

is by abandoning the “information economy” and restoring basic industry and agriculture—the real sources of wealth. What the country needs is to increase its real economic growth. This will, in turn, increase employment and productivity, thus expanding the tax base, and the revenues flowing into Washington. That’s how you deal with a deficit—not starving grandma or grandpa, or disarming your military.

Bush in the hot seat

While the NEC hearings and related developments were intended to panic Bush into acquiescing to the austerity program, he is still resisting being stampeded. Responding to Greenspan’s testimony to the commission, Bush spokeswoman Sheila Tate told a television interviewer, “Economists never agree on anything. I mean, for every economist you cite, we can trot out one who is diametrically in opposition.” Syndicated columnists Evans and Novak reported on Nov. 23 that a memo by economist Alan Reynolds, which states that deficits by themselves “don’t make the dollar go down—or up” and attacks Fed chairman Greenspan for triggering the attack on the dollar—is “circulating through the upper reaches of transition Washington.”

Bush himself is no fan of the NEC, and has repeated his vow not to raise taxes numerous times since the election. However, he has not displayed the same steadfastness on the issue of domestic spending. Although he continues to maintain that he will not allow any cuts in Social Security, his selection of Richard Darman, a protégé of James Baker III and Elliot Richardson, as Office of Management and Budget director, signals a willingness to scale back other vital entitlement programs. At the press conference at which Bush announced his appointment, Darman said that while Social Security will be protected, every other entitlement program, including Medicare and farm subsidies, will be fair game. Bush did not demur.

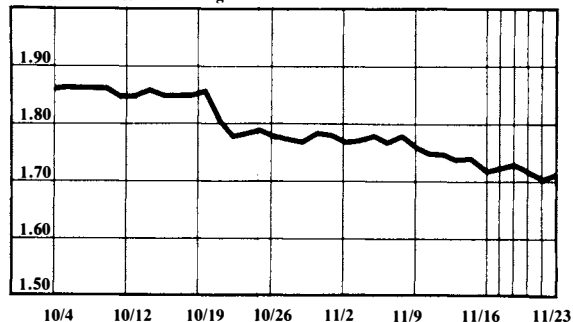
Then, on Nov. 25, the *Washington Post* ran a front-page article, citing Bush transition aides as its source, which claimed that the Bush administration will back “substantial” Medicare cuts for fiscal 1990. Reached for comment, Bush told reporters that the stories “don’t have authority behind them,” but did not deny that trimming Medicare might be in the cards.

Bush could send a very different—and positive—signal in December, when he reportedly will select his two appointees to the NEC. Who they are will give a good clue as to his approach to economic policy in general. Bush is reportedly considering naming Richard Rahn, chief economist for the U.S. Chamber of Commerce, who violently opposes tax increases. That alone could trigger the panel’s dissolution, since several Democratic members have threatened to resign if Rahn is appointed. Rahn did nothing to endear himself to the commission’s pro-tax majority, when he testified to the panel that a tax increase would be the worst possible route to take.

Currency Rates

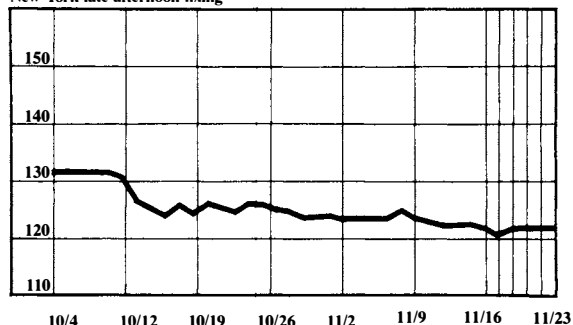
The dollar in deutschemarks

New York late afternoon fixing



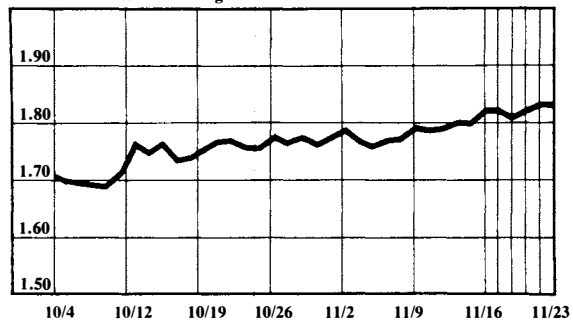
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

