

Wall St. looks to D.C., finds panic and vacuum

by Criton Zoakos

During the entire week of Oct. 26-30, a series of tragi-comic events transpired in Washington, which, to the horror of all serious persons concerned with the looming dramatic consequences of the stock market crash, demonstrated to the whole world, that the present political leadership steering the institutions of American public life is not only inadequate to the crisis at hand, but is downright oblivious to the horrible reality facing us. These events, for the most part, centered around the so-called "domestic economic summit" between the Reagan administration, on the one hand, represented by James and Howard Baker, and the Democratic and Republican leadership of Congress, on the other.

Let no one deceive himself: After six days of a bipartisan "economic summit" between administration and Congress, exactly nothing has come down by way of even a hint of a suggestion of badly needed economic policy direction.

On the contrary, every indication is that all the best brains that can be found in the officialdom of both Democratic and Republican Parties, in both the Executive and Legislative branches of the United States government, have been meeting for all these days now, and have been demonstrating that the only thing they agree on is that Democrats will not blame Republicans, and Congress will not blame the Executive, and vice-versa. All the contending factions and groupings of the political institutions have struck a temporary non-aggression pact and are calling it an "economic summit."

No set of policies seems to be coming out of this group of frightened officials. Meanwhile, the leaders of the international business community, the erstwhile high priests of *Haute Finance*, are lying discredited, drowned in a sea of worthless, bankrupt paper, declaring their impotence to do anything, and demanding that the "political leadership" find solutions to the crisis. Most characteristic of the self-discred-

iting of the national "business leadership" of the United States, in the aftermath of the Oct. 19 "Black Monday," was a lengthy, hysterical, editorial in the *Wall Street Journal* of Tuesday, Oct. 27, titled "Reagan for President."

That editorial asserted that Ronald Reagan "should understand fully that he is standing in the middle of a panic. . . . And when fright prides the hinges of rational minds, big mistakes can be made. . . ." What's needed, the *Wall Street Journal* editors intoned, is government—and especially presidential—action. Calling "presidential credibility" the "missing ingredient" in the current crisis, the *Journal* demanded that Reagan "take a position, defend it and fight for it. The Founding Fathers invested great political authority in the presidency for times such as these."

Concrete actions Reagan should take include changing top personnel, and scrapping "the Gorbachov INF sellout." That treaty "isn't George Shultz's creature; it's Ronald Reagan's leadership. The world wants to see what anyone would want to see—the President himself standing up to Gorbachov."

The defenestration of Adam Smith

What was most ironic, in this panicked outburst of this reputed "business leadership," was that their sudden and uncharacteristic call for strong, dirigistic actions on the part of the political leadership of the country, in favor of the discredited and bankrupt "business community," came after many and tedious years of preaching the gospel of "free enterprise," "magic of the marketplace," in which, "dirigism," "government interference," and the like were proclaimed excommunicate and anathema.

Suddenly, the confused, frightened, and near bankrupt Wall Street, began to appeal to the Founding Fathers, the

Constitution, the office of the Presidency, and all the other high and mighty “political powers that be,” to save them from the remorseless clutches of that very “invisible hand” which they had worshipped.

The funny thing is that, neither presidency, nor Congress, nor any other institutional “power that be,” had any idea of what to do about the wobbling economy.

The following day, the London *Financial Times*, supposedly more sophisticated, followed the *Wall Street Journal* with a very similar editorial, and launched into a panicked attack against President Reagan for failing to provide any acceptable economic policies in this crisis. It seems only yesterday that the *Financial Times* and the *Journal* were proclaiming Reagan their great hero, the man who created the great “prosperity.” Now, here is what his erstwhile admirers say:

“Unless his statement last night acknowledging the gravity of the situation is a harbinger of better things to come, the only charitable description of President Reagan’s performance over the last week is that it has amply demonstrated his known limitations. Once the beneficiary of favorable circumstances, he appears to lack the capacity to handle adversity, and setbacks have been coming thick and fast over the last 12 months. There is, sadly, a fundamental inability at the top to grasp complex issues, not seen at a presidential level since Herbert Hoover. Historical comparisons with previously incapacitated chief executives like Woodrow Wilson may now seem relevant.” (Editorial of Oct. 28, 1987).

