

## Eye on Washington by Nicholas F. Benton

### Iowa reshapes Republican race

The Feb. 8 Iowa caucus results came as no surprise to readers of *EIR*. Webster Tarpley's article in the Jan. 15 edition forecast that Vice President George Bush could be mortally wounded in Iowa by coming in third behind Robert Dole and Pat Robertson.

What is occurring is more than the demise of Bush. It is also an early sign that the traditional tug-of-war within the Republican Party between liberal Eastern Establishment and the conservative, grass-roots voter base of the party, will again characterize the fight for the party nomination this year.

In reality, two fights are going on in the Republican Party. One is between Dole and Bush over who will be the standardbearer for the Eastern Establishment faction. The other is over whether or not the conservative wing can get its act together to forge a credible challenge to the establishment for the nomination.

Robertson's strong showing in Iowa, followed by an impressive Kemp showing in New Hampshire, will prove that this conservative wing is coming to life. The question, then, simply will be whether Kemp can cut it as the candidate for this wing of the party. Under these conditions, realizing that Robertson can't pull the party together and win the general election, Robertson supporters may gravitate toward Kemp.

The Eastern establishment's theme will be austerity (whether it be the burden of the phony Reagan "recovery"

and 1988 recession on Bush, or the "root canal" budget-balancing policies of Dole), whereas the conservative theme will be anti-austerity, as Kemp has stressed by focusing on new steps to stimulate recovery, such as a return to the gold standard, lower interest rates, and no cuts in Social Security.

The battle lines will also be drawn on the INF treaty. Both Bush and Dole are for it (despite Dole's attempts to waffle somewhat in New Hampshire). Kemp is against it.

If the conservative wing stays viable going into the final primary in California June 6, then we may see a repeat of the 1964 Republican race when Goldwater came from behind to knock out Rockefeller on the last day.

### Analysts agree: recession in 1988

"There is a general consensus now among economic forecasters that there will be a recession in 1988," James W. Christian, chief economist of the U.S. League of Savings Institutions, told this reporter at their "Economic Outlook Conference" here Feb. 8.

This is deadly news for the backers of the Bush-Dole wing of the Republican party, who counted on being able to forestall the crash until after the November election.

Forecasts vary, Christian said, on when the recession will hit. This will help determine when Bush (or Dole) is dumped. If sooner, the Republican Party will do the dumping, before they choose their candidate. If later, the electorate will drag their party down to defeat in the general election.

Christian told me that he predicts the U.S. economy will definitely experience a so-called "growth recession" in the first quarter of 1988. This means that the growth of the economy

will slow to almost zero, before starting up gradually.

How does he think it will start back up? Christian admitted under intense cross-examination from this reporter that this was based mostly on wishful thinking. "I predict it will be a consumer-driven rebound," he said. Asked how that could be, given that record buildup of inventory stockpiles threatens new unemployment, which will scare consumers out of buying anything, he could only shrug.

Another speaker at the conference, Steven Marris of the Institute for International Economics, said he was "definitely predicting a recession for 1988," which, he said, would hit in the summer and be "very severe."

He said that it will come as an "externally generated" recession. It will result from another six months of improved, but still deficit, trade figures. "At first, a slight improvement in the trade balance will encourage everyone," he said, "but after a few months, it will begin to sink in that, while the figures are a little better, there will still be a huge monthly deficit."

Then, he said, "You will experience three factors occurring simultaneously. Interest rates will be up. Inflation will be up. And the dollar will be driven down by external forces. The three elements in combination will bring on a recession, and it will come quickly, be very nasty, and very rocky," he said.

Asked whether it would be possible to avoid this by political decisions to, for example, keep interest rates down even if it contradicts economic wisdom, Christian said, "That won't be possible. The whole world monetary system is so fragile now, that the slightest false move, and the whole thing could unravel with lightning speed. Political fixes to postpone negative economic trends until after the election are impossible now."