

## The political shape of the budget maneuvers

by Richard Cohen

Last week, President Ronald Reagan may have made the most serious political and economic blunder of his administration thus far. Close observers of Capitol Hill winced when, following the decisive victory of the President's budget on the House floor, Reagan operatives immediately sent out signals that the President was prepared to spend his political capital for a second round of austerity measures.

Sources close to the White House reported that the May 12 administration announcement of Social Security cuts was not the only new budget cut in the offing. Office of Management and Budget Director David Stockman is privately calling for an additional \$6 billion cut in the 1981 budget, a direct confrontation with Senate and House authorization targets on the new agriculture bill, and a series of defense cutbacks.

The administration's latest budget-slashing orgy threatens to transform Reagan's budget success into a complete disaster, by pitting him against the very constituency groups that were key to his election, and by further undercutting the possibility of U.S. economic recovery. One by one, labor, the elderly, farmers, homebuilders, small businessmen, and other generally pro-Reagan layers are being forcibly alienated from the President by an economic policy that will further undercut their already declining living standards.

The growing disillusionment and dissatisfaction caused by the administration's economic policies is playing right into the hands of the Socialist International, which is now in the process of organizing a series of major confrontations with the administration over budg-

et and tax policy. Their aim: "Hooverize" Reagan.

Leading congressional Democratic liberals Tip O'Neill and Morris Udall have both put out the word that as a result of this latest round of administration budget cuts, Reagan would be as unpopular as Jimmy Carter was in 1980 and the liberal Democrats could look forward to a smashing comeback.

Exactly this scenario was laid out at the Socialist International's high-level conference in Washington, D.C. last December. There, at a meeting which brought together such leading lights of international socialism as Willy Brandt, François Mitterrand, Olof Palme, Tony Benn, and a host of American leftists, a strategy for "Thatcherizing" Reagan was devised. The strategy was based on the assumption that Reagan's economic naiveté would permit him to be manipulated into supporting massive budget cuts à la British Prime Minister Margaret Thatcher and backing Federal Reserve Chairman Paul Volcker's high interest rates. The Socialist International would then seize upon the ensuing economic and political uproar both as a battering ram against Reagan and a vehicle for pursuing their plans for a socialist takeover of the country's institutions. Conference participants were confident that, as one put it, "Reagan is just stupid enough to fall into the trap."

Judging by the administration's economic-related decisions of the past week, the Socialist International's prediction was unfortunately on target.

The most obvious example was the administration's proposal to cut Social Security—the first time in the system's history that this has been attempted. On May

12, administration spokesmen announced that over the next five years, \$24 billion will be cut in Social Security expenditures, affecting approximately 70 percent of those projected to be eligible for benefits.

Several days earlier, the Senate passed by a small majority a proposal tacitly approved by the White House to cut \$7 to \$9 billion from the Social Security budget by reducing cost-of-living (COL) increases. A COL cut in any area of federally sponsored programs would lay the precedent for cutting all such programs and soon could lay the groundwork for similar cuts in the private sector. This Senate threat provided the backdrop for the administration's more politically "acceptable" proposal to reduce the benefits for those on disability and those retiring before age 65.

Beyond this severe and dramatic cut in the so-called safety net, the administration was gearing up for immediate, direct moves to lower authorizations for wheat, cotton, and milk supports already passed by the House and Senate Agriculture Committees. And rumors are circulating that the administration plans to unveil a new five-year defense plan which is reportedly being put forward to cover up significant cuts being made in the fiscal year 1982 military budget.

This latest round of budget cuts has already provoked a loud public outcry. Even Republican members of Congress are unhappy with the proposed Social Security cuts. Florida Republican Sen. Paula Hawkins reports that her office has been swamped with calls hostile to the Reagan proposal and that she has personally joined the opposition.

The Socialist International's networks have been quick to exploit the uproar. In Washington May 13, a coalition called Save Our Security (S.O.S.) held an emergency meeting to map out strategy for lobbying against the administration's proposed benefit reductions. The group's head, Wilbur Cohen (who helped erect the "Great Society" as Lyndon Johnson's HEW secretary), told the *New York Times* that the Reagan program would have "disruptive consequences equal to Watergate in its impact on individuals' attitude toward government" by making them question the reliability of all government-sponsored programs.

Cohen's use of the word "Watergate" is suggestive of another operation Socialist International networks are now developing: "Reagagate." A series of scandals involving the President's inner circle is being set to go off, and the hope is that Reagan's popularity will have been so adversely affected by his economic policies that even his natural constituencies won't rise to his defense.

Bolstered by François Mitterrand's victory in the French presidential elections, the Socialist International is expected to lay out major new anti-Reagan initiatives at a conference in Philadelphia May 22-25 sponsored by one of its U.S. affiliates, Michael Harrington's Demo-

cratic Socialist Organizing Committee (DSOC). The theme, according to DSOC representatives, will be that the left-labor-liberal coalition is not dead and that socialism is about to be revived in this country—partly as a popular reaction against Reaganomics. Significantly, the original author of the "Thatcherize Reagan" game-plan, British Labour Party leader Tony Benn, will be a featured speaker.

Meanwhile, a slew of self-styled grassroots organizations opposed to the Reagan budget are springing up, and several—including the left-leaning National Association of Farmworker Organizations and the Nationwide Action for a Fair Budget—have already held demonstrations to protest Reagan's budget cuts. These smaller demonstrations are serving as feeders into the mammoth protest which the AFL-CIO—whose president, Lane Kirkland, is a top Socialist International agent—is planning for September.

### **Interest rates: the crucial question**

The worst irony in the latest round of budget cuts is the administration's claim that they are necessary because rising interest rates are causing deeper budget deficits. Rather than dump Volcker and his deliberate policy of wrecking the U.S. economy by cutting off vital credit, Reagan instead is apparently still firmly wedded to the fraudulent idea that high interest rates are necessary to control inflation—an idea assiduously promoted by all of his top economic advisers and welcomed by the Socialists as the key to Reagan's undoing!

Unfortunately, the anti-high-interest-rate pressure that was being exerted on the administration by Western Europe, particularly France and West Germany, has been severely undercut by the victory of Socialist International vice-chairman François Mitterrand. This development means that constituency groups in the United States—and their representatives in Congress—are going to have to take far greater responsibility for forcing Reagan onto an anti-high-interest-rate track—a move that would not only short-circuit the social democrats' destabilization schemes, but help ensure the economic revitalization that Reagan promised.

Key in accomplishing this are the moderate Democrats in Congress, who have been caught between the Stockmanite budget-slashers and the left-liberal confrontationists. Moderate Democrats, such as Rep. Jim Wright (D-Texas) and House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.), are currently fixated on working out a tax-cut compromise with Reagan and have totally neglected the most crucial issue of the economy—interest rates.

Like Reagan, their only real hope of surviving politically is to take the issue head on, mobilizing the intense anti-Volcker sentiment throughout the country into an effective—and winning—direction.