

Austerity will drive next administration, say elites

by Kathleen Klenetsky

With less than a month to go before the presidential elections, it is becoming increasingly apparent that the U.S. policy elite has chosen to respond to the country's economic collapse with a regimen of austerity measures lifted straight from Adolf Hitler's finance minister, Hjalmar Schacht.

It is also becoming increasingly apparent that, unless the U.S. electorate decides to elect a President who is willing to buck the establishment, throw out the current bankrupt financial system, and restore the "American System" of economics that made the United States the world's economic powerhouse, they will soon find themselves subject to a 1990s version of the Nazis' "final solution."

Over the past few months, the think-tank circuit has been churning out one study after another positing the same tired theme: Solving the depression depends first and foremost on reducing the federal budget deficit, which can only be accomplished by the wholesale gouging of social spending programs.

But this slash-and-burn mania hasn't been limited to the "inside the Washington beltway" policy factories. Although most elected officials still shy away, at least publicly, from embracing deep cuts in Medicare and the other principal austerity measures that are being promoted, a political "austerity vanguard" is on the march, with its sights set on determining economic policy for the next administration.

In Congress, for instance, a group of senators that includes Budget Committee ranking member Pete Domenici (R-N.M.), Bill Clinton adviser Sam Nunn (D-Ga.), and Warren Rudman (R-N.H.), has been holding regular strategy sessions on how to ram through a cap on entitlement programs (Social Security, Medicare, farm price

supports, veterans' benefits, etc.).

Rudman, in turn, is collaborating with former Democratic presidential candidate Paul Tsongas, Washington attorney Lloyd Cutler, and Council on Foreign Relations Chairman Peter Petersen on an initiative called the Concord Coalition, whose purpose is to propagandize the electorate on the need for deep cuts in entitlement programs. And Ross Perot has stated flat out that the main reason he got back into the presidential race is to force the issue of the deficit to the top of the electoral agenda.

The 'Sabotaging America' commission

These various elements in the austerity lobby have now converged on a new study, which is being hailed far and wide as the "painful solution" to America's economic crisis. Since its release on Sept. 30, the study has been given widespread favorable media coverage, typical of which was columnist George Will's paeon in the Oct. 4 *Washington Post*. It's "a breathtaking proposal," wrote Will, because it focuses on the "core dilemma": "The population is aging, and the elderly are the disproportionate consumers of transfer payments, particularly pensions and medical care."

Produced by the "Strengthening of America Commission," a project of the influential Washington think-tank, the Center for Strategic and International Studies (CSIS), the report recommends slashing federal deficit spending by an astounding \$2 trillion over the next 10 years, via a combination of vast tax hikes and huge cuts in social spending, so as to balance the budget by the year 2002.

The report has been in the works since early 1991, when the CSIS established a bipartisan panel composed of repre-

sentatives from government, the business and investment communities, labor, and a few of the better-known policy “wonks,” with a mandate for cooking up recommendations on how to improve the United States’ economic performance, with an emphasis on making the country more competitive in the international arena.

Co-chaired by Senators Nunn and Domenici, the commission’s members include Sen. Warren Rudman; Dwayne Andreas of Archer Daniels Midland; former Carter ambassador Richard Gardner, an adviser to Bill Clinton and a proponent of letting the International Monetary Fund (IMF) extend its surveillance activities to the U.S. economy; Joshua Lederberg, president emeritus, Rockefeller University; Trilateralist John Sawhill, president of the Nature Conservancy; Bush supporter and former Treasury Secretary William Simon; and former Defense Secretary James Schlesinger.

Although the report calls for more investment in research and development, proposing specifically to create a \$160 billion Endowment for the Future through increased federal investment in education, children, research and development and technology (this averages out to a paltry \$16 billion a year), and creating a network of high-speed rail transport, its focus is on how to drive down Americans’ “consumption” (i.e., living standards) sufficiently to balance the budget, or, in other words, pay off debt.

With debt repayment as its driving concern, it should hardly be surprising that the CSIS report would treat the United States like a Third World debtor nation, or that its recommendations bear a remarkable resemblance to those suggested by IMF Managing Director Michel Camdessus on Sept. 9, when he demanded that the United States hike taxes and reduce spending to bring down the deficit.

The study’s principal proposals include the following:

- Reducing federal spending by 8%, which translates into \$1.5 trillion. The report states that a “critical part of this effort” will be to slap a ceiling on entitlement expenditures, with Medicare and Medicaid special targets. The report exempts Social Security, but, since slashing Medicare will send the death rate among the elderly soaring, Social Security spending will be cut.

- Launching an “unprecedented determination to implement cost control” over the entire U.S. health care system. The report stresses that “comprehensive health care reform will not be complete without a social consensus on care for the terminally ill,” and sternly points out: “Approximately 30% of total Medicare dollars are spent on patients in the last year of their lives.” In other words, the elderly and terminally ill must be hurried to their graves, so as to reduce the budget deficit.

- Hiking taxes by \$376 billion.

- Abolishing the current income tax system in favor of a “consumption-based income tax system,” which will penalize spending, including spending on such essentials as health care. The study traces this proposal back to the bestial British

philosopher Thomas Hobbes.

- Spending an additional \$100 billion on infrastructure.
- Reducing defense spending from 20% of the federal budget to 13%.
- Creating a National Economic Council, headed by a national economic adviser, on a level co-equal with the National Security Council and the national security adviser.

Recipe for disaster

Not only does the CSIS study mimic the budget-slashing approach employed by the IMF in its treatment of developing-sector countries, it will have the same disastrous effect. Every country that has been subjected to IMF conditionalities and “structural adjustment” policies has ended up in far worse condition; it may be able to scrounge the payments on its foreign debt a little faster—at least temporarily—but at the cost of destroying its labor force and, thus, its future economic potential.

The CSIS study exemplifies the lunacy of the budget-cutting approach to economic crises, which independent presidential candidate Lyndon H. LaRouche has repeatedly warned against. Attempting to budget-cut your way out of a depression leads to disaster, LaRouche has stressed, since all it leads to is loss of jobs, shutdowns of business, and plummeting tax revenues, demanding even further cuts, in an endless downward spiral.

The solution is to overhaul the U.S. economic and financial system, getting rid of the speculation and usury which have sucked the economy dry, and restoring the American System of economics of Alexander Hamilton and Henry Carey, which places the production of real wealth at the center of economic activity.

Shaping the agenda

The CSIS commission states flat-out that it intends to shape the policies of the next administration. “We are releasing our first report now, in the heat of the political season, because we hope that it will influence the political debate in the weeks ahead,” by helping to “shift focus to the important, long-term issues which confront the nation,” the report asserts.

While they may differ on details, neither George Bush, Bill Clinton, nor Ross Perot among the presidential candidates has exhibited any principled objections to such a program.

In fact, although Perot’s platform comes closest to the CSIS recommendations, Bush and Clinton have already embraced some key policies set forth in the study. Bush recently agreed to capping Medicare and other entitlement programs, while Clinton urges drastic spending reduction in health care. The day before the CSIS report came out, Clinton’s top economic policy adviser, Wall Street banker Felix Rohatyn, called for the next President to create a bipartisan National Economic Commission to force through the “hard choices” needed to reduce the deficit.