

Commission pushes drastic austerity

by Kathleen Klenetsky

The economic policies of the next administration—Republican or Democrat—will almost surely be dictated in large part by a group of primarily unelected “insiders,” who will recommend drastic reductions in the average American’s standard of living as a “solution” to the burgeoning national deficit.

That, at least, is the intention of the National Economic Commission, and its masterminds on Wall Street and other Establishment power centers. Created last December during the final throes of the congressional budget debate, the Commission, or NEC as it’s known in Washington, is supposed by come up with a deficit-reduction proposal for the new President by March 1989. However, congressional sources told *EIR* that the timetable has been advanced, and that the new target date is early January. “We want to make sure that the next President’s first budget reflects the Commission’s input,” a congressional supporter of the NEC disclosed.

The product of discussions between leading congressional exponents of “root canal economics,” including Sen. Daniel Moynihan (D-N.Y.), Sen. Bob Dole (R-Kan.), and Rep. Buddy McKay (D-Fla.), and top representatives of the financial community, such as Lazard Frères’ Felix Rohatyn (who, along with Moynihan, was subsequently named to the Commission), the NEC is seen as the most promising vehicle for forcing through what’s quaintly called “hard choices” and “sacrifice.”

Austerity ‘under a cloud of secrecy’

The Commission “is the single most important development in the last year for getting the budget under control,” says Dr. Robert Holland, head of Wall Street’s Committee for Economic Development. Holland has “high expectations” that the group “will not only be able to produce a package of painful economic sacrifices but will also be able to build a popular consensus that will enable these measures to be put into effect.” According to Holland, the problem lies not with the post-industrial policies of the past 20 years, but that Americans “consume too much” and have been “living beyond our means far too long. Now it’s time to pay the piper, and the NEC could be the best way to do it.”

New York lawyer Richard Gardner, co-chairman of an Aspen Institute project which maintains that the U.S. should be subjected to the same IMF “conditionalities” which have devastated the Third World, also sees the NEC as a golden

opportunity for slashing consumption. Gardner expressed a belief that the Commission is particularly promising, because it is composed principally of non-elected individuals, who do not have to answer to constituents’ when Social Security and Medicare benefits get axed. “It’s extremely difficult for any politician or elected official to tell voters that they’re going to have to tighten their belts for a while. That’s why the Commission idea is so necessary.”

Congressional partisans of the Commission see it as “the next step after Gramm-Rudman-Hollings. Because it’s comprised primarily of individuals drawn from the private sector, it’ll be able to propose things, like Social Security cuts, which congressmen couldn’t do, because they’d be subjected to pressure from special interests,” Dole aide Jim Wittinghill recently explained.

It had been suggested a few months ago, that the Commission might be called upon to advise Congress on the budget during 1988. But, according to an aide to Representative McKay, this has been nixed. Bob Strauss, who co-chairs the Commission with Republican bigwig Drew Lewis, met with McKay and the Democratic Budget Group, and stressed, “The worst thing that could happen would be that the Commission’s discussions got swept up in the presidential campaign, and then got bogged down in partisanship.” Strauss reportedly emphasized that the “issue of deficit reduction cannot be solved in the political arena. The NEC has to go off and reach a consensus under a cloud of secrecy, and come out arm-in-arm next January behind a unified set of proposals. This is the only way something like this can be effective.” The Commission will, however, hold hearings, in order to bring in “experts” to testify that “sacrifice” is the order of the day.

Just what is the NEC likely to recommend? According to various sources: cutting Social Security benefits; increasing out-of-pocket payments for Medicare beneficiaries; slashing farm supports; hiking interest rates and taxes; and dramatically cutting defense spending, by canceling entire programs, such as the SDI, and reducing the U.S. military presence abroad.

These predictions were borne out by the NEC’s first public hearings, which took place on Capitol Hill May 10. Carol Cox, executive director of the Committee for a Responsible Federal Budget, to applause from Commission members, testified, “We must do things in the future which we are not willing to do today.”

The only dispute among Commission members was whether defense or social spending should bear the brunt of the forthcoming reductions. Former Defense Secretary Caspar Weinberger issued a strong warning that if defense were cut any further, the United States would be in no position to defend itself. Unfortunately, by failing to recommend solving the deficit problem through a high-technology-vectored economic development program, Weinberger is left with a “guns, not butter” argument.