

Establishment seeks domestic fascism to prop up new order

by Kathleen Klenetsky

It has become increasingly obvious over the past two months that sections of the Anglo-American establishment have reached the limits of their tolerance for George Bush's incompetence. Evidence of this can be found both in the emergence of various scandals directed at the President—running the gamut from congressional investigations into the so-called October Surprise, through such minor irritations as the “Air Sununu” controversy surrounding his chief of staff's alleged misuse of official aircraft—and in attacks by leading establishment spokesmen against Bush's policies and lack of leadership.

Bush's failure to develop a “domestic agenda” has become the chief focus of establishment criticism. Beginning with New York Council on Foreign Relations' honcho William Hyland's May 20 *New York Times* commentary, a bevy of influentials has publicly denounced the President for being obsessively fixated on foreign policy, while ignoring the mounting problems on the domestic front.

Bush undomesticated

Hyland's principal theme—that a new domestic order is more urgently needed than Bush's new world order—has subsequently been echoed by numerous establishment organs.

A small sampling of those who have excoriated Bush's lack of a domestic program includes the *New Republic*, which recently editorialized that Bush's “domestic policy rhetoric has no substance”; the *New York Times*, which ran an editorial June 12 charging that the President, “more than anyone else, has squandered this postwar opportunity to address urgent domestic needs”; and David Gergen, a former Reagan administration official who was known as a Bush sympathizer and is now editor at large of *U.S. News and World Report*, who took Bush to task for the same failures in the magazine's

June 15 issue.

Even James Reston, the latter-day Walter Lippman, came out of retirement to pen a critique of Bush in the June 16 *New York Times Magazine*. Reston confessed to having been a fervent admirer of the President: “For years I had been longing for some Gentleman President to come along and set an example of calm thinking and honest talking, and I felt that George Bush was precisely that sort of man,” he writes, adding that he was particularly impressed by the fact that Bush was “not an ideologue, having come out of the old Teddy Roosevelt-Col. Henry L. Stimson tradition.”

But, Reston lamented, “something happened” to Bush “on his way to the White House.” “I thought I knew George Bush fairly well, but I didn't recognize his warrior pose.” Reston takes Bush to task for “wandering into two wars in his first years in office,” and for having “defied the principles of the United Nations when he went to war in Panama.”

“More important,” wrote Reston, Bush indulged in what the “Republicans used to call . . . ‘globaloney,’ ” with his talk of “the next American century” and the new world order, while the economic conditions on the home front deteriorated. What's needed is a not a new world order, Reston asserted, “but a new American order,” and a national agreement that “the main threat to the nation's security [comes] from within and not from abroad.”

Essentially, the establishment believes that these crises will require draconian solutions, but doubts whether Bush, despite his demonstrable savagery against Iraq, is too concerned about his own political standing to be able to implement them.

‘Recovery’ fraud is over

What lies behind this relatively abrupt shift in attitude toward Bush—an establishment President if there ever was one?

In part, at least, the unease over Bush's capabilities can be attributed to the United States' intensifying domestic crisis. After years of denying the undeniable—that the Reagan-Bush "recovery" was a complete fraud, and that in truth, the nation's economy was in a deep depression—at least certain layers of the establishment have finally recognized just how deep that depression is, and what massive social explosions it will inevitably create.

The most explicit public expression of this so far has come from Peter Peterson, a former government official, and currently a leading Wall Street banker who also serves as chairman of that bastion of the establishment, the Council on Foreign Relations. Peterson created a furor with a speech he gave to a recent meeting of the American Assembly, a New York-based think tank established by Dwight Eisenhower and funded by the Harriman family. Bearing the title, "Rethinking America's Security: The Primacy of the Domestic Agenda," Peterson's speech asserted that the U.S. is being overwhelmed by domestic crises:

"After four decades of the Cold War," Peterson stated, "failure to invest in productive capacity, R&D, and infrastructure; the crisis in American education; the exploding underclass, and other domestic problems may have greater impact on 'the United States as a free society with its fundamental institutions and values intact' than the threats from abroad, such as the possibility of Soviet nuclear attack, which have traditionally preoccupied the national security community."

