

Editorial

A new set of choices

On Election Day 1980 the American population went to the polls to rid the nation of the zero-growth austerity policies that have collapsed the economy, put millions out of work, and made the United States a second-rate power. Americans made a choice. Against a media charade designed to hide the immense dissatisfaction with the administration, the population threw Carter onto the unemployment lines. But will Federal Reserve Chairman Paul Volcker go with him?

Now a more active choice is demanded of the citizenry. Will the constituencies that handed Reagan a landslide victory ensure that his administration will junk Volcker's policies and rebuild the nation as an economic and scientific power?

Europe is eyeing the transition; both the monetarist faction, and the European heads of state committed to economic growth are out to influence the Reagan administration. French President Giscard and West German Chancellor Schmidt are said to be happy about the Reagan victory because it will mean a "strong America," unafraid of working together with a strong Europe.

"I think a functioning and growing economy in itself represents a major part of the security of a nation," said Schmidt shortly after the Reagan landslide. This perspective, the one that guided the creators of the European Monetary System, must also be the guide for rebuilding America.

The battle for and against four more years of Friedmanism is now totally out in the open. Last week a former British prime minister, Conservative Edward Heath, warned against the Friedmanite policies that Margaret Thatcher has imposed on Britain. Thatcher's policies have been "catastrophic," he said, adding that Milton Friedman, a Reagan adviser, intends to abolish the industrial base in the United States. "If you persuade Reagan to accept that, then the future of the American people is really bleak," he warned.

But from the side of Friedmanism, the pressure

is on. George Shultz and William Simon, who are mooted to be in line for top cabinet posts, are both on the record in favor of Friedmanite austerity policies. "Mr. Shultz says Mr. Friedman is his favorite economist and recently told the *New York Times* that Mr. Friedman is also Mr. Reagan's favorite," reported Reaganite Jude Wanniski in the *Wall Street Journal*. Simon went on record recently endorsing Volcker tight money policies, and calling on Volcker to "take even stronger action" than he has. "Nobody considers Paul Volcker the enemy," he told the *Wall Street Journal*.

An overwhelming majority of the electorate did consider Volcker the enemy, and as Wanniski recalls, Reagan smashed his opponents in the primaries on the basis of his call for economic growth.

That fact is being well-publicized by factions within the Reagan camp and the Democratic Party. A legislative draft proposal on banking reform that defines a way to expand credit on a sound basis to serve a growing national economy is being widely circulated by the National Democratic Policy Committee.

And within the Reagan camp a group of economists and elected officials are beginning to put the heat on to ensure that Reagan—who is said to detest austerity—can respond to his mandate.

Rep. Jack Kemp of New York charged this week that Paul Volcker, by adhering to Friedman's monetarism, is wrecking the American economy. "Austerity is the problem, not the solution," he told *EIR* this week. "The only solution to our economic problems is economic growth." To the *Buffalo Courier-Express* Kemp said on Nov. 9: "If we end up 'Thatcherizing' the economy, the voters will turn on us with a vengeance. We've got to make people feel good right away. If we go back to the old-time economics that I call 'root-canal' economics, we'll be turned out. The advocates of 'root-canal' economics argue that the worse you feel, the better off you'll be. . . ."