GOP 'Shays' Rebellion' courts Treasury default

by Webster G. Tarpley and Carl Osgood

As summer turned into autumn along the Potomac, it became clear that the unthinkable was indeed occurring: Cliques of madmen within the Republican leadership of Congress were threatening to drive the country into default and bankruptcy during the next 30-40 days in order to blackmail the Clinton White House into capitulation to their plan to loot and gut Medicare, Medicaid, welfare, and farm and student entitlements. The glint of fanaticism was in their eyes, from Speaker of the House Newt Gingrich (Ga.) and Senate Budget Committee Chairman Pete Domenici (N.M.) to the 154 House Republican signers of the new "Shays' Rebellion" manifesto, a bid to end U.S. public credit. Republican members of Senate and House have made public statements which amount to virtual acts of treason and violations of their oaths to support the U.S. Constitution. If the U.S. government is crippled by default, or if the Presidency is weakened by extortion, the only winners are the London oligarchy that owns Newt and Co. to begin with.

Gingrich's threat of Treasury default came at a meeting of government bond dealers. "I, the Speaker, will not schedule" even a vote on increasing the debt ceiling if Clinton rejects the GOP's budget diktat; "it will not come to the floor until we have an agreement. . . . I don't care what the price is. I don't care if we have no executive offices and no bonds for 60 days—not this time. . . . What we are saying to Clinton is: 'Do not assume that we will flinch, because we won't.' "

Treasury Secretary Robert Rubin replied that Clinton "won't be blackmailed." He warned against default and the danger that "even the appearance of a risk of default" would pose to "a sovereign country's creditworthiness." The same day, the dollar was routed by about 5% across the board.

The stage had been set for Newt's fascist delirium at a hearing on Sept. 19 of the Senate-House Joint Economic Committee which heard testimony from Alice Rivlin, the director of the Office of Management and Budget. The meeting was chaired by Domenici and by a manic Rep. John Kasich (R-Ohio). Rivlin had come to mouth some standard warnings about the inadvisability of shutting down large parts of the federal government at the beginning of the new fiscal year on Oct. 1, which is what will happen if all 13 appropriations bills have not been approved—unless Clinton and Congress can agree to a Continuing Resolution to tide the government over until agreement can be reached.

Rivlin also sensibly recommended that the Congress make sure that the Treasury not be forced into an historically unprecedented default on interest and principal payments on the U.S. public debt, which would result from a refusal by Congress to raise the current ceiling on Treasury borrowing before the current upper limit of $4.9 trillion is reached, an event that Rivlin now expects to occur "at the end of October." Rivlin's advice was, "We must not play games with America's financial integrity. . . . It would be a disaster if we defaulted on our debt"—the traditional view of any government official of either party. Rivlin asked the Congress to pass an immediate clean bill setting the debt ceiling at $5.5 trillion, as Treasury Secretary Rubin has requested. There were no GOP takers. The Republicans want to attach the debt ceiling increase to the reconciliation bill, the vehicle for the GOP's planned rape of the entitlements mentioned above. Rep. Martin Sabo (R-Minn.) rightly called this tactic "a game of chicken."

Rivlin noted that the committee had asked her to comment on the issue of "a potential hiatus"—Newtspeak for a U.S. national bankruptcy. Domenici responded that his reading of the "market and interest rates on U.S. Treasury bills" was that the markets wanted Congress to "dramatically reduce entitlement growth" to balance the budget. If the Congress were to "give in to the administration" on cutting "mandatory entitlement programs," Domenici opined, "I believe the impact on Treasury bills will be worse than if we have a 40- or 50-day hiatus, at which time about $30 billion worth of the bonds would be in jeopardy. And that's about all, $31 or $32 billion in the first 30 to 35 days."

