

## Reagan's 'no guns, no butter'-budget

by Richard Cohen in Washington

President Reagan and his most trusted aides are as yet unaware of the tragic consequences of the administration's Fiscal Year 1984 budget, unveiled on Jan. 31.

In late December 1982, this reporter warned that Senate Majority Leader Howard Baker would emerge as the point-man in a plot concocted by the inner circle of the International Monetary Fund (IMF), the Swiss-based Bank for International Settlements (BIS), and the London-based Ditchley Group of bankers. The plot has as its goal the blackmailing of the President and his confidants into a fatal capitulation on domestic and international economic policy.

Reagan was told that he could only avoid a calamitous destabilization of the world monetary system and simultaneously restrain the upward climb in interest rates threatened by Federal Reserve Board Chairman Paul Volcker if the FY84 budget included extreme cuts in entitlement programs, including Social Security, in domestic programs, and in the defense budget. In addition, this program, pressed upon the President by Senator Baker and his cohorts, required steep increases in domestic taxes. On Jan. 25 in his State of the Union message, and on Jan. 31 with the budget unveiling, the President took the bait.

Several hours prior to the State of the Union address, White House sources confided to this reporter the first real victim of the new White House budget pact. I was told that the President had privately conceded an FY84 cut from the earlier plans in the nation's defense budget far above the 8-11 percent cut leaked to the press during the early weeks of January.

In fact, my sources told me that the White House was now prepared to accept a 22 percent cut in the defense budget,

concealing the deal behind a mock congressional battle during the spring. A week later, the same sources confirmed that the space-based directed-energy beam anti-ballistic defense program, promoted strongly within the White House by presidential intimate Edward Teller and strongly advocated by *EIR* founder Lyndon H. LaRouche, had been all but dropped, with only inconsequential funds for the program in the FY84 budget request.

The dismantling of the President's rearmament program, his last remaining campaign commitment, and the scuttling of the most advanced military technologies program as part of the FY84 budget deal, are, according to Capitol Hill sources, part of the following picture. Howard Baker's collaborators, including White House Chief of Staff James Baker III and his long-time partner Office of Management and Budget Director David Stockman, who have privately lobbied the President since the fall of 1981 for just such a national security retreat, have gained solid control on this matter within the administration. My sources suggest that the unfortunate Secretary of Defense Caspar Weinberger, who has tied his fate to Pentagon proponents of hardware, within three months may meet the same fate as former Secretary of State Haig.

Not only has the Baker-orchestrated budget deal wrecked U.S. national defense policy, but it has served to divert the attention of official Washington from the international debt crisis and its profound implications into a state of budget-cutting mania.

With the domestic economy eroding at an ever-increasing rate, President Reagan and administration economic spokesmen have emerged from the budget announcement with a ludicrous script. Immediately following the President's budget

capitulation, the President, Treasury Secretary Donald Regan, and Council of Economic Advisers Chairman Martin Feldstein have all proclaimed the beginning of the much-awaited economic recovery.

One day after the budget announcement, Regan, appearing before the House Appropriations Committee, boasted, "The worst is over now. This reasonable approach [the budget] should be credible to the financial markets, the Congress, and the American people." Testifying at the same hearings, Feldstein went further, promising that, "We will have an additional million jobs within a matter of months." On Friday, Jan. 28, after a private White House budget preview for Republican senators, Senate Finance Committee Chairman Robert Dole (R-Kan.), a Howard Baker ally emerged, reporting "considerable agreement on what it is we are proposing." On the same day, even Democrats were praising the new budget-cutting course of the President. House Budget Committee Chairman James Jones (D-Okla.) welcomed the President's fiscal proposal. "I can't accuse it of being a smoke-and-mirrors budget," Jones said, while other Democrats echoed the sentiments of Sen. Lawton Chiles (D-Fla.), who expressed surprise, having expected deeper cuts from the White House in social programs.