‘Out will come a mouse’

None of these exhortations, so far, has succeeded in shaming or inspiring the participants in the, still ongoing as of this writing, “domestic economic summit,” into any type of action, whatsoever. The first two days of the “summit,” were spent with all sides, Congress and administration, Democrats and Republicans, making solemn public declarations that they are all united in this effort, that their approach will be immaculately “non-partisan,” and “bi-partisan,” that there will not be any recriminations by Congress against the administration, nor vice versa.

On the third day, this “non-aggression pact” began to crumble. After failing to convince the administration on the dubious wisdom of raising taxes, Jim Wright, the Democratic Speaker of the House, engineered the equivalent of a legislative coup d’état, to force the passage, in the House of Representatives, of something called “The Guaranteed Deficit Reduction Act,” which, if it ever were to be made into law, would increase taxes by \$12.5 billion and cut spending by \$11.5 billion, presumably to produce a deficit reduction of \$23 billion.

Both the Reagan administration and the Republicans promptly protested that the dubious passage of this bill was “not serious,” that it was a cheap Democratic Party “political maneuver,” intended to undermine the ongoing negotiations

at the “domestic economic summit.” Many Democrats admitted that the vote for the “Guaranteed Deficit Reduction Act” was indeed frivolous.

And so it was. The vote for the bill was 206-205, with all but one Republican opposing, and with 41 Democrats opposing as well. Before the final vote, a revolt against the bill started emerging among Democratic Party ranks. Speaker Jim Wright, in order to overcome it, employed an unprecedented parliamentary maneuver, which amounted, in fact, to manipulating the voting process of Congress. Jim Wright’s parliamentary maneuver, tantamount to extending the calendar day by fiat, was likened to the feat of the biblical Joshua who ordered the Sun to stand still over Gavaon.

Following that piece of theater, greater dissension was reported on all fronts in Washington. Among congressional Democrats, growing resentment against Jim Wright; among Republicans, growing clashes over the issue of what kinds of taxes and what kinds of cuts; within the administration, clashes between the two Bakers on the one side, and anti-tax administration conservatives. At the “domestic economics summit,” total paralysis. From the President, nothing.

By the end of Saturday, after six days of posturing, the summiters announced, “There was no decision on a specific policy or outline of a package,” and “we don’t want a Halloween surprise.” By Saturday, recriminations of Democrats and Republicans replaced the spirit of “bi-partisan” harmony of the previous Monday, as the Democrats, in their weekly radio message to the nation, blamed the Republicans for the failure to reach agreement.

From the White House, an official, apparently opposed to Howard and James Baker, leaked to the press that “if the President signs off on significant taxes, there’ll be a lot of screaming and shouting.” One senator, discouraged by what he saw all week long at the “domestic economic summit,” shook his head stoically, and provided an inspiring example of leadership, by saying, “The trumpets blare and the headlines scream and, in the end, out will come a mouse.”

Neither the *Wall Street Journal* editors, nor the London *Financial Times* got from the Reagan administration what they so desperately demanded early in the week. Hence, the Democratic Party officialdom attempted to fill the vacuum: “Yes, we want to calm Wall Street jitters,” said the official Saturday party statement, crafted by Rep. Pat Williams of Montana. “. . . [A]nd we Democrats believe that the only sure way to calm Wall Street is to reassure Main Street . . . that the Congress is going to continue to reduce the deficit . . . We Democrats have understood for more than half a century now that when Main Street is reassured, the message will soon percolate up to Wall Street.”

However, House Budget chairman William Gray, one of the Democratic participants in the “summit,” was not so perky. “If we don’t reach an agreement,” Gray said after a frustrating negotiating session, “we risk another Black Monday, Tuesday, and Wednesday.”