

High stakes ride on acrimonious fight over the federal budget

by Mel Klenetsky

As the high-stakes debate on proposals to balance the federal budget took center stage in the Senate in May, President Clinton outlined his priorities and policy guidelines that will define his battle lines for stopping the attempts by the backers of the "Contract with America" to steamroll Congress and the American people into accepting draconian cuts for the next seven years.

The issues, however, are far greater than deficit reduction and balancing the budget. Physical economist Lyndon H. LaRouche locates the drive for radical budget deficit reduction, at any cost, in a far more sinister plot by London-directed financial and oligarchical interests, whose goals include dismantling both the Executive and Legislative branches of the government and weakening the Clinton Presidency at the moment when the world is entering a financial and economic meltdown.

LaRouche, in a radio interview on "EIR Talks" on May 24, said, "Every time a depression or a world financial collapse comes around, this crowd in London, which is typified by Conrad Black's empire of British intelligence, that faction, sometimes called the 'Suez faction' in British intelligence, comes around with a suggestion: 'We need a new round of dictatorships and wars . . . to control the effects of the financial crisis.' And they come around with programs of austerity, like those of Nazi Finance Minister Hjalmar Schacht. And then we find in the United States that people who are proposing a more radical and drastic policy than Hjalmar Schacht, such as House Speaker Newt Gingrich [R-Ga.], Sen. Phil Gramm [R-Tex.], and so forth, the Mont Pelerin crowd, are doing the same thing today."

President Clinton, Sen. Edward Kennedy (D-Mass.), and other leading Democrats have defined their objections to the Contract with America budget proposals from the standpoint of those brutalized by this budget process who can least afford it. Clinton, earlier in May, in an address to the White House-sponsored Conference on Aging, declared his opposition to any efforts of the Republicans to balance the budget on the backs of the elderly. "I believe it is wrong simply to slash Medicare and Medicaid to pay for tax cuts for people who are well off. We must have a sense of what our obligations are," he said.

Clinton has threatened to veto the \$16 billion 1995 rescissions bill because Republicans insisted on finding funding for "courthouses and highways," but not for education and

the President's national service program.

On May 23, Clinton also threatened to veto certain foreign aid bills. He charged that Congress is considering legislation "which would place new restrictions on how America conducts its foreign policy, and slash our budget in foreign affairs. I believe these bills threaten our ability to preserve America's global leadership and to safeguard the security and prosperity of the American people in the post-Cold War world."

Five areas of disagreement

Clinton defined five areas of general disagreement with the budget proposals of Rep. John Kasich (R-Ohio) and Pete Domenici (R-N.M.), chairmen of the House and Senate budget committees, respectively. These included the President's oft-stated objections to big cuts in Medicare outside the context of health care reform, because of the hardship it places on the elderly and others. "Secondly," Clinton said, "the tax cut is way, way too big, and it is essentially paying for tax cuts to people who are not needy and who are doing well in this economy, by cutting Medicare. Thirdly, the education cuts are too deep. And fourthly, the Senate proposal . . . raises taxes on working Americans with children with incomes under \$28,000 and lowers taxes on people with incomes over \$200,000. That's the reverse of what we ought to be about." Clinton added that he found the seven-year deadline which the Republicans have set for balancing the budget, an arbitrary figure which does not take into account the economic need to maintain income levels.

According to Agriculture Secretary Dan Glickman, the President will veto any welfare bill that transfers the federal food stamp programs to the states. These veto threats are formidable, because the Republican House and Senate do not have the votes needed to override it.

The proposals by Domenici and Kasich, which have now passed the Senate and the House, will define the ensuing budget battle. These non-mandatory budget proposals are guidelines which now enter the reconciliation and appropriation phases of the budget process, where the President, using the veto threat, can negotiate changes.

The Domenici and Kasich budgets have raised the hackles of large segments of the population. Particularly unpopular are the massive reductions in Medicare and Medicaid. Domenici's plan, which contains \$961 billion in budget cuts over the next seven years, would gouge \$255 billion from

Medicare and another \$175 billion from Medicaid. Thus, almost 50% of his proposed cuts come from plans that service the elderly and the disabled.

Kasich's budget, which passed the House on May 18 in a 238-193 vote, contains even larger cuts—a total of \$1.4 trillion—to allow for a \$350 billion tax cut.

