Western Europe.

Candid observers in both the legislative and executive branches admit that the prospects of reaching an agreement on a reconciliation budget, in the five short weeks available to avoid the automatic sequester, are virtually nil. In fact, while the full sequester is triggered Nov. 20, proportional automatic cuts in the short-term "continuing resolution" that has kept the government operating since the Oct. 1 beginning of the 1988 fiscal year, are scheduled to begin Oct. 20.

However, liberals on the Hill remain hopeful that the horrific cuts in the defense budget projected by the automatic sequester, will force President Reagan to relent and cut a deal, making key concessions on the conduct of foreign policy and defense. Although the President has vowed never to do it, they want him to accept a forced compliance with the never-ratified SALT II Treaty and a so-called "narrow interpretation" of the ABM Treaty. That latter is aimed at delaying critical Strategic Defense Initiative tests, thereby adding years onto the timetable for deployment of the system. The Soviets, of course, have violated both ABM and SALT treaties with disdain and impunity. Congress also wants to force-feed him a tax increase which they can wave around during the 1988 presidential election year.

The liberals publicly bemoan the prospective loss of some vital domestic programs should the automatic cuts occur,

such as shelving plans for increased funding of AIDS research, and additional cuts of \$1.5 billion from Medicare, \$1.1 billion from agricultural assistance programs, \$280 million from the Federal Aviation Administration, \$240 million from NASA, and \$839 million from the Energy Department. Yet, this coalition of liberal Democrats and Eastern blue-blood Republicans in Congress is quietly rejoicing over the blackmail leverage the imminent sequester provides them against Reagan on the issue of defense. They foresee squeezing concessions out of him they never would have dreamed of, had he, himself, not signed the new automatic sequester provision into law in September.

Three options

There are presently three options facing President Reagan. All involve major cuts in the defense budget, to levels well below the President's original FY88 request of \$312 billion—which was a request for a 3% real increase over the FY87 budget level, in an attempt to recover about half of the 7% real cut that the FY87 budget represented below the FY86 level.

The first two options both involve agreeing on a budget reconciliation compromise before the Nov. 20 automatic trigger date, and include forced compliance with SALT II and the "narrow" ABM Treaty interpretation. Option #1 is that the President accept a tax increase, such as the \$12 billion tax bill that just passed the House Ways and Means Committee, in which case Congress "could see its way" to providing as much as \$296 billion for defense, \$16 billion below the President's request, as stipulated in a congressional resolution passed earlier this summer. Option #2 is a reconciliation without a tax increase, which would trim the defense budget back to \$289 billion, \$23 billion below the President's request.

In Option #3, Reagan rejects the first two options and allows the Gramm-Rudman-Hollings trigger to slash the defense budget back to \$279.4 billion, \$32.6 billion below the President's request. Following the guidelines already set by the continuing resolution passed under the House authorization bill, that figure would be automatically cut even further, to \$276.2, \$35.8 below the President's request.

Thus, if the President "plays ball" 100% with the liberal leadership of Congress, he is promised as much as \$296 billion for defense. If he refuses to give in to their blackmail, the defense budget could be cut almost \$20 billion lower.

However, these options obviously represent a no-win situation. First, the Congress will never agree to go as high as \$296 billion for defense, no matter what they promise. Second, by conceding to the right of Congress to force compliance with non-existent treaties, Reagan would be tying the hands of national defense as tightly as any fiscal cuts could, no matter how large. He would be setting a fatal precedent.

So, analysts at the Pentagon are banking on the President sticking to his promise and refusing to give in to the unconstitutional demands of Congress. This means that a swift,

National defense

(Budget authority—in billions of dollars)

	Level	Reduction
1. President's budget	312.0	—
2. Congressional resolution high	296.0	- 16.0
3. Congressional resolution low	289.0	- 23.0
4. House authorization	289.7	- 22.3
5. Gramm-Rudman-Hollings baseline	303.3	- 8.7
6. Sequester	10.5%	- 23.9
7. Post-sequester baseline	279.4	- 32.6
8. Continuing resolution (House authorization) after sequestration	276.2	- 35.8

brutal process of evaluation is now under way in all branches and sectors of the military to determine the effects of a massive cutback in funding.

Decimating military preparedness

The President has already informed Congress that he intends to exercise his prerogative to exempt all uniformed military personnel from any automatic cuts. Had he not done that, and the anticipated cuts been spread evenly over the various defense budget accounts, the automatic sequester would have resulted in the immediate elimination of over 400,000 troops—287,000 active duty personnel and 130,000 reserve and national guard personnel—according to an analysis done by Pentagon comptroller Richard Helm.

But, while the President's exemption protects uniformed personnel, it forces even greater cuts, averaging 10.5%, on each of the other defense budget accounts, including: 1) Operations and maintenance 2) Procurement 3) Research, development, testing, and evaluation (RDT&E) 4) Military construction 5) Family housing.

The cutbacks in operations and maintenance will be disproportionately high, Helm projected, because it involves the fastest outlays. As this category includes the payroll for civilian personnel employed by the military, he projected 100,000 civilian jobs will be lost. The account also pays for maintenance of military equipment (everything from aircraft to missile silos), repair parts, fuel supplies, and equipment. Cuts in this account alone will decimate military preparedness (see table).

Helm said details on cuts in other accounts awaits completion of the grim analysis now under way. It is already abundantly clear, however, that neither national security nor the national economy can tolerate the Gramm-Rudman-Hollings suicide. Either the President throws it, and any projected defense cuts, overboard, or the nation is finished. The fuse is very short.