Use Treasury default and possible national bankruptcy as a vehicle to manage the budget? More than one C-span viewer must have wondered uneasily whether that meant savings bonds, too. But Domenici was in earnest. He had even received advice from market insiders: "Now, I didn't dream this up. I went out and talked to a bunch of people that work in this area. I had 10 of them last night in a room and they actually said, 'We're not at all sure that there will be a black mark on T-bills if, in fact, we don't do anything for a while, and we're certain it won't be as black and as bleak on the cost of T-bills in the future as it will be if we don't solve the ever-growing problem of mandatory expenditures.' "

If the essence of winning a chicken game is to convince your opponent that you are insane and will not turn away from a head-on collision, the GOP are qualified players. Worse is the feeling that they believe their own arguments. In any case, Gingrich and Domenici are important enough so that their words, with the world financial system poised on the edge of collapse, could easily detonate panic selling of U.S. dollars and U.S. government securities, both at home and especially abroad. As for Domenici's 10-person camarilla, it adds up to sedition.

Domenici later borrowed a minute of time from another congressman to sheepishly stipulate that he did not want to default on T-bills after all. Maybe some of Domenici's staff were still long on government paper. In any case, Domenici's ravings were soon trumped by Rep. Christopher Shays (R-Conn.), a guiding light of the 154 GOP House members on record for keeping the $4.9 trillion debt limit unless the United States is locked onto a trajectory toward a balanced budget by 2002 or sooner. Shays articulated his creed: "If Newt Gingrich got down on bended knee and asked me to vote for the debt ceiling, I would tell him, 'no way.' I will not vote to increase the debt ceiling until this President weighs in on a balanced budget amendment in seven years. . . . But under no circumstances, even at risk of recall, would I vote to increase the debt ceiling." What Shays appears to really want is a balanced budget so fast that no increase in the debt ceiling will be needed. There is a strong millennarian "end-time" flavor here, with borrowing as original sin and the balanced budget as the promised New Jerusalem. The criminal insanity of the balanced budget amendment has been stopped for the moment, but the "154 tyrants" want to get the same results with national default. This apocalyptic mentality was pointed up by Shays's co-signer Rep. John Shadegg (R-Ariz.), who also wanted the government to get along on current cash-flow, with no increase in debt. "Why is it we cannot balance the budget in one year?" Shadegg asked.

Shays' Rebellion

In 1786, mobs from the western counties of Massachusetts launched an armed rebellion around the issues of debt and taxation. This was the period of the Articles of Confederation, and of the free-trade regime foisted on America by Lord Shelburne. The leader of the insurrection was one Daniel Shays, a former Army captain. An attempt by the rebels to capture the arsenal at Springfield was repulsed by grape-shot, and eventually an expanded Massachusetts militia was able to restore order. Shays' Rebellion was a British destabilization of the new republic. Among other things, it proved the inadequacy of the Articles of Confederation regime, since the central government showed itself wholly impotent in the crisis. The new Shays' Rebellion is a British design to render impotent the U.S. federal government today.

As of Sept. 18, the U.S. public debt stood at $4.873 trillion, leaving a slim margin of $27 billion. According to Rubin, if the ceiling is not raised, the crunch will come in early November, when the Treasury must pay on Nov. 1 about $9 billion in veterans', military, and civil service retirement benefits, Medicare, and active duty military pay. On Nov. 3, some $16.5 billion of Social Security funds must go out, followed by benefit checks of $8.5 billion over the following few days. On Nov. 15, the Treasury must meet public debt interest payments of $25 billion. These payments are in addition to $4-6 billion the Treasury spends each day for pay to federal employees, defense contracts, grants to states and localities, and Medicare. The Treasury normally takes in $3-4 billion per day in withholding taxes. If borrowing were impossible, the Treasury would begin to "disinvest," or drain trust funds like Social Security, to keep going, but this could not last long.

'A bunch of fascists'

On related fronts, the GOP has still not unveiled the detailed infamy of its proposed Medicare cuts, which it still wants to bootleg through with only one day of hearings. This high-handed dictatorship of House Ways and Means Chairman Bill Archer (R-Tex.) occasioned the comment of Rep. Sam Gibbons (D-Fla.) that the Republicans were "a bunch of fascists."

Democratic presidential candidate Lyndon LaRouche has challenged the GOP to face up to the crisis by raising the capital gains tax to the 80-90% level for the duration of the crisis, possibly supplemented by a special surtax on derivatives speculation of 5% extra. This could be called the "Yuppie tax." The only exceptions would be established by an investment tax credit for those investing in real production, job creation, new technology, machinery, health service delivery, and the like.