

Ghost of Hjalmar Schacht stalks Washington, D.C.

by Kathleen Klenetsky

If Americans do not force a fundamental shift in the economic policies of this country in the near future, you can soon say goodbye to Social Security, Medicare, Medicaid, and the rest of the so-called entitlement programs that have provided a measure of security for the country's elderly. And their demise will be only the first step in an inexorable process of driving down the living standards of the vast majority of the population to Third World levels.

There has been frequent discussion over the past decade of the alleged need to cut back on entitlement programs to restore the country's fiscal health. Indeed, President Bush's proposed 1993 budget, issued in January, called for reducing spending on entitlement programs by putting a ceiling on the amount of growth that would be allowed. But the last few weeks has seen the emergence of a carefully orchestrated campaign to lay the basis for ramming through a thorough "restructuring" of the entitlements system, even if it requires imposing a one-party dictatorship and literally killing off many elderly to do so.

There is a model for this kind of policy, and it can be found in the early years of the Nazi era, when Hitler's economics minister, Hjalmar Schacht, promoted a version of "industrial policy" that admittedly built some roads (and armaments), but through a policy of looting the living standards of large sections of the population, that led inevitably to the slave labor of the concentration camps.

One party dictatorship?

Sen. Warren Rudman (R-N.H.) got the ball rolling March 24 when he announced that he would not seek reelection

because of the "paralysis" that has gripped the federal government. Rudman, author of the Gramm-Rudman-Hollings balanced-budget atrocity, charged that special interests—especially those groups representing senior citizens—were making it politically impossible to impose the hard economic choices that the country must make.

The New Hampshire Republican railed especially against entitlement programs, which he blamed for the explosion in the federal deficit. Americans have to be told "there is no such thing as a free lunch," he said. "We either take steps to cut the growth in these programs, raise the taxes to pay for them, or do a combination of the two."

Trumpeted all over the news media, Rudman's statements were used to kick off a controlled national debate on the subject. Within days of his announcement, Sen. John Danforth, a wealthy Republican from Missouri, made a speech on the floor of the Senate praising Rudman's bluntness, and echoing his demands that entitlements be reduced.

"Entitlement programs are the lion's share of the federal budget," said Danforth. "They are truly out of control, and we have no mechanism for dealing" with them. "This is the first generation in the history of this country that has wanted to take more out of it than it is given."

The March 29 *Washington Post* published excerpts of Danforth's speech, along with an editorial praising Rudman and Danforth for speaking "unpleasant but necessary truths."

The two senators continued their diatribe in a joint appearance on John McLaughlin's "One on One" televised interview show April 5. Cutting back on entitlements "has to be the foremost issue in the presidential and congressional

campaigns that we are now in," said Danforth. "The big issue is the entitlement questions. Entitlements are totally out of control. Those are the questions that we should focus on," and not the "little scandals" in Washington.

In an interview published in the April 6 issue of *Time*, Rudman suggested that the entitlements crisis is so grave, it could justify a one-party government! "Listen, we know what to do," Rudman told the magazine. "We could pass a bill tomorrow to fix our fiscal problems. What's wrong is that if the Republicans take the lead, the Democrats will absolutely crucify us for it, and vice versa. So basically what has to happen is we've got to draw together in some way, or have one-party control of the country for a few years, and do what has to be done." Rudman added that the country would be "better served if the American people stopped splitting the ticket and elected President Bush and a Republican House and Senate, and let us all do as a party what we want to do. . . . Or if they want to elect a Democratic President and a Democratic Congress, fine, do that. But let's have some accountability."

Get those greedy elderly!

The Danforth-Rudman assault did not occur in a vacuum, but was timed to have maximum impact on the 1993 budget negotiations taking place in Congress. Sen. Pete Domenici (R-N.M.), the ranking Republican on the Senate Budget Committee, has picked up the Rudman-Danforth line, and has indicated that he may introduce legislation which would, for the first time, put a mandatory ceiling on entitlement growth. In Senate speeches, Domenici used the same formulations as Danforth and Rudman, asserting hysterically that spending on Social Security, Medicare, and Medicaid has gone haywire, and must be reined in.

As *EIR* went to press, the full Senate was scheduled to debate the 1993 budget resolution. According to a congressional source, Domenici was considering proposing an amendment to the budget resolution to cap entitlements. The source, a staffer on one of the committees central to the budget process, said that the current furor over entitlements could be used to force "a major restructuring of the health care system, since the consensus is that health care costs, especially Medicare and Medicaid, are driving the deficit increases." The health-care programs are an easier political target than Social Security per se, the staffer indicated, so Congress might choose to cap these programs, which would set a precedent for a later assault on Social Security itself.

The media has jumped into the fray, with a barrage of television and press features claiming that entitlements are gobbling up scarce resources. For example, the April issue of *The Atlantic* magazine features a major article on "The Next New Deal," which calls for "a comprehensive reform of our trillion-dollar system of federal entitlements, which favors the rich over the poor, the old over the young, and consumption over savings." Author Neil Howe recently collaborated with

New York Council on Foreign Relations Chairman Peter Peterson on a book with the same general theme.

Use 'industrial policy' as excuse for austerity

Contrary to the blatant propaganda campaign to convey the impression that most of the nation's elderly live high on the hog, the truth is that *the majority of America's retirees totally depend on Social Security for their livelihood*. In many cases, they have only Medicare and Medicaid—which has already been drastically cut—to rely on for access to medical treatment. Without it, they die.

It is certainly true that entitlement spending has been consuming an increasing portion of the federal budget, and that as the elderly population of the country mushrooms over the next two decades, these programs will have to expand proportionately. The rational way to solve this problem would be to throw out the usurious, speculative economic policies that have been in place since John F. Kennedy's assassination, and go back to old-style "American System" policies that encourage the development of the physical economy. This would produce more than enough growth to keep Social Security and Medicare intact, and to provide an improved standard of living for all categories of the population.

But the debate is being shaped in an entirely different direction: The core theme of the anti-entitlements campaign is the bald-faced lie that "greedy senior citizens" are gobbling up scarce resources that could otherwise be invested in long-term economic growth and infrastructure, or in programs for needy children and other "more deserving" social services. The message is that unless you're ready to send grandma down the river on an ice floe, there won't be enough money available to build new bridges, roads and factories, or to educate your children.

It is highly indicative that some of the leading proponents of an "industrial policy" argue strenuously and lyingly that the U.S. can't be economically competitive until it slashes its spending on Social Security, Medicare and related programs.

Clyde Prestowitz, the Washington-based trade strategist, falls into this category, as does Felix Rohatyn, the New York investment banker who couples his proposal for a large-scale infrastructure program with an insistence that entitlement programs be scaled back to free up capital. Prestowitz's Economic Strategy Institute sponsored a conference on competitiveness in March which was addressed by Rohatyn—and also by Richard Lamm, the former Colorado governor who achieved notoriety in 1984 when he insisted that the elderly "die and get out of the way" for the younger generations.

Significantly, billionaire businessman H. Ross Perot has also made entitlements a key target of his impending presidential campaign. In a televised interview March 26, Perot said he agreed with Senator Rudman on the need to bring down entitlement spending. In a Lamm-like statement, Perot urged the 18-to-40 generation to sit their parents down, and tell them to stop consuming so many resources.