On May 24, Senator Kennedy, speaking on ABC's Good Morning America, defined the budget fight as a battle of priorities, and echoed many of the criticisms of the Republican plans of the President. "The American people may have voted for change, but the type of change that they were voting for was not to cut the Medicare system, not to cut aid assistance to students in order to give tax breaks to the wealthiest individuals in this country," he said. "Where are the cuts in terms of the corporations, the corporate welfare system? You get \$480 billion in tax expenditures. That's going to \$4 trillion over the next seven years, and all the Republicans could find was how to increase taxes on the working poor. . . . These are just wrong priorities. This issue is about priorities."

Democratic alternatives

These policy differences were reflected in the budget alternatives and amendments that Democrats attempted to introduce into the Senate debate on the Domenici proposal. The Democrats tried to restore \$170 billion of the \$430 cut from Medicare and Medicaid, as well as \$40 billion of the \$60 billion slashed from education and training programs, but they were stymied by the Republican bloc.

A more ambitious Democratic approach was the alternative budget unveiled on May 24 by a group of senators led by Kent Conrad (D-N.D.). This proposal would balance the budget by the year 2004, without the accounting trick of counting Social Security surpluses employed in both the Domenici and Kasich budgets.

Among other things, Conrad's proposal would save \$228 billion by limiting the growth of tax breaks, tax preferences, and tax loopholes to inflation plus 1%.

"Our plan freezes non-defense discretionary spending, while the Republican plan cuts it \$190 billion below a freeze," Conrad said. "Because we have \$190 billion more in our spending pattern than they do even with the freeze, that allows us to add back important money for education . . . infrastructure . . . R&D and technology." The Conrad proposal added in \$47 billion for education, \$54 billion for infrastructure, and restored \$100 billion of the \$256 billion Republican cut in Medicare and \$50 billion of the \$175 billion Republican cut in Medicaid.

Budget cutting won't work

The problem is that all budget-cutting approaches impose draconian cuts in areas that the nation can ill afford. Looking at the Kasich plan's proposed cuts in civilian science gives us a sense of the dimensions of the problem. The Kasich plan leaves military research funding pretty much intact, but takes

a sledgehammer to civilian research budgets. The House Science Committee has calculated that it would be forced cut federal science programs by \$24 billion over the next five years under the Kasich budget. Factoring in an (optimistic) 3% annual inflation rate, this would amount to a whopping 34.7% cut in civilian science in terms of real purchasing power.

Under the Kasich plan, the extremely important experimental fusion program at Princeton University; the Interior Department's Geological Survey, which makes maps and monitors minerals; and the National Aeronautics and Space Administration's Pioneer 10 satellite would be eliminated entirely. The Department of Energy estimates that the Kasich cuts will trim 2,000 university jobs and 3,500 jobs out of the national laboratories.

Even without the Kasich plan, the general budget-cutting environment has led NASA head Daniel Goldin to give up the NASA mission, when he proposed cutting NASA's workforce by 25,000 and turning over the Space Shuttle to private industry. If the Kasich plan went through, another 20,000 NASA employees would be pushed out and \$2.7 billion would be cut from planned satellite launchings.

In the May 24 interview, LaRouche asserted that the problem of the federal budget was one of a declining tax revenue base, and not one of deficit reduction. "The problem with the United States, in balancing the budget, is that for 30 years we've gone away from a policy of investing in infrastructure development and in scientific and technological progress, to the purpose of improving the productive powers of labor in agriculture, mining, industry, manufacturing, construction, and so forth," he said. "The average person today . . . has a consumption level in real terms which is far below that of his family's household back 25 years ago. . . . He is less productive on the average. He has lower skills . . . than 25-30 years ago."

The Domenici budget calls for eliminating the Department of Commerce, Interstate Commerce Commission, and more than 100 federal programs and agencies. It calls for phasing out funding completely for Amtrak, most mass transit programs, and Clinton's national service program. It cuts science programs by \$6.7 billion, slashes farm assistance programs by \$17 billion, and reduces spending for Transportation Department programs by \$51.3 billion. Medicare, Medicaid, food stamps, federal retirement programs, and various housing and nutrition programs are all slashed. The Kasich budget is even more severe.

Both budgets, from LaRouche's standpoint of increasing the tax revenue base, only make the problem worse. And because most of the U.S. population will not tolerate this type of insanity, radical budget cutters, such as Sir Peregrine Worsthorne, senior commentator at the London *Sunday Telegraph*, on May 21 called for a "form of authoritarian politics," i.e., fascism, that would allow for "cruel belt-tightening and bitter medicines to be forced down the throats of body politics."