

man; or maybe a new ‘Pull the Noose’ Party of John McCain, the rolling political hand-grenade . . .—that this doesn’t function.”

The candidate concluded, “If we can formulate political campaigns in those terms of reference. . . . We need a revived Democratic Party, one which is comparable to the Democratic Party at its best, under Franklin Roosevelt; we need that kind of party now. We need to reform and clean up the mess that is the present Democratic Party. . . . The Republican Party is an even bigger mess, but we’re not exclusive; we don’t object to anybody who’s decent and wants to join the fight.”

The continued American Revolution theme of the conference was only directly addressed in the final panel on the American Intellectual Tradition, but formed the background for LaRouche’s discussion of the current universal fascist threat in his keynote, and in a three-hour panel devoted totally to questions and discussion.

LaRouche reviewed his famous “Triple Curve” collapse function graphs at some length, demonstrating the way in which the hyperinflationary debt-generation policy went together with the gouging of living standards for the population. He then zeroed in on the point of instability, which he identified as happening around the Spring of 2000, when the rate of the printing of money actually overcame the rate of generation of financial aggregates. From that point on, we’ve seen the financial system “grow” like a slime mold, Mr. LaRouche said, with derivatives, hedges, and a total mess like Enron, which could bring the whole system down.

The Aftermath of Sept. 11

LaRouche’s keynote was followed by a highly informative and polemical presentation by the Zimbabwean Ambassador to the United States, Dr. Simbi Mubako, on the way the British and the International Monetary Fund (IMF) are trying to return his country to colonialism.

That evening’s session took up “Brzezinski’s and Huntington’s Universal Fascism: The Special Case of Sharon’s Israel.” *EIR* spokesman Jeffrey Steinberg and Mr. LaRouche’s West Coast campaign spokesman Harley Schlanger gave brief remarks on the nature of the Sept. 11 events, and the “Hitlerian” Jabotinsky current of Zionism, that permits Ariel Sharon to collaborate with the Clash of Civilizations crowd.

The second day of the conference was keynoted by Helga Zepp-LaRouche, Mr. LaRouche’s wife and founder of the Schiller Institute. She took up the theme of the alternative to the Clash of Civilizations, namely, the dialogue of cultures, beginning with the call that she herself had put forward in October 2001, along the lines of Cardinal Nicholas of Cusa’s dialogue, “The Peace of Faith.”

Mrs. LaRouche repeated her call for children and youth from all over the world, to study the best “pearls” of other cultures, and to come together in an international conference of youth to discuss avoiding a New Dark Age and Thirty Years’ War.

Bush’s Budget Seeks British-Style ‘Reform’

by Carl Osgood

The leadership of the U.S. Congress, the Executive, and the Democratic and Republican parties is gripped by determination not to admit, much less act against, the growing wave of bankruptcies and unemployment in the U.S. economy. The anxiety over what all are denying, is breaking out in angry debates over how to pay for the Federal budget under these conditions. The issue involves fundamental questions of the role of budget and tax policies in reviving the national economy.

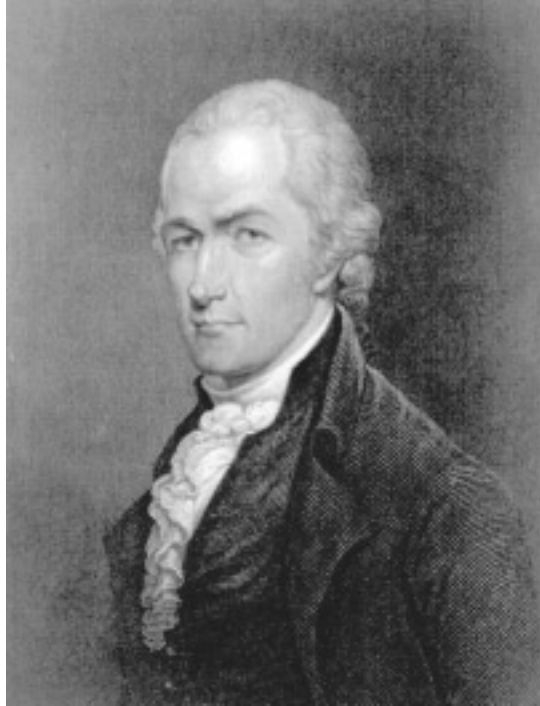
On Feb. 7, tensions between Congress and the White House over the Bush Administration’s fiscal year 2003 budget submission exploded into the open during a hearing of the Senate Budget Committee. Committee member Robert Byrd (D-W.V.), also the chairman of the Senate Appropriations Committee, berated Treasury Secretary Paul O’Neill for 15 minutes. O’Neill had made a speech claiming that Congressional rules, “created by ordinary people,” are “like the Lilliputians tying us to the ground.”

