

Executive-branch insanity on the budget and defense

by Graham Lowry

With Paul Volcker's foot planted ever more firmly on the Reagan administration's neck, the White House has now made official what has been apparent for some time—there exists no program for economic recovery. The administration stated Sept. 1 that because of continuing high interest rates, over \$100 billion in additional budget cuts must be made for the next three fiscal years, beginning Oct. 1. And while the administration continues the foreign-policy provocations which will engender a superpower confrontation, it has announced that the additional rounds of budget-gouging are to include further reductions in America's strategic and conventional military capabilities, slashing upwards of \$10 billion for 1982 and hacking an additional \$30 billion the following two years.

Bowing to Federal Reserve Chairman Volcker, and betraying his campaign pledge to restore America's position of leadership in the world, Reagan has now displayed the ugly commitment to intense domestic austerity as well. Administration officials have declared that they will seek \$20 billion in further cuts in nondefense and social programs for the FY82 budget, and \$44 billion more for fiscal years 1983 and 1984, on top of \$15 to 20 billion in Social Security cuts for the latter years already submitted to Congress. While political tremors are heard across the country in opposition to Volcker's interest-rate policy, the administration is *publicly* arguing that these bone-cutting reductions are necessitated by the Fed's continuing regime of 20 percent rates.

Two days before the administration's announcement,

Paul Adolph Volcker had flaunted his dictatorship on nationwide television over the administration and the American economy. Appearing on ABC's "Issues and Answers" Aug. 30, Volcker declared that he had demanded "further large budget cuts," including reductions in Social Security and the defense budget, where, he said, "there is still a lot of room to cut." Asked whether the President might ask him to lower interest rates, Volcker laughed. "The administration has a healthy realization that restraint on credit and money is necessary. I'm confident the administration will make the necessary cuts." (The same day, displaying the administration's submission to Volcker, White House Council of Economic Advisers Chairman Murray Weidenbaum declared on CBS's "Face the Nation" that "the Fed has targeted the correct policy to restrain inflation, to restrain monetary growth, and I concur with that policy.")

Volcker was also unabashed in portraying his policy as one *designed* to permanently level the U.S. economy and reduce American living standards. Asserting that wages are the major cause of inflation, taking up "two-thirds of the costs in the economy," Volcker declared, "People have got to change their expectations of the future, and change their behavior." After writing off any prospect for renewed real economic growth, Volcker added, "People have to be more rational and take smaller wage increases. That is always uncomfortable." The next day President Reagan sent a message to Congress recommending that federal employees receive a 4.8 percent



In front of the Washington Fed: Reagan hasn't listened.

pay raise—a pay cut when adjusted for inflation—instead of the 15.1 percent increase mandated by the Pay Comparability Act, designed to keep federal salaries competitive with the private sector.

Reagan has now entered the month of September on a confrontation course with his own constituents that amounts to political suicide. Deep cuts in education, health care, Social Security, transportation, etc.—made continually and repeatedly as each point increase in interest rates add over \$4 billion to the federal deficit annually—are not what the electorate voted for, and the President faces a major test in Congress as the cries of “win one for the Gipper” turn to angry denunciations from the hustings, amplified on Capitol Hill by the fact that the '82 elections are not far away.

More immediate is a showdown with organized labor, which correctly perceives that the administration is now on an open wage-gouging and union-busting rampage. The pay standard for federal construction jobs has already been lowered by administrative revision of the Davis-Bacon law, and the Defense Department is on record on Capitol Hill for exempting defense contracts from its provisions altogether. A scheme is also being prepared by David Stockman and Volcker's other deputies within the administration to tax fringe benefits and pension plans, with the explicit intention of crushing labor. “Going after the benefit programs is a way to do it. If they collapse, the unions will collapse,” says one congressional source. “Stockman thinks that he is going to make a revolution during this administration, and the

real revolution is that he can collapse the labor movement.”

In the face of these assaults, the potential is rapidly building for a massive turnout for labor's planned Sept. 19 Solidarity Day demonstration in Washington to protest Reagan's economic policies, a phenomenon the Socialist International wing of the labor movement intends to exploit on behalf of its long-held “class war” card of social chaos and disruption, setting up labor for further attacks.

At the same time, the administration is plunging into a strategic confrontation with the Soviet Union. Yet Volcker-dictated defense cuts will accelerate the deliberate jettisoning of U.S. military capabilities: at the level of the cuts proposed so far, with adjustment for inflation, Reagan's 1982 defense budget will barely exceed Carter's, and his 1984 budget will be virtually identical. While the President pathetically blustered in his Chicago speech this week that the Soviets must agree to arms reductions or “be in an arms race which they can't win,” administration officials are identifying among the budget casualties previous plans for naval fleet expansion, new combat aircraft, and additional weapons for the army. Following Volcker's television appearance Aug. 30, the establishment press carried a profusion of editorials and commentaries arguing for the deferral or scrapping of strategic weapons systems as well as “sophisticated and expensive” conventional arms. On the day the cuts were announced, Pentagon spokesman Henry Catto confirmed that the cuts might jeopardize new strategic weapons such as the MX missile and the updated B-1 bomber, with the observation that “the knee-bone is connected to the thigh-bone.”

Beyond this strategic debate conducted largely as “theater of the absurd,” what emerges is a restructuring of the U.S. military in a manner posing the gravest threat to national security: the terminal conversion of American armed forces from an in-depth, technologically advanced war-fighting machine to a stripped-down band of marauders to hurl against the limited forces of countries in the Third World. It is precisely the doctrine advocated by Gen. Maxwell Taylor, whose proposals for scrapping the MX, the B-1, new combat aircraft, and the Nimitz-type supercarriers appeared in the *Washington Post* Aug. 31, and were quickly endorsed in the pages of the *New York Times* and the *Christian Science Monitor*.

The name of the policy, now the objective of the Reagan administration both domestically and internationally, is Global 2000. It is the policy issued by the Carter administration, being enforced by its Federal Reserve appointee Paul Volcker, to dismantle the modern industrial nation-state, and rid the world of 4 billion people by the year 2000.

The President may not know it, but that is what he embraced this week.