

Governors' conference demands more austerity

by Kathleen Klenetsky from Washington

In a demonstration of how easily U.S. elected officials can be made to embrace policies completely at odds with national interests, the National Governors' Association (NGA) on March 1 endorsed a budget-slashing resolution concocted by Harrimanite Democrats and Wall Street Republicans, backed by Paul Volcker and pro-British bankers.

NGA spokesmen stressed that this "bipartisan" effort was the first time that the group—which comprises the governors of the 50 states—has taken a position on issues not immediately related to the states. That in itself could be a welcome development, but the stance in question was an inauspicious beginning.

The resolution, which passed 30 to 10 at the final session of the NGA's winter conference in Washington, D.C., puts the governors in the camp of those elements who claim that economic recovery can only be achieved through extreme austerity.

In that blood-letting spirit, the document calls on the President and Congress to enact sharp reductions in social spending, especially in entitlement programs (programs to which the recipients have contributed through tax payments) such as Social Security and Medicare; to impose limits on defense spending (similar, proponents said, to those proposed Feb. 28 by former Defense Secretaries Cyrus Vance and Robert McNamara); and to raise taxes.

As one of the resolution's sponsors, Gov. Jim Thompson (R-Ill.), told his colleagues during the plenary session: "It takes a special kind of courage to face down old people and tell them they can't have everything they want in the way of medical care and Social Security."

Despite all the rhetoric about the governors taking responsibility for the national economy, when *EIR* asked a number of governors where they stood on the issue of increasing Treasury contributions to the International Monetary Fund, almost all of them refused to comment on the grounds that it "did not directly affect them." Yet many governors complained that their states' export trade was painfully shrinking because developing countries can no longer afford to import. The only governor who ventured a comment on the IMF, Republican Bud Janklow of South Dakota, said that while he realized that the policy of IMF conditionalities has definitely

interfered with U.S. exports, "people [in the developing sector] have to learn that they can't throw their money away on luxuries."

Harrimanite offspring

According to NGA staffer Jed Kee, the budget resolution was the brainchild of a three-man task force consisting of Governor Thompson; Gov. Richard Lamm of Colorado, one of the leading "Atari Democrats" and a defender of cannibalism; and NGA chairman Scott Matheson, a Utah Democrat who until recently worked as a lawyer for the Harriman family's Union Pacific railroad. Matheson was a guest speaker at the Feb. 28 dinner co-sponsored by the Democratic National Committee and Pamela Harriman's political action committee, Democrats for the '80s.

Helping the task force draft the resolution were several of the most vocal pro-austerity organizations in the country, including the Congressional Budget Office (whose deputy director, Richard Scheppach, recently joined the NGA as executive director) and the Bipartisan Committee to Resolve Inflation, a group of 500 banking and business spokesmen recently pulled together by Lehman Brothers, Kuhn Loeb partner Peter Peterson to lobby for radical cuts in consumption and for big tax hikes.

Peterson was one of several big names the resolution sponsors brandished to pull the governors into endorsing their document. In a speech delivered just before the final vote was taken, Peterson hailed the resolution as a "very helpful" step, and went on to exhort the governors to "keep on focusing on the real problem areas—pensions, Social Security and Medicare." Peterson noted that his group, which has taken out full-page ads in newspapers all across the country, is proposing that by 1985, entitlement programs be cut by \$60 billion; defense by \$25 billion; and that taxes be increased by \$65 billion. He was applauded vigorously.

Others who endorsed the resolution included Rep. Jim Jones (D-Okla.), chairman of the House Budget Committee; his Senate counterpart, Peter Domenici (R-N.M.); and, reportedly, Paul Volcker, who met with the governors behind closed doors on Feb. 28.

The counterpart to the outright austerity drive was a drumbeat for the "post-industrial society," under the impetus of Gov. James Hunt (D-N.C.), an ally of DNC chairman Charles Manatt and the Harrimans. Governors of states in which the destruction of the industrial base by Paul Volcker's interest rates have thrown millions of people out of work and turned formerly prosperous cities into ghost towns were told by Hunt and his collaborators that, by encouraging a shift away from basic industries to communication and information-processing, economic growth in their states would be ensured. Hunt specifically pushed a new education scheme which, under the guise of improving mathematical and scientific literacy, would turn out a generation of *idiots-savants* capable only of operating (but not developing) computers and calculators.