

Budget mess makes depression official

by Kathleen Klenetsky

Late in the evening of Oct. 4, the U.S. House of Representatives committed a historic act. Responding to overwhelming constituency pressure, it rejected, by a bipartisan vote of 254-179, the austerity budget that had been carved out by the White House and the congressional leadership after nearly half a year of bickering, false starts, and broken promises.

The House vote was significant for two principal reasons: First, it dealt a stunning political defeat to George Bush, possibly the worst domestic setback suffered by a President since the final days of Richard Nixon, and one from which he will almost certainly never recover.

Second, and more importantly, the House action signified that it is no longer possible for Washington to cover up the fact that the United States is in the grip of a serious economic depression, which is worsening by the minute.

Depression is here

Although Congress and the White House managed to avert the total chaos of a full-fledged government shutdown by cobbling together a vague and tenuous deal Oct. 9 that would allow the government to continue to function for another 10 days, neither the budget mess nor the underlying economic crisis is anywhere near being solved. Indeed, the latest accord ran aground almost immediately. After publicly announcing Oct. 9 that he might agree to an income tax hike for wealthy Americans as part of a new budget agreement, Bush was forced to back down when the Republican congressional leadership flatly rejected the proposal—leaving the budget gridlock still in place.

No matter what budget deal Congress and the White House may finally cook up over the next days and weeks, reality can no longer be denied: The Reagan-Bush “recovery” has been proven to be a fraud, and George Bush is presiding

over the biggest economic and financial collapse in U.S. history.

What is now becoming clear to all is that the economic collapse in the country is so severe that it is no longer possible, politically or economically, to resort to band-aid measures of some budget cuts here and some tax hikes there. Nor, as Bush found out to his great dismay, will Americans passively accept harsher and harsher austerity measures. Unless there is a fundamental change in policy, the U.S. will undergo the worst economic disaster in its history—and George Bush’s name will go down in infamy.

“The ball game is over,” commented congressional candidate Lyndon LaRouche in an Oct. 6 statement. “No longer can anyone pretend that Bush is going to get us safely through the economic and financial storms of the coming weeks and months. The fact is, we are already in a deep economic depression. The only thing that counts is an economic recovery program like that which was effected, most recently, under President John F. Kennedy. We have to go back to those kinds of policies. Otherwise, there are no answers to the economic problems which face us today.”

No to austerity

The budget which the House rejected was an abomination. Its more egregious provisions included ones that would have slashed Medicare spending by \$60 billion, causing suffering among the nation’s elderly, and paring farm price supports by \$13 billion, guaranteeing further collapse of the food-producing sector.

At a time when unemployment and oil prices are soaring, the budget would have required laid-off workers to wait two additional weeks before receiving unemployment checks, and would have slapped an additional 12¢ per gallon tax on

gasoline. It also contained a host of cynical tax breaks for wealthier sectors of society.

The administration pulled out all the stops to ram this monstrosity through Congress, from the usual blackmail and arm-twisting techniques, to the deployment of three former Republican Presidents to drum up support.

But the effort failed, because members of Congress were more afraid of getting lynched by the voters than of getting blackballed by the White House.

The White House and Congress were deluged with calls and telegrams from people opposing the budget package. Beyond the tens of thousands of negative phone calls from constituents, it is known that several congressmen got calls from their own parents, pleading, "We depend on Social Security. You can't do this to us! You must vote no!" A CBS News poll showed that 76% surveyed opposed any decrease in Medicare benefits—the program that took the biggest hit in the ill-fated budget package.

The grass-roots mobilization against the budget deal reflects a shift of great importance in America's attitude. Despite the unhappiness and disaffection that had heretofore been evident in the electorate over Washington's mishandling of the economy, the average person had been content to simply sit back and grumble.

But the mood in the country has undergone a sea change. Passive discontent has turned into active anger—anger at being lied to that there has been a recovery, anger at the incompetence of their elected leadership. The House—all of whose members are up for reelection Nov. 6—was responding to this anger when it voted down the Bush budget.

This shift in Americans' attitude suggests that the new budget compromise which the House and Senate arrived at, could also end up in the dumpster. Although it moderates the original budget fiasco—it cuts Medicare by "only" \$42 billion, for instance—it still represents the same losing approach to the economy's troubles: namely, more spending cuts, higher taxes.

This recipe doesn't work under the best of circumstances and is a disaster in times of economic contraction. With the tax base shrinking as a result of corporate bankruptcies, job loss, and disappearing profits, there will be fewer and fewer businesses and individuals to shoulder an expanding tax burden.

The same holds true for budget cuts. If the government starts paring expenditures, that will hurt the rest of the economy. As more public and private enterprises lose government funds, they will have to contract their operations, laying off more people, which in turn will cause increased demand for unemployment funds, food stamps, Medicaid, and the like, while shrinking the tax base further.

Bush's Waterloo?

Bush is now in deep political trouble. The temper tantrum he threw in response to the House vote, choosing to shut

down the entire U.S. government rather than compromise with Congress, underscores his inability to govern effectively, especially in a time of national and international crises.

The President's defeat is "sobering evidence of the political incompetence" of Bush, and presages a "grievous and possibly decisive weakening" of his political future, the *London Guardian* wrote Oct. 9.

Polls taken in the wake of the budget fiasco show that Bush's popularity has taken a sudden nosedive. A poll conducted by the Times Mirror Corp., which owns the *Los Angeles Times*, showed that only 55% surveyed think Bush is doing a good job as President, down more than 20 points since early August.

Bush's own party is starting to desert him. Only 71 of 176 House Republicans backed Bush on the budget vote, despite his nationally televised appeal to the American people. Republican candidates up for election in November are trying to put as much distance between themselves and Bush as possible. "This is a President who has troops on foreign soil, and he is unable to command his own party. He's the commander-in-part, not the commander-in-chief," scoffed Rep. Tom Downey (D-N.Y.).

Republican pundits are having no difficulty reading the handwriting on the wall. "Bush has reason to fear '92," ran the headline over a commentary in the Oct. 10 *New York Times* by GOP political operative Kevin Phillips. Phillips, who had previously warned that Bush might indulge in an "October surprise"—i.e., a Mideast war, to cover up his domestic problems—wrote, "Even war may not bail him out."

The same day, the *Washington Times* ran two columns on the budget mess. In one, entitled "Rout of the GOP, With Big Casualties," Pat Buchanan commented, "Whatever the outcome of the budget debacle, the rout of the Republicans is well-nigh complete." In the second, "Bush in Hooverville?—Ignoring Economic History," Warren Brookes wrote: "President Hoover . . . lost touch with economic and political reality. He left his country and his party in ruins by Republican 'root canal economics' of higher taxes and spending cuts in a deepening depression. Many, if not most Republicans on Capitol Hill are scared to death President Bush is leading them back to Hooverville."

The question now is whether Bush will respond to all this by turning up the heat in the Mideast in hopes that a war will not only rally Americans behind him, but allow him to invoke emergency powers over all aspects of the economy. In an interview with BBC Oct. 5, *Washington Post* columnist Hobart Rowan called the House rejection of the original budget deal an "outstanding setback for Bush," and said he "wouldn't be surprised" if Bush "tried to get the country solidified behind him by trying something dramatic in the Gulf."

The alternative is for Americans to force their elected representatives to revive the pro-growth, pro-technology policies last seen in the Kennedy years.