He warned that the national debt—about which, he charged, U.S. passivity has become "pathological"—has made the U.S. extremely vulnerable to pressure from foreign creditors, and further warned that the nation's capacity to exert leadership in the world "may be undermined to the extent increasing domestic and economic failures cause us to be taken less seriously. An extreme but instructive analogy, of course, is the effect of domestic failure in the Soviet Union on the reality and perception of Soviet influence."

"Continued failure to address these domestic priorities may entail a progressive loss both of political will and economic capacity to take actions abroad that promote our real national security interests," he said.

Peterson called for a "new definition of national security that recalls the vision of 1947 [i.e., NATO and the Marshall Plan]—and augments it with more forceful economic and domestic policy components," as well as a "new broad-based, bipartisan political coalition to shape and give powerful political expression to a new American consensus that transcends special interest politics and constituencies."

Bringing the new world order home

Well, yes, Peterson is right: The United States certainly sits in the grip of the worst economic crisis in history—*EIR* proved that years before Peterson woke up to the fact. But what Peterson and his establishment co-thinkers propose to do about it represents the domestic equivalent of the brutal

destruction of Iraq.

The establishment seems congenitally incapable of grasping the concept upon which the United States was founded: that the key to economic growth is a government-backed credit and tax policy which rewards investment in productive economic activity, and which sees the development of labor in its broadest sense as absolutely crucial. Instead, the elite views the development of labor—which means decent wages and living conditions, and the opportunity for cultural and creative growth—as antithetical, not integral to, savings and investment. This fundamental conceptual failure permeated Peterson's address, and leads directly to the draconian austerity regime which he proposed.

Peterson complained bitterly in his speech that "America has demonstrated a debilitating incapacity to face and make the kind of hard trade-offs needed for progress on this expanded national security agenda. In key areas of concern . . . we have become a 'choiceless' society, substituting denial and rhetoric for meaningful action."

It requires very little reading between the lines to discern what Peterson means by "hard trade-offs" and "meaningful action." Succinctly put, he's talking about the same kind of "choices" which Nazi Economics Minister Hjalmar Schacht visited upon Germany, preparatory to Germany's drive for *its* new world order—the Third Reich.

Included among the solutions Peterson put forth were ones for concluding a series of free trade agreements, such as the one under negotiation with Mexico, which will drive down U.S. wages, while looting the Mexican labor force even further. He also proposed an "energy consumption tax, or at least a tax on petroleum, such as a sales tax on gasoline of 20 to 50 cents a gallon."

But his real target was social programs, and specifically, entitlement programs directed toward the country's elderly, namely, Social Security and Medicare.

"The structural aspects of our entitlements must be put on the table," he insisted. "Without structural entitlement reform, but with greater longevity, earlier retirement, low birth rates, and medical hyperinflation, the cost of our federal entitlements system could climb by a colossal 11.5 percentage points of GNP between now and the year 2025." The "revolution of entitlements" must come to an end.

Peterson is hardly alone in demanding a domestic agenda based on austerity. In his *New York Times* piece, for example, James Reston wrote: "I thought it would help if Presidents and others told the truth, and mentioned the world 'sacrifice' once in a while." Reston also contributed an interesting little proposal for making such "sacrifice" easier to put across: namely, getting rid of constituency-based politics. He proposed that the leadership of the two political parties select the presidential and vice-presidential nominees. This "would not eliminate the state primary elections," but party leaders "would retain the power to veto any turkey or quail proposed in these popularity contests."

Peterson on the U.S. 'domestic agenda'

The following is excerpted from Peter G. Peterson's May 28 address to an American Assembly meeting on "Rethinking America's Security." Peterson's speech, "The Primacy of the Domestic Agenda," will be included as a chapter in the forthcoming book, Rethinking America's Security: Beyond Cold War to New World Order, which is scheduled to be published by W.W. Norton & Company in February 1992. James K. Sebenius co-authored Peterson's speech.

