

Reagan's last budget leaked: The numbers are ridiculous

by Chris White

The outlines of the Reagan administration's proposed budget for fiscal year 1989 have been leaked to the press. Whether the leak, which went to the *New York Times*, represents the final form the package will take, when presented to Congress on Feb. 18, or whether it is intended to elicit feedback to modify the final presentation, doesn't really matter.

The outline of the \$1.1 trillion spending package for the fiscal year which opens Oct. 1 contains enough lies and ideological bug-a-boos to ensure not only acrimonious disputes with Congress over the next months, but also increasingly deadly disputes with the United States' foreign creditors.

The package is premised on a budget deficit for the next fiscal year of \$129.5 billion, down from what the administration still insists will be an approximate \$150 billion deficit for the current 1988 fiscal year. That's where the foreign creditors are going to get increasingly upset.

This year's deficit won't be anywhere near \$150 billion. Start counting from \$250 billion and up. And as for next year, the leaked budget numbers are just ridiculous.

This year's deficit will ultimately be swollen by the accumulated consequences of the October 1987 stock market crash, and its effect on the incomes corporations and individuals report for the year that ended Dec. 31, 1987. Next year's will be swollen further by the foreseeable consequences of the next phase of that collapse. Already, as far as fiscal 1988 is concerned, the deficit is running 25% higher than it was for the comparable three-month period in fiscal 1987.

Now the IRS is beginning to report where things stand from the revenue side. Tax filings since the beginning of the year are down 17.5% from the number of returns filed for the same period in the year before, and refunds are up 20%. The level of refunds indicates that extra withholdings gave the

government interest-free use of tax-payers' money last year, as part of the effort to keep the deficit looking low. It's a trick they won't be able to pull again.

So, the projected deficit will be way off, and the projected revenues will also be way off. Probably the outgoing administration actually believes that by putting together such a package, in this, an election year, the real financial and economic problems that have been aggravated into chronic crises by obsessional "budget-balancing through spending cuts" lunacies will be pushed off into next year, for the next President to deal with.

There have been noises from the Congress that some Democrats, who favor accepting administration deficit estimates, rather than the \$30-40 billion higher figures from the Congressional Budget Office, would go along. Their view, as reported, is that there would therefore be less to cut in an election year.

Whether such intentions are actualized, or not, the fakery about the deficit, and the foreseeable further collapse of revenues, which will begin to show its real size between now and May, is almost a guarantee of renewed problems for the dollar within the same time-frame. It will become clear that the U.S. budget deficit is not under control, and that the touted reduction in the trade deficit will not make much difference, because, under present policies, more foreign funds will be needed, and those foreign funds will generate an outflow in the form of interest payments.

The rest of the package ensures an almighty blow-up, too. For it is proposed to eliminate whole chunks of government social programs, cut defense, and hand over other chunks of government activity to so-called private interests.

Among the programs which are slated for elimination are: "the rural housing insurance fund, the Economic Devel-

opment Administration, urban mass transit discretionary grants, sewage treatment, housing development action grants, the housing rehabilitation loan program, and the economic development programs of the Tennessee Valley Authority.”

Among the programs which are to be privatized are: “the complete privatization of waste water treatment plant construction, defense employee housing, certain mass transit projects,” and other federal programs. Plus, the President says: “I am proposing the sale not only of the Naval Petroleum Reserves, but also the Alaska Power Administration, the government’s helium program,” and he is “studying the possible privatization of our uranium enrichment facilities.” Beyond this there is said to be a proposal in the works on how to hand 40,000 jobs in the federal government over to the private sector, and to hand over other sections of government activity to private contractors.

It might be thought that the editors of the *New York Times* are attempting to qualify early for the best April Fool’s joke of 1988. But most of what is mentioned above has either been preprogrammed into the budget process, as is the case of water treatment and sewage disposal, or, as in the case of the mooted privatization initiatives, has been under discussion for the last couple of years.

A Baker-for-President budget?

Since this aspect of the budget, if it is as the leaks suggest it will be, is bound to touch off one of the biggest fights with Congress in years, a fight which will ensure that there is no consensus on budget policy during the spring and summer, it may well be the case that the outlined budget is in fact the opening shot of a Howard Baker campaign for the presidency. In which the anonymous White House Chief of Staff emerges as a figure who attempts to pull executive and legislative together, under the conditions of accelerating international crisis that will assuredly develop if what is called the “U.S. budget process” bogs down again in the acrimony and impotence which have characterized the last several years. In this view, Baker would be among the supposed beneficiaries of a provoked knock-down drag-out fight which would increasingly discredit both executive and legislative branches.

Beyond such speculations, there is a simple pattern involved. It’s the pattern that has characterized the economic thinking of the group of “buy cheap, sell dear” *nouveaux riches* from southern California who have made up the inner circle of the Reagan group for the past several years.

The key is the question of infrastructure. The proposal to eliminate, or privatize, whole elements of government involvement in water treatment and supply, power generation, transportation, and in front-end type research, of the sort that is under way with the Livermore Advanced Laser Isotope Separation process for uranium enrichment, has been a consistent refrain throughout both Reagan administrations.

No one seems to understand that the value of an economic

system, or sub-system, is not its liquidation book value on the auctioneer’s block, but rather the direct and indirect benefits accruing to the economy as a whole, in the form of cheapening the costs of producing and distributing the goods and services on which we all depend. Across the country, cities are on the verge of public health nightmares because of the incipient or actual breakdown of water supply and sewage treatment. Boston, Chicago, and Los Angeles are but three examples.

If the federal government now proceeds with the policy that was adopted four years ago, and ends federal support for such necessary projects, one is justified in asking who will pick up the tab for such vital services, and how will they be paid for. State and local governments are on a pay-as-you-go basis, suffering more than the federal government from the depression-caused collapse in the tax base. They are not good candidates to pick up the costs, no matter how loudly the federal government insists that such costs are appropriately borne at the state and local level. Nor is private industry any better. Where in this post October market-collapse world are private entrepreneurs going to get the financial backing to take-over such services? How will consumer charges be assessed? It won’t work.

Yet, even without the kind of destructive commitment that’s implied in the budget leak, these types of services are going to continue to deteriorate anyway.

Liquidating the work of generations

What’s at stake here is very simple. As the case of the nation’s economic infrastructure exemplifies, we are looking at the dismantling of the capital improvements which, over the span of the generations who built up this country from the 17th century onward, are what made America the power it once was. Now the proposal is to liquidate the work of generations for immediate cash gains, or to let it into the hands of so-called private interests, who will become the equivalent of ancient tax farmers on the basis of the licenses granted to operate the infrastructural service concessions. Either way, the country and its population is going to lose.

There’s one simple alternative to all this. Break with the ideological bug-a-boos. Break with the obsessional insanity of the commitment to lies and half-truths, and face up to the simple reality, that in a depression, budgets cannot be balanced by cutting back categories of expenditure. The fat was cut a long time ago. Now it’s into the very bone. The only way to do the job, for all levels of government, is to increase the revenue base, by putting people back to work, in productive jobs, to build on the work of the generations who went before, not strip it down.

Perhaps the insanity of the President’s leaked budget message will help make that clear. If it doesn’t, then perhaps the kind of crisis which will certainly ensue from the introduction of that tissue of lies and ideological garbage into the legislative process, will.