Byrd noted that the budget document itself, submitted to Congress by the White House, includes a cartoon of Gulliver tied down by the Lilliputians—and many other such illustrations expressing the sentiment of the White House toward Congress. Byrd denounced this as intentional denigration of Congress’ constitutional role in enacting a budget. He told O’Neill, “I’ve been in this town for 50 years. I’ve seen many secretaries of the Treasury. . . . With all due respect to you, you’re not Alexander Hamilton.”

An angry O’Neill replied, “I’ve dedicated my life to doing what I can to rid the rules that limit human potential, and I’m not going to stop.”

Government by ‘Experts’?

The budget document also takes direct aim at the practice of Congressional earmarks, that is, the projects that are added to spending bills by individual members of Congress to benefit constituencies within their states or districts. At one point, it declares that “the process of identifying and selecting which projects will be funded by the budget, involves high levels of subject matter expertise and administrative support. Hence, when non-priority projects, those not requested by experts, are funded directly by the Congress in what is referred to as ‘earmarks,’ there is no assurance that funds will be used to support projects and activities that have the greatest prospect for success.”



As Sen. Robert Byrd (D-W.V.) thundered when Treasury Secretary Paul O'Neill (left) presented the Administration's new budget, "With respect, sir, you are no Alexander Hamilton" (right).

Even some Republicans are upset at this unambiguous attack on Congress, on behalf of the kind of high-level budget and accounting "experts" whose wisdom has recently been on national display in the economic disasters of Enron, Global Crossing Ltd., Tyco, et al. According to the *Washington Post* account, House Appropriations Committee Chairman C.W. Bill Young (R-Fla.) sent a letter to Office of Management and Budget Director Mitch Daniels, saying, "All wisdom on the allocation of grant funding does not reside in the Executive branch."

The Constitution gives the government a physical economic function, that of providing for the general welfare; and gives Congress certain responsibilities with respect to that function. Article I, Section 9, Clause 7 of the Constitution says, "No Money shall be drawn from the Treasury, but in consequence of Appropriations made by Law." This is the so-called power of the purse. Section 8, Clause 1 establishes, "The Congress shall have the power to lay and collect Taxes, Duties, Imposts and Excises, to pay debts and provide for the common defense and general Welfare."

U.S. Democratic Presidential pre-candidate Lyndon LaRouche, in "Economics: At the End of a Delusion" (*EIR*, Feb. 22, 2002), posed the question entrusted to Congress this way: "What programs, of accelerated investment in scientific and technological progress, will foster the rates of increase of the physical productive powers of labor needed to balance the implied budget of the economy overall?" In other words, the society must make investments in anti-entropic forms of productive, creative action within its population, in order to generate higher levels of living standards over time. Government

has a very special role to play in the process, especially in the realm of credit generation and in science-driver types of programs.

The 'Federal Budget Process'

The 20th-Century's Anglophile imposition upon Congress of the "Federal budget process"—as it was established and has developed since before Senator Byrd first came to Washington—is designed to inhibit precisely the kind of development that LaRouche has outlined. The inflection point was the 1921 Budget and Accounting Act, which established the Bureau of the Budget and formalized the Executive budget process. It also set up the Government Accounting Office, to foist on Congress a "watchdog agency" to examine government operations.

The 1921 Budget and Accounting Act was the result of several years of lobbying by Wall Street interests who were intent on reducing Congress' ability to spend money for the general welfare. Their model was the British system of budgeting. A key architect of the 1921 act was William F. Willoughby, the founding director of research of the Brookings Institution, who had earlier been a member of the Taft Commission, set up by President William Taft in 1910 to propose an Executive budget process. Willoughby wrote or co-wrote numerous books on the subject of government budgeting from 1916 into the 1920s. One of these, *Financial Administration of Great Britain*, was published by Brookings in 1917, and is a detailed study of the British system from the standpoint of replacing the American system with British methods.

