
Economy & Strategy

Moscow betting on Reaganomics?

In a March 30 television broadcast in Moscow on the topic of the arms-control negotiations, the chief Soviet Americanologist, Georgii Arbatov of the U.S.A. & Canada Institute, put forward the Soviet approach to the Geneva talks, based on an evaluation of whether the United States could afford to move ahead with the Strategic Defense Initiative under its current economic policy. As the following quotations show, the Soviet view is that the U.S. economy cannot. Therefore, the Soviet strategy is to buy time on the assumption that the U.S. economy will collapse before the White House can actually implement the SDI, under current U.S. policy.

The excerpts below are from the translation provided by the Foreign Broadcasting Information Service. Arbatov and Pravda's Yevgenii Grigoryev were guests on the March 30 edition of "Studio Nine"; the host was Valentin Zorin. Emphasis has been added.

Arbatov, discussing the U.S. debt, which he blames on military spending: "How to get out of the situation? Fearing inflation they do not want to set the printing presses in motion, to print money. What happens? This cost of credit increases. . . . This has now become the curse of the American economy at all levels. An enormous number of farmers have gone broke—and are continuing to go broke—since last fall. Moreover, many of them go broke simply because they cannot get into such credit situations, of enormous and literally usurious interest rates.

Grigoryev: They say that only in the last year, the U.S., or its banks, pumped nearly \$100 billion from Western Europe and certain other Western countries; \$100 billion is almost one-third of its annual military budget.

Zorin: I would like to say that the present Washington leadership, having uncoiled an enormous spiral of the arms race, has apparently made a very serious mistake with long-term consequences. *The mistake lies in the fact that the resources of the American economy have been overestimated and the scale of the arms race has exceeded its resources.*

Georgii Arkadyevich, you talked about last year's budget deficit. This fiscal year, the budget deficit—that is, the excess of expenditure over revenue—is already more than \$200 billion. In order to somehow extricate itself from this position, the administration has to plunge ever deeper into the quagmire of debt, and the U.S. national debt to private corporations and banks has already exceeded quite astronomical amounts, having far exceeded the limit of a trillion dollars, and cannot continue like this for long. Today, one can live in debt, but debts must be repaid. . . . Sooner or later the United States will have to face this bitter truth, and some people in Washington now understand this.

It is interesting that the current White House chief of staff, when he was not in the White House but still in the post of Secretary of the Treasury—I mean Donald Regan—said, I will quote him: "*If the most serious measures are not taken and the current budget deficit remains, we will lose our economy.*" These are very responsible words, and the Secretary of the Treasury does not just make idle statements. Admittedly now, finding himself in the White House, Donald Regan does not make such statements—at least, not out loud—but the essence of the matter does not change.

It is difficult to tell what Washington is counting on when it uncoils the arms race not according to the means or resources of the U.S. economy. *Either the boss of the White House is insufficiently aware of all the consequences or, like one of the French kings, he operates on the principle: Après nous le déluge*, and is not very concerned about the legacy he leaves for his successor. But the fact remains—an objective fact—the current level of military expenditure is a back-breaking burden for the U.S. economy. If appropriate modifications are not made, the future situation will be fraught with the most serious consequences. *I do not know whether the officials of Washington are aware of this, but if someone believes that we in Moscow do not see this and do not follow this problem carefully, he is making a very serious mistake.* We can see it.

Arbatov: Yes, we are aware of this. After all, the U.S. economy is the most powerful economy in the capitalist world, and of course, one cannot underestimate its resources, but these resources certainly have their limits. In general, not only the desire to impose the arms race on us in order to bleed us dry economically . . . was behind the arms race. I cannot say that it is very easy for us. Of course, our country has to, in looking after its security, spend more than it would like to on the arms race. But on the path to achieving their aims—and one can see this today—the Americans themselves will not survive, so to speak, I mean economically. *You see, this question of the deficit has today already become the main question of political struggle in the United States.* I think that it will be the primary question in the whole political campaign associated with the congressional elections, when the current administration—if these problems grow—could also lose the Senate. Their political rivals already have the House.