. . . I believe a new definition of national security that recalls the vision of 1947—and augments it with more forceful economic and domestic policy components—is urgently needed. Indeed, I suspect that no foreign challenge of the 1990s will affect America's security as much as what we do, or fail to do, at home on a range of economic and social issues. . . . In this spirit, I will advance two propositions:

Proposition 1. After four decades of the Cold War, failure to make progress on a "domestic agenda" now threatens America's long-term national security more than the external military threats that have traditionally preoccupied security and foreign policy. While the world remains a dangerous place requiring us to maintain military strength, our failure to invest in productive capacity, R&D and the exploding underclass, and other domestic problems may have greater *direct* impact on "the United States as a free society with its fundamental institutions and values intact," than the threats from abroad. . . . Moreover, continued failure to address these domestic priorities may entail a progressive loss both of political will and economic capacity to take actions abroad that promote our real national security interests.

Proposition 2. America has demonstrated a debilitating capacity to face and make the kind of hard tradeoffs needed for progress on this expanded national security agenda. In key areas of concern—for example, energy, fiscal policy, entitlements—we have become a "choiceless" society, substituting denial and rhetoric for meaningful action. Issues that on the surface appear to be economic are, at bottom, deeply political. Only fundamental political changes, such as the formation of a broad and deep bipartisan coalition on behalf of an expanded national security agenda, can get us back on the path to real choices. . . .

Despite the euphoria over America's success in the war in Iraq, the 1990s will be a decade of new and increasing tensions for the United States between international needs

and economic constraints. These constraints are caused by budget deficits, balance of payments deficits, growing foreign debts, debt service costs, paltry levels of investment, anemic productivity growth, a loss of technological leadership in key cutting edge industries, and a general decline in our global competitiveness. . . .

There are specific risks inherent in our passive decisions to run huge deficits and to rely on foreign investors to fund them. Though it is unlikely to occur in a brazen form, a decision by investors or central bankers to cease buying additional dollars—for economic *or* political reasons—would put us in deep trouble. . . .

I am struck by the emergence of a series of powerful domestically generated trends that increasingly seem to pose direct and indirect threats to our fundamental institutions and values. The first of these trends—economic weakness and relative decline—may *indirectly* constrain essential actions abroad and increase our vulnerabilities. I will now turn briefly to some domestic trends, that, if unchecked, may progressively and *directly* threaten the basic character of our society's institutions and values . . . education, poverty, the underclass, and economic expectations. . . .

Solving the budget deficit in the United States has never received the serious political attention it deserves. . . . The dirty little secret is we did not do very much about the *big spending items* that have been ballooning out of sight. These include, of course, the vast entitlement programs for the elderly. . . .

Our national interest is best served by programs that direct public resources toward *investment* and *youth*—not toward consumption and age. . . . The structural aspects of our entitlements must be put on the table. . . . To ensure that the right redirection of resources toward investment is made, we should move from age-based to need-based transfer payments by progressive taxation of benefits, gradual reduction in COLAs [cost of living adjustments] for the non-poor, lower initial benefit levels for upper-income retirees, gradually increasing retirement ages, and increased cost-sharing for health benefits. . . .

We must create an *overall* balanced plan to achieve our wider national security goals. Such an "integrated national security budget" should combine both foreign and domestic priorities. . . . Moreover, along with an integrated national security budget should come serious consideration of the *institutional changes* that would foster its formulation and execution. Should a revamped and broadened NSC be set up that includes members concerned with competitiveness and productivity, such as Commerce and OMB? What institutional changes may be needed in the structure and operation of the associated congressional Committees? . . .

We need a new broad-based, bipartisan political coalition to shape and give powerful political expression to a new American consensus that transcends special interest politics and constituencies.