Willoughby took aim at the general welfare function of

government, and specifically, the spending on public works, such as waterways, that had dominated much of Congress' activity in the decades after the Civil War. He wrote, "It goes without saying that the great end to be sought in the administration of the finances of a nation, is the ensuring that the maximum of economy and efficiency will obtain in the determination of what the government shall do and in the execution of the work determined on." He complained, "A glaring example of waste . . . is the admittedly gross misapplication of funds in the United States for public works."

Willoughby extolled the virtues of the British system. Among these virtues is that funding requests can originate only with the requesting agency. Members of Parliament cannot add to or modify these requests. Their function is independent review, criticism, and approval or disapproval. Willoughby complained that under the American system, "demands for funds may, and often do, originate with individual members of Congress having little, and at best, inadequate knowledge of the needs of the services for which they are intended." Even worse, he continued, "they have no direct interest in the efficient and economical administration of such services. Their interest is in the localities to be served, which interest may be diametrically opposed to the interest of the services and of the public as a whole." This complaint is echoed in the Bush Administration budget.

Taking Government From Elected Officials

Willoughby's solution was to take the detailed decisions regarding government spending out of the hands of elected officials and put them into the hands of unelected bureaucrats. In the British system described by Willoughby, this function is carried out by the Treasury. All ministries except the Army and the Navy submit their requests through the Treasury. "This means that all requests for funds will be carefully scrutinized by an authority other than the one for whose use the funds are intended, before any formal demand for this grant will be made." Furthermore, "no appropriation shall be made except in pursuance of a formal estimate submitted on behalf of the Crown," and "individual members [of the House of Commons] have not the right to propose expenditures or even to move the increase of the proposals of the Crown."

Willoughby described the process as follows: The first step is to define the issues raised by both general policy and details of proposals. The second step is to get an expression of the will of a majority of representatives of the people. If the legislature decides against the Executive, provide for an appeal directly to the "electorate." In other words, dissolve the government and call new elections. "By use of such a procedure, the budget becomes the most important constitutional method for making the government responsible and responsive to the popular will." What Willoughby has described here, which he also takes up in other, later works, is two additional branches of government: electoral action, i.e., political parties, and the function of administration.

In his 1934 work, *Principles of Legislative Organization and Administration*, Willoughby wrote, "It is desirable to point out the great possibilities that are embraced in a system under which action upon the floor of the legislative chamber may be determined by an outside organization which has no legal status and which is subject to no control other than which it is willing to impose on itself." The administrative apparatus and the political parties have become precisely those "outside organizations," not subject to the Constitutional checks and balances of our republican government.

The development of that administrative apparatus has been evolutionary, and not every feature of the British parliamentary system has been insinuated into the American system. The 1921 act gave the Executive branch its permanent bureaucracy in the form of the Bureau of the Budget. Prior to 1921, the different departments of the government submitted their estimates to Congress directly. After 1921, the departments had to subject their estimates to scrutiny by the Bureau of the Budget.

In 1974, the Congress got its own permanent bureaucracy, as a result of the Budget and Impoundment Control Act. That act created the Congressional budget process and the Congressional Budget Office, whose first director, Alice Rivlin—also from the Brookings Institution—sought to establish the CBO as independently as possible from the day-to-day budget operations of Congress. Rivlin, as chairman of Washington, D.C.'s financial control board, became infamous, more recently, for presiding over the shutdown of D.C. General Hospital, over the unanimous opposition of the City Council, in the name of "economy and efficiency."

All of this means, that the economic processes of government are placed in monetary terms. But, as LaRouche observed, during a presentation to a conference in Oberwesel, Germany on Aug. 18, 2001, "the competent person, especially the politician, does not think in terms of money, or finances. They think of money and finances as instruments of government, not as the authority over government; but as the instruments of government. Any sovereign nation-state has the intrinsic moral authority to create a currency, and only a sovereign nation-state has that moral authority. A state has the authority to eliminate a currency, to cancel it; because the function of a currency, is to enable society to function."

The same applies to a budget. If a state is to have a budget, that budget must be the servant of the physical economic needs of the state, not the other way around.

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