

Domestic Credit by Anthony K. Wikrent

Bush's budget from fantasyland

All recent budgets have had their numbers cooked, but even smoke and mirrors can't mask Bush's budget debacle.

President Bush has presented his first budget proposal to Congress, and like all else Bush has done as President, it has little or no connection to reality.

The key assumption of the Fiscal Year 1991 budget is that revenue will grow 9%, while spending increases will grow only 3%. Spending, however, grew 6% in 1988 and 7.5% in 1989, while revenue so far this year shows every sign of collapsing.

The growth in revenue is derived from an assumed 2.6% growth in Gross National Product. But the Commerce Department just announced that the U.S. economy has practically ground to a halt; GNP in the fourth quarter of last year increased at an anemic annual rate of one-half of one percent. In fact, revenues in December 1989 were \$89.13 billion, 4.9% below December 1988. That brings the deficit in the three-month-old current fiscal year to \$69.69 billion—two-thirds the figure allowed by the Gramm-Rudman-Hollings law for the fiscal year. In FY1989, the deficit for the first quarter of the year was \$67.58 billion.

In reality, the economy is contracting—fast. Auto makers plan to make 14% fewer cars and trucks this year—if the market rebounds. In the first two weeks of this month, General Motors produced *only* 3% of what it produced in the same period last year. Orders for new machine tools fell 22% last year, and as the industry's backlog is worked down, it will be forced to lay off workers. Home construction will fall through the floor by late spring, as homebuilders are no longer able to find financing, because of new

thrift regulations. Even the vaunted yuppie spending spree has come to an end, according to the Jan. 30 *Washington Times*.

Notwithstanding the collapse of the physical economy, the budget is riddled with fraud and fakery. Director of the Office of Management and Budget Richard Darman, appearing on a TV talk show, was unable to refute reporter Robert Novak's assertion that the FY1991 budget deficit is more like \$269 billion, rather than Darman's \$63 billion, because the budget is robbing revenues earmarked for numerous trust funds—including the Social Security trust surplus, the highway trust fund, and others.

This, of course, is the scandalous truth that is being cynically exploited by the Democrats, led by Sen. Daniel Patrick Moynihan's (D-N.Y.) proposal to cut the Social Security payroll tax. The Democrats are just as willing as the Bush men to use fraud and fakery, as in the case of former presidential candidate Michael Dukakis and his state budget disaster known as the "Massachusetts miracle."

Most importantly, the Democratic leadership is not proposing an immediate reversal of the insane environmentalist "post-industrial" policies that bankrupted the U.S. in the first place; rather, they are fanatically pushing corporatist austerity. "This is a 'take two aspirin and call me in the morning' budget, instead of the major surgery we need to confront the deficit issue," said House Budget Committee chairman Rep. Leon Panetta (D-Calif.).

In response to the political firestorm unleashed by Moynihan's pro-

posal, Bush has proposed that every last cent in the Social Security trust fund surplus go into a Social Security Integrity and Debt Reduction Fund, which will be used to buy down the national debt—one of the most egregious frauds yet.

Bush's proposed budget is so riddled with fantasy and fakery, that even the British are beginning to gag. "One of the quite extraordinary features of the U.S. budgetary process is the extent to which the figures are make-believe," the London *Independent* wrote on Jan. 30, in a lead article on its financial page. "We jeer at the way in which the figures of the *ancien regime* in Romania showed the grain harvest to be three times the actual amount, or the manipulation of the inflation figures within the Soviet Union. . . . To narrow the U.S. fiscal gap to the level required by Gramm-Rudman, the administration has overestimated revenue and underestimated spending. . . . The Soviet bloc can no longer operate on phony figures. Can the U.S.?"

Appropriately enough, Darman authored an introduction to Bush's budget proposal that extensively draws on childish images from fairy tales, electronic video games, and the Sesame Street television program. The federal budget is the "Cookie Monster" who "cannot resist gobbling up anything and everything that might be consumed," Darman said. Future federal insurance liabilities (such as student loans or pensions) are "like a hidden Pacman, waiting to spring forward and consume another line of resource dots in the budget maze." The budget process is a "wonderland," where three different "games" can be played. There is the "Spend-the-Peace-Dividend Game," the "Cut-Social-Security Game," and the "Beat-the-Budget Game," Darman said.