Clinton's economic plan 'guaranteed to be a flop'

by Kathleen Klenetsky

It is difficult to imagine an economic policy orientation much worse than the one which President Bill Clinton outlined in his State of the Union address on Feb. 17. In the face of the deepest depression in recent history, Clinton offered next to nothing in the way of a positive program for economic reconstruction. He proposed instead a package of spending cuts and one of the largest tax hikes in U.S. history ($500 billion), whose combined effect will be to further weaken the economy, and hurt most the very low- and middle-income segments of the population whose interests he claimed to represent during the campaign.

Former Democratic presidential candidate Lyndon LaRouche identified the key flaw in Clinton's program in a radio interview on Feb. 18. "There are features of it which are possibly workable, and even represent emotions moving in the right direction, but the program overall is guaranteed to be a flop in its present form."

He reiterated that there is a "misdiagnosis of the problem by the Clinton administration." "As long as they do not touch the Federal Reserve System and its problems, there is no possibility—no matter how stringent or austere the measures—of dealing with the growth of the total national debt or the growth of the fiscal bite of the debt into the operating budgets," LaRouche stressed.

"Let us assume that President Clinton is going to carry out the program of Ross Perot," LaRouche added. "Ross Perot would assuredly be *as big a failure* on this count as Clinton. Obviously, we would expect that if Bush had been elected, he would have done pretty much the same. So any of the three leading candidates, which the voters voted for, would have done as badly as Clinton is doing right now. The thinking of any of them would have assured us a catastrophe."

LaRouche, who ran against Clinton, Perot, and Bush in 1992, has been a federal political prisoner since 1989 because he challenged the very economic powers which his rivals answer to.

Forward! bravely over the cliff

While praised by the U.S. establishment press for its "boldness" in proposing "painful measures," Clinton's program set off alarm bells in many foreign capitals (see article, p. 4). In Tokyo, Japanese Prime Minister Kiichi Miyazawa told a news conference that Clinton's program could signal a new trade war on Japan.

Dictated for all intents and purposes by the international financial markets, Clinton's package represents the antithesis of what is required to salvage the collapsing U.S. economy. What the country needs is an aggressive growth program, based on nationalizing the Federal Reserve, transforming it from a feeding-trough for the private commercial banks into a source of low-interest credit for productive investments and job creation.

But what the country got from Clinton is a program designed to keep the bankrupt financial system afloat for a little bit longer, by driving down consumption and shortchanging what remains of the productive economy.

Pain and agony

Garbed in rhetoric about "equality of sacrifice" and "shifting from consumption to investment," the Clinton economic package includes these key elements:

- A tax increase on so-called "wealthy" senior citizens. Under this provision, retirees with incomes of $25,000-plus for individuals (or $32,000 for couples) will be forced to pay an additional 35% tax on their Social Security benefits, at a time when falling property values and interest rates have already eroded the elderly's standard of living.

• A BTU tax, i.e., a tax on the heat content of energy, which will cost Americans an estimated $30 billion a year. One of the most highly regressive taxes imaginable, this levy will adversely affect the economy across the board, raising the cost of gasoline, heating oil, food, transportation, and so forth, while making all forms of industrial and agricultural processes more expensive.

• Deep cuts in Medicare. Although Clinton took great pains in his State of the Union speech to insist that he was not asking Medicare beneficiaries, but only health-care providers, to pay more, similar cutbacks in the past have had a devastating impact on the quality of health care, and have sent many hospitals into bankruptcy.

• A freeze on federal workers' salaries through 1994.

• An end to all nuclear power research and development—which will deprive the United States of a cheap, reliable power source.

• Cuts in programs such as crop insurance and rural electrification.

• An increase in corporate taxes and personal income taxes for those making over $180,000. This gambit is supposed to convince the rest of the population that the burden of "sacrifice" is being equally applied.

• A four-year, multibillion-dollar combination of tax incentives and government spending, which falls woefully short of the investment required to revive the economy.

• As-yet-unspecified defense cuts, possibly amounting to $80 billion or more.

• Clinton also hinted at more "pain and agony" to come, talking repeatedly in his address about the need to rein in health care costs, through stringent cost controls.

The markets talk, Clinton listens

For all Clinton's rhetoric about "sharing the pain," the policy initiatives he announced in his State of the Union represent an historic turning point: For the first time in recent history, the Democratic Party has publicly and formally turned against its traditional constituencies—labor, minorities, the working and middle classes, small business—and enthusiastically embraced Wall Street's agenda.

According to well-informed sources, the package was largely crafted by Robert Rubin, who heads the President's National Economic Council and is about as Wall Street as you can get. Until joining the Clinton camp, he served as cochairman of the powerful investment bank Goldman Sachs, which is one of the leading players in the derivatives market, the global financial crap shoot responsible for much of the world's economic distress.

Despite his populist rhetoric about fairness, with his economic package Clinton has made his administration a tool of those financial interests who have been responsible for the destruction of the U.S. economy over the last 20 years, and who are now demanding that Americans tighten their belts to keep these same financial interests fat and happy.

Aside from breaking nearly every campaign promise that he made regarding the economy, the most obvious example being his decision to up taxes on the middle-class rather than cut them, the real problem with Clinton's economic program is that it endorses the bogus view—purveyed by the mass media, Wall Street, and the economic "experts"—that austerity is the only feasible means for getting the economy back on its feet. Clinton would have you believe that measures such as slashing Grandma's Social Security benefits, or raising the price of fuel, will somehow "liberate billions for investment," as he put it in his speech.

But the country's economic problems stem not from spending too much money on Social Security and the like, but from permitting the Federal Reserve to loot the federal Treasury for the profit of private banks, and tolerating two decades' worth of speculation and usury.

The history of Germany in the late 1920s and early 1930s provides graphic evidence that choosing the austerity path will lead to killing off whole sectors of the population, as so-called "useless eaters."

Will it sell?

Immediately after the State of the Union, Clinton and key members of his administration began to fan out across the country in an effort to sell his poor excuse for a policy to the population. Despite instant opinion polls claiming to show overwhelming popular support for the program, the administration is known to be extremely worried about the public's reaction. That fear goes a long way toward explaining why Clinton briefed Ross Perot on his plan before it was announced, part of a frantic effort by the Clinton team to line up Perot behind the program. (Perot pronounced the Clinton speech "very good" in an interview on the ABC News "Nightline" program immediately afterward, but coyly withheld full support, cautioning that "the devil is in the details.")

Getting the program through Congress in anything resembling its current form could well prove impossible. "There's plenty in this for everybody to hate," Joel Prakken, vice president of the St. Louis-based consulting firm Laurence H. Meyer and Associates Ltd., told Reuters.

Republicans have slammed the program, lamenting the fact that it raises taxes, but doesn't include sufficiently draconian spending cuts. Many groups, such as the American Petroleum Institute, have blasted Clinton's energy tax.

And while congressional Democrats have lavished praised on the program, a lot of the applause stems more from a desire to put up a show of unity, rather than enthusiasm for the program itself. Lobbies representing the elderly are already bringing pressure to bear on the White House and Democrats in Congress to soften the attack on Social Security; Democrats from the Washington, D.C. metropolitan area, where many federal workers live, are already talking about eliminating Clinton's proposed freeze on federal salaries.