By the morning of the budget announcement, official Washington was euphoric about big budget cuts, although only a little while ago, during the "lame-duck" congressional session, both the White House and Congress resisted further budget cuts as the means to recovery.

While official Washington has now plunged into the absurd fantasy that deep budget cuts equal recovery, key operatives of the IMF-BIS group, including Secretary of State Shultz, Henry Kissinger, and New York-based commercial and investment bankers who influence key Senators and Congressmen, have successfully shielded private planning meetings now on-going within the State Department and on Capitol Hill. The subject is an unquestioned seizure of control by the IMF and the BIS over the U.S. Treasury and U.S. budget policy by no later than June of this year.

Sources close to the Department of State reported to me that Undersecretary of State for Economic Affairs, Shultz intimate and founding member of the Swiss-based Mont Pelerin Society, W. Allen Wallis, is currently building a consensus among "conservatives" in or close to the Reagan camp for a massive monetary reorganization based on the "New Bretton Woods" concept previously promoted by Kissinger and Donald Regan (see article, page 4). While the Wallis version might include a new gold reserve system regulated by an expanded IMF and BIS, liberals are being brought into this consensus around the global "Reconstruction Finance Corporation" proposals of Felix Rohatyn—proposals which were floated with vigor on Feb. 1 at the Senate Foreign Relations Subcommittee on International Economic Policy by Sen. Bill Bradley (D-N.J.).

In order for these schemes, now hidden behind the chatter of budget talk, to surface and override opposition, a grave

international monetary crisis is required. Intersecting the possibility that such a "controlled" monetary shock will be delivered to the U.S. economy by these agents of the IMF and BIS during the course of the spring and summer, is the fact that Reagan's 1984 budget will, according to early signals, be used as the occasion for massive domestic upheavals during the same spring and summer months.

Already, the effects of the lame-duck-passed highway-construction and gas-tax program concocted by former Secretary of Transportation Drew Lewis, Senator Howard Baker, and House Speaker Tip O'Neill have set the conditions for violent destabilization of the nation's highways by independent truckers under the guidance of agent-in-place Mike Parkhurst.

The FY84 budget contains further such triggers. The President's decision to freeze federal pay and federal retirement budgets for one year will be used by the leadership of the American Federation of Government Employees union and its president, Kenneth Blaylock, for disruptions of the nation's capital; the AFGEL leadership is under the control of the left-terrorist Washington-based Institute for Policy Studies. In addition, FY84 budget freeze on price supports for already beleaguered farmers could prompt violent demonstrations against the White House in the coming months.

The President's sharp reduction in food stamps, Aid for Families with Dependent Children, and Medicaid could all be used for provocation among minority groups and the nation's unemployed.

The Democratic leadership of Tip O'Neill, Senate Minority Leader Robert Byrd (D-W.Va.), and AFL-CIO President Lane Kirkland is looking forward to the chaos while offering nothing but "permanent depression" palliatives. O'Neill, while everyone else was praising the President's State of the Union address, stated on Jan. 26, "I cannot conceive of a freeze on domestic spending. He's got a problem with the freeze out there [with the population]." On Feb. 1, O'Neill emerged from a meeting with House Democratic Committee chairmen to announce that he will sponsor an emergency program. This program, which will include a \$5-\$7 billion make-work jobs component and soup-pail food and shelter programs, is, according to O'Neill, to be pushed to legislative action by no later than mid-March.

O'Neill and the Democrats will stress their agreement with the President's 4 percent across-the-board before-inflation cut in his earlier projected budget—which now stands at \$845.5 billion—but they will also stress that programs for the "poor" were cut by a whopping 14 percent before inflation, while defense spending nominally goes up. This appetizing political target had caught the eye of Democrats such as Budget Committee Chairman Jones, who initially praised the President's program on January 28. On Jan. 31, Jones stated, "This is the same stay-the-course budget we have seen for two years. With all due respect, the administration's concept of a freeze on spending is more of a phrase than a freeze."