

Eye on Washington by Kathleen Klenetsky

Clinton team preaches pain and agony

President Bill Clinton and key members of his economic policy team have now made it official that the top priority of the new administration will be to slash government spending, a decision which will deal a fatal blow to candidate Clinton's campaign vow to grow the economy out of its depression.

In one of the few one-on-one interviews which he's granted since his election, Clinton told public television's MacNeil-Lehrer Newshour on Jan. 11 that he intends to make deeper cuts in spending overall, and will launch a major attack on health care costs, in order to cut the deficit.

Asked about new government estimates that the 1993 federal budget deficit will be \$20 billion bigger than previously projected, Clinton replied: "The deficit has to be dealt with because it will paralyze the ability of our country to deal with other problems. . . . We're going to have to cut more in other places than we would have thought otherwise, because the deficit's gotten bigger and we're going to have to move more aggressively on the health care front."

Although Clinton noted that the country has "an investment deficit as well as a budget deficit," and warned that it would be wrong to deal with the budget deficit by reducing "investment in the future," he proceeded to insist that solving this "great dilemma" would require looking "at a whole range of things to try to control costs in other areas so that we can invest more and consume relatively less."

Clinton singled out health care costs as the prime culprit behind the

deficit rise: "There was an explosion in health care costs which engulfed the government. . . . We have to do something about health care costs or the deficit will never get solved." Congress must "pass a health care program which will really bring health costs in line with inflation," he said.

This "invest more, consume less" formulation has become the mantra of the so-called realist faction of the U.S. establishment, typified by Peter Peterson of the New York Council on Foreign Relations, and his fellow Wall Street investment banker, Felix Rohatyn of Lazard Frères.

This grouping's main concern is to keep small parts of the economy functioning, through a minor increase in investment, without in any way challenging the broad institutional arrangements, such as the Federal Reserve Board and the International Monetary Fund, and policies which have created the current global economic depression.

Thus, while they may propose increasing investment and improving infrastructure, it is always at the expense of living standards (with health care the number one target), while the real causes of the problem, Wall Street control over national credit, free trade, and post-industrial policies, remain sacrosanct.

Panetta takes the point for austerity drive

Leon Panetta, Clinton's nominee to head the Office of Management and Budget, spelled out in blunter terms the direction of Clinton administration policy, during his confirmation hearings before the Senate Government Affairs Committee on Jan. 11.

Panetta asserted that the incoming

administration's "first priority is to develop [a] deficit reduction plan.

"We need to confront all of these deficits, to make the tough choices, be prepared to make some sacrifice—that's a word we haven't heard very much over the last 12 years," he said. "All of us are going to have to make some sacrifice if our economy is going to be more productive."

Asked if he thinks that entitlement programs, e.g., Social Security and Medicare, should be cut, Panetta replied: "I have always believed . . . and the President-elect understands, that you basically have to look at all key areas in the budget [including] the whole area of entitlements."

Cutting entitlements is "primary," Panetta stated. Entitlement spending has "expanded dramatically" and is "causing a large part of this [deficit] problem, particularly health care. . . . You cannot do anything . . . unless you confront the issue of health care and the costs that are expanding in that area. . . . That's 50% of the entitlements. In addition to that, I think you've got to look at other areas of entitlements as well."

Bye-bye, tax cut

Panetta also implied that Clinton has backed off from his vow to enact a middle class tax cut, declaring that only when plans have been developed to deal with the budget deficit and with investment, will "the question of whether or not we can go any further with regards to any kind of further reductions on taxes" be decided.

The day before, three congressional Democratic leaders went on national television to announce that they would not object if the promised tax cut were postponed.