

## A sorry 'State of the Union,' by an emperor in old clothes

by H. Graham Lowry

Like a snarling bully, imitating the mad Emperor Caligula, President George Bush used his State of the Union address on Jan. 28 to demand an end to the crises threatening the nation—while offering nothing but measures to worsen them.

The man who led the United States into a genocidal war against Iraq now intends to apply the same frenzied rage “to the economy that we brought to Desert Storm.” Referring to what he simply called “hard times,” Bush observed that “unemployment is too high, some industries are in trouble, and growth is not what it should be.” Echoing the refrain from his declaration of war against Iraq, he bellowed, “This will not stand!”

Though he presides over a bankrupt nation slipping deeper into depression, Bush proclaimed to the world “one sole and pre-eminent power: the United States of America.” He rhetorically crafted the impression that he had personally ended the Cold War and eliminated “imperial communism,” despite his prolonged refusal to recognize the nations which declared independence from the Soviet Union, or even the dissolution of that entity itself. Three days later, he sat down with the head of the brutal Chinese communist regime, seeking improved relations. While babbling that “the world trusts us with power” and “to do what’s right,” he made no mention of the dangerous economic crisis in the former Soviet Union, which he has chosen to exacerbate with “shock treatment” measures.

At the top of his list of “long-term” solutions, Bush clung to his deranged “free trade” policy to level the economies of nations around the globe—including the United States. “We will work to break down the walls that stop world trade. We will work to open markets everywhere . . . to eliminate tariffs and subsidies. . . .” He promised “more good American jobs” (at below subsistence wages) through the North

American Free Trade Agreement (NAFTA).

In his State of the Union message and in the budget he presented to Congress the next day, Bush proved to be an emperor in the same old clothes. The “growth package,” which his aides had ballyhooed for months, was laced with more misery for the depression’s victims and demands for greater executive powers to impose austerity.

### More economic insanity

The President who promised to create 30 million jobs during eight years in office submitted a budget document which claims to create “half a million jobs during the next four years”—less than the number *lost* just by California and New York during the past year. To “care for those in trouble today,” Bush asked for immediate action on a token, 13-week extension of unemployment benefits—which the House had already passed earlier in the day. Bush also claimed that his new transportation bill would generate “jobs building roads, jobs building bridges, and jobs building railways.” The budget he submitted the next day *cuts* this year’s spending for transportation, energy, and water projects by 10%.

Despite the devastating impact of a decade of real estate speculation on the current financial crisis, Bush declared, “Real estate has led our economy out of almost all the tough times we’ve ever had.” Now that the real estate bubble has burst, Bush wants to restore the “passive loss” rules, which allow realtors to deduct their market losses from income earned in other businesses. In hopes of pumping up another bubble, Bush also wants to “make it easier for pension plans to purchase real estate”—which should certainly make it easier to send your pension up in smoke.

But for those who can still manage to make a killing, Bush again demanded a whopping cut in the capital gains tax rate, by almost 50%. And this time, he thundered, “I cannot

take 'no' for an answer." He denounced "various so-called soak-the-rich bills that are floating around this chamber."

For those Americans who have managed to establish Individual Retirement Accounts, but cannot purchase a home, pay their medical bills, or put their children through college, Bush generously offered to permit them to liquidate their IRAs "without penalty"—but his budget projects increased federal revenues from taxing those monies as income!

### **'Austerity, like it or not!'**

Along with his belligerent declaration that the United States is "the kindest nation on earth," President Bush vowed to enforce further austerity. He pledged to "strengthen the family," and then submitted a budget which cuts funding for discretionary programs for children and families by \$433 million, or 7%. He would freeze spending for child welfare services, and reduce low-income energy assistance nearly a third, by \$435 million. He plans to waive federal regulations in order to speed up state efforts to impose "workfare," throw more people off welfare, and legitimize laws such as New Jersey just passed, to deny additional aid to mothers who have children after they are on welfare.

Bush ordered a freeze on all domestic discretionary spending and on federal employment. He would cut \$1 billion a year over the next five years from federal pensions, and have the employees pay for the difference. All of this will be imposed, Bush warned, under the existing budget law's "enforceable spending caps." He acknowledged that there are "those in Congress who would ease that discipline now. But I cannot let them do it—and I won't." Despite the Constitution's clear definition of the budgetary authority of Congress, Bush belted, "Maybe you need someone to help you say 'No.' . . . And you know what I need to make it stick. Give me the same thing 43 governors have: the line item veto!"

### **LaRouche's reply to the State of the Union**

While the official Democratic Party leadership—and their anointed presidential contenders—quibbled over Bush's address, none of them offered anything other than variations on what to cut. But Bush's most dangerous rival, Democratic presidential candidate Lyndon LaRouche, replied with a program for real economic recovery.

"Mr. Bush has no conception whatsoever of what's going on in the world—not in the slightest," LaRouche said in a statement from prison Jan. 29. "Like King Canute of England, he hopes that if he orders it done, the winds and the waves and the volcanoes and the weather systems will somehow obey his will, whenever it comes upon him to give such an order.

"On the domestic side, his program is pure farce. He has no program. Just to take an example of the problem: We have, in the United States presently, a combined federal and state budget deficit—operating deficits—of in excess of a

half-trillion dollars a year. Much of this deficit, of course, is caused by debt service, as in the case of the federal debt margin, which is caused by debt service payments chiefly.

"There are three things you can do about this. One, you could cut federal programs and state programs. That would cut jobs and programs, which would mean you'd lose more revenue from the ripple effects at the state and local level than you would save by the cuts. That doesn't work.

"You can increase taxes by a half-trillion dollars or so, on the state and federal level. That won't work either, because the gouging, by tax revenue increases, will sink the economy even deeper, and you will lose more money on the tax revenue side, from those tax rate increases, than you will gain.

"The only solution is the third option, and that is to increase the tax revenue base by in excess of a half-trillion dollars a year. That can be done, only by creating *at least*, directly, through direct programs, about 6 million new added jobs. These could be about 3 million new jobs in public works, through new authorities, state and federal authorities, to which the federal government, through the banking system, makes cheap, low-cost, long-term loans.

"At the same time, we could create 3 million other jobs additionally, in the private sector, to vendors to these federal infrastructure projects—that is, water systems, power systems, rail, repair of transportation systems, medical, and so forth kinds of programs. That would work.

"The ripple effects from creating 6 million new jobs in this way, would be to boost the total federal revenue, the total GNP (or GDP if you prefer), above a trillion to a trillion and a half more than it is today. That would give us the tax revenue increases needed to approximately balance the budget. It would get us started on the recovery, and the budget would come into balance fairly soon as long as we keep that kind of flow.

"However, to do that, to get that kind of growth program, means nationalizing the Federal Reserve System, creating new issues of low-cost currency which are loaned at very low interest rates to public projects and to worthy private investors, to assist their growth programs. That will get the program going. That means creating about a trillion dollars a year of new credit, of this type, through those mechanisms. That's perfectly safe, because as long as we restrict loans, to things which produce new physical assets for our nation, such as water systems, new rails, and so forth, new power stations, we are not actually having an inflationary effect.

"It is only when we let the money go through the system—cheap credit—onto the streets, the way it goes now, that any increase in credit of any magnitude, threatens to cause hyperinflation.

"So, if George refuses to bite the bullet on any of these questions—I doubt if he really understands them—the economy is headed into the deepest depression of the 20th century; and, added to that, George Bush's State of the Union address on Jan. 28 was also a bust."