

Bush's State of the Union: Army Marching Into a Swamp

by Carl Osgood

President George Bush, rather than dealing with the 800-pound economic gorilla sitting in front of him, was advised to concentrate his Jan. 29 State of the Union address on foreign policy confrontation, and to downplay the financial and economic collapse. The speech dwelled entirely on the war on terrorism, homeland security, and "jobs." Polls are telling Bush that because of the war on terrorism, his popularity is sky high, but he is vulnerable on the economy and the Enron scandal, where polls also suggest that many people believe that the White House is hiding something. The President has a "Watergate" vulnerability on Enron, which some Democrats want to use. His strategy seems to be to deny the economic reality with talk of military strength and war.

The new "Bush doctrine" will create problems in Russia, China, and across Asia. Its military folly projects wars worldwide, which other nations should support because the United States is waging them. Its economic folly is that there is no way to pay for these wars.

The President extolled the accomplishments of U.S. military operations in Afghanistan and "elsewhere," including the Philippines. He praised Pakistan for being among those nations that are acting "forcefully" against terrorism, and threatened those that are "timid." He named North Korea, Iran, and Iraq as constituting an "axis of evil, . . . arming to threaten the peace of the world" by seeking to acquire weapons of mass destruction.

Bush's confrontational stance is to be backed up by what he described as the largest defense budget increase in 20 years: \$48 billion, a 15% increase, for fiscal year 2003. Of that amount, \$38 billion is an outright hike, with the remaining \$10 billion to be held in reserve for overseas military operations. The total FY 2003 defense budget, not including the reserve, will be \$379 billion, the largest in history and

dwarfing that of any other country.

Alongside the war on terrorism, is what President Bush described as a "sustained strategy" for homeland security, focussed on countering bioterrorism, providing emergency response capabilities, improved airport and border security, and improved intelligence. That strategy calls for another \$38 billion budget, including \$11 billion for border security.

With Federal and state tax revenues both having fallen rapidly all year, the President was whistling past the graveyard: "Our budget will run a deficit that will be small and short term so long as Congress restrains spending and acts in a fiscally responsible way."

A Method to Greenspan's Madness

A clear sign of this looming budget blow-out is the recent turnaround in the outlook of Federal Reserve Chairman Alan Greenspan, who addressed the Senate Banking Committee one day after budget deficit estimates were given by the Congressional Budget Office. After remarks that were interpreted by the financial markets as "pessimistic" a couple of weeks before, Greenspan told the committee, "There have been signs recently that some forces that have been restraining the economy over the past year are starting to diminish and that activity is beginning to firm." Greenspan waxed optimistic regarding the budget picture.

One City of London source told *EIR* that "there's certainly method to [Greenspan's] madness." He suggested that Greenspan is urgently trying to talk up both the bond and equity markets. His talk of economic recovery is to keep the bond market from sinking, and he must support the \$48 billion increase in defense spending. "To do that," he said, "would require running a huge government deficit. That's why the bond market is so important, to provide the inflow for this."



President Bush has been moved away from the partnership with President Putin, established at their Crawford ranch meetings: Administration policy has been swung toward military confrontations, driven by electoral polls, and the economic crisis and the desire to deny it.

Interest rate *increases* may be necessary. This source suggested that the reason for the meeting Bush had with Greenspan, on Jan. 7, “may well have been, how Greenspan had to tailor his verbiage, to meet the administration’s needs.”

Relegated to third on the list of priorities in President Bush’s State of the Union, was the domestic economy. Bush summed up his economic security plan in one word, “jobs.” However, all Bush proposed was the usual mish-mash of ideological nostrums, including another tax cut; the GOP’s (Enron-crafted) energy plan, passed by the House last year; its free-trade bill, also passed by the House; and more welfare reform.

Stimulus Measures Falter

While Bush called on the Congress to pass an economic stimulus bill, Greenspan’s remarks to the Senate Banking Committee seem to have dampened enthusiasm for such measures. In response to a direct question from Sen. Chuck Hagel (R-Neb.) on a so-called economic stimulus, Greenspan declared, “Fortunately, it turned out that we didn’t need that particular insurance” for the economy.

While Senate Majority Leader Tom Daschle (D-S.D.) did bring a minimalist sort of bill to the Senate floor for debate that day, the debate this time has been lackluster. Daschle’s stated intent was to “move the process” by bringing up a bill that had only components that both sides had already agreed on, and leave it open for the amendment process. With the Senate’s light schedule following the State of the Union address, further action is not expected on the bill for at least a week.

The Democrats’ response to Bush’s speech, delivered by House Minority Leader Richard Gephardt (D-Mo.), was to call for a similar, if more politically liberal mish-mash of measures. These include raising the minimum wage, creating a “universal pension system,” and Democratic “values,” such as helping the unemployed and making sure senior citizens don’t have to choose between putting food on the table and paying for their medicines. Gephardt also took a swipe at Bush’s proposal to add personal retirement accounts to Social Security, saying, “Our values call for protecting Social Security, and not gambling it away on the stock market.” Gephardt also called for the passage of campaign finance reform, with a not-so-veiled reference to the Enron scandal. “If the nation’s largest bankruptcy coupled with a clear example of paid political influence isn’t a prime case for reform,” he said, “I don’t know what is.” Otherwise, Gephardt fully endorsed Bush’s war on terrorism.

An Obvious Catastrophe

LaRouche summarized the impact of Bush’s speech as an obvious catastrophe. By singling out North Korea, Iraq, and Iran, the United States will create problems for Russia and China. South Korean President Kim Dae-jung has already reacted with dismay, telling his cabinet on Jan. 30 that “our economic future depends on North-South relations.” Attacking Iraq would be ironical, because the Iraqi National Congress, the Lonson-based hodge-podge of a political opposition, cannot even pass an audit, much less prepare itself for military action. An attack on Iran will have the effect of weakening the Khatami government and strengthening the ultra-conservative Islamist opposition, who already view the United States as “the Great Satan.” As for the Russians, they will make the connections linking Bush’s speech, with their finding that Russian “oligarch” Boris Berezovsky is supporting the Chechen uprising, with Carter National Security Adviser Zbigniew Brzezinski’s sponsorship of the Chechen rebels. Brzezinski and his “clash of civilizations” faction are pushing the Russians to react quickly, and they may very well mobilize a big patriotic rally, and it would be a big mistake for Bush to push them in that direction.

Already one year ago, LaRouche accurately described the nature of the incoming Bush Administration. He said, during a Jan. 20, 2001 interview on Philippines radio, that “the policy behind what the new government ostensibly represents, is the specter of a poor army marching into a quicksand swamp . . . it may have very clear intentions; it may be the most powerful army in that location; but what is it going to do in a quicksand swamp? The quicksand swamp is the collapse of the world financial, monetary, and trade system.”