

Remember? 'It's the economy, stupid!'

by Chris White

In Bill Clinton's election campaign office in Little Rock, Arkansas, there was prominently displayed a sign which read, "It's the economy, stupid!" The sign was supposed to serve as a reminder to all those working there what the campaign's priorities were supposed to be.

Now, in Washington, those who promoted the slogan during the campaign are finding out that there is more involved than addressing "issues" which appear to be the concern of popular perception. The economy really is the issue, and not in the way Clinton's campaigners might have thought. The federal government is technically bankrupt. And not just because its expenditures exceed the revenues available to set against those expenditures. That, apparently, is what Clinton and company discovered after the inauguration of the former Arkansas governor as President on Jan. 20.

The new team is now putting together what is called a budget, and an economic plan, under these circumstances. For the fiscal year which begins this coming October, when the budget in the works goes into effect, the monies required to finance the federal government's budget deficit, and to pay the interest on its accumulated more than \$4 trillion of debt, will, together, account for more than the revenue the Treasury Department can expect to collect in the form of individuals' tax payments.

This is a major reason for the hysteria which has gripped the White House and its environs since the new team took over. It is why the new President has delayed presentation of his budget, even though he was required to do so by Feb. 1. It is why, on Jan. 22, Clinton issued an Executive Order scrapping the deficit targets set for the fiscal years between 1994 and 1997, which had been established in George Bush's summer of 1990 "read my lips" budget compromise with the House and Senate. Clinton insisted in that order, that the

deficit targets must be redefined. It is the reality which lies behind the oft-repeated assertion that the situation was found to be much worse than it was expected to be after the new team took over.

Clinton, after all, was the candidate who pledged in the course of his election campaign to cut the deficit in half during the next four years. This promise was more insane than his other queer commitments to his minority constituencies. To accomplish it would require eliminating about one year's worth of federal government expenditures over the next four years.

The rough profile looks like this. Individual tax payments account for a little over \$520 billion of the monies which flow into the federal government. Debt service last year was around \$200 billion. The deficit will minimally be around \$300 billion. No one, whether in the White House or in the Congress, has had the guts to lay out what the situation actually is. The rest of the country wallows in a psychotic soap opera about whether gays will be allowed to join the military. Meanwhile, as we have warned, the crisis that is developing over how the "budget" will be put together, is one which involves the very existence of the country.

The reality was obliquely referred to by former Sen. Lloyd Bensten (D-Tex.), the new treasury secretary, who told an audience in Maryland recently that interest payments on the federal debt account for 40¢ of every dollar paid in personal taxes. Bensten was arguing, as others of his colleagues have done, that firm but fair measures therefore have to be taken now to get the budget under control. He doesn't know what he's talking about.

Receipts from personal tax payments are the largest, but not the only class of funds accruing to government accounts. There are also loophole-ridden taxes levied on corporate

"profits," and there are payments into trust funds, such as those for highways and airports. None of these is significant compared to the other major chunk of government ostensible income, which accrues as deductions from the pay packets of the employed for Social Security insurance, Medicare, and Medicaid. These monies are the larger part of funds spent on behalf of what are called "entitlement" programs. Some of these are programs for which money has already been authorized and appropriated, like highway funds. More is accounted for by those three programs (Social Security, Medicare, Medicaid) which are paid for out of the wage packets of employed contributors. Each of the three is actually running a surplus.

None of the funds in any of the three programs is available to the federal government's general revenue, because the funds are not the government's. They are held in trust, by the federal government, for contributors.

The idea is that funds from such programs can be allocated to the general account, and therefore cover over the fact that the country is bankrupt. This means ripping out the arrangements which have governed large portions of national life since Franklin D. Roosevelt's "New Deal" legislation in 1933. Programs like Social Security, and the introduction of retirement at 65, which were introduced to counter the depression of the 1930s, are to be looted dry to pay for the depression of the 1980s.

So, it is said by Leon Panetta, the new budget chief, and Bentsen at the Treasury, that when it comes to cutting the deficit, "everything is on the table."

Ridiculous deficit estimates

The above would be criminal even if the deficit estimates, which Clinton rejected on Jan. 22, were approximately correct. This is, of course, a ridiculous assessment, one which Clinton's spokesman George Stephanopoulos has decried since the beginning of January, and one which Tennessee Senator and Budget Committee Chairman James Sasser holds in contempt. The estimates come from the Bush Office of Management and Budget, which was headed by Richard Darman. They were calculated on the basis of assumptions which included an assessment of what some of the programs Clinton espoused over the course of the campaign would do.

These include an absolute freeze on government "non-entitlement" spending from fiscal year 1995 onward, a reduction in the "officially recognized" unemployment rate from 7.4% to 5.4% (each 1% reduction knocks \$50 billion off the deficit estimates), a more than 20% increase in personal income between now and 1997, and a more than 40% increase in corporate pre-tax profits over the same time period. This package produced a deficit estimated at \$290-320 billion for fiscal year 1997. Stephanopoulos, for Clinton, announced, at the beginning of January, that the Darman deficit estimates omit \$50-60 billion, without considering the assumptions on which the projections were based.

If the Darman assumptions are stripped out as unreal, then the deficit range must be assumed to start at \$450-500 billion. This is the same magnitude as those revenues based on tax receipts from individuals. It does not provide anything to continue payments for debt service, which will surely be more than \$200 billion, as the payments due compound on debt which is supposed to increase from \$4.1 trillion to \$4.8 trillion over the course of fiscal year 1994.

Even if Panetta and company did what they say and "put everything on the table," it wouldn't solve a thing. You could take all the funds that run under "entitlement" programs, and if you gave priority to financing the deficit and paying the debt service, you'd end up with around \$250 billion available to fund all other operations of government, which amount to \$750-800 billion. No amount of cuts in expenditures, or theft, is going to change that, but only make it worse.

Since Jan. 1, Clinton and Stephanopoulos, along with congressional supporters like Senator Sasser, who also sits on the Joint Economic Committee, have sought to place the blame for this state of affairs on the Bush administration, and in particular, the sleazy Richard Darman, former head of the Office of Management and Budget. They have taken the tack that the Bush crowd "misrepresented," "underestimated" or were "overly optimistic" about what the situation is.

This all misses the point. And, if we all weren't so caught up in the psychotic TV version of what's going on in Washington, it is something everybody ought to be taking up, because the very future of the country is at stake. If the current way of doing things, like the so-called "budget process," continues, this country is finished.

A new class of government credit needed

Lyndon LaRouche warned about this during his last presidential election campaign, when he told people that no amount of cuts in expenditures will do any good. The only thing that will, is to create a new class of government credit, by shutting down the deficit machine. LaRouche was put in jail by Bush and his cronies because he represents an alternative policy to national bankruptcy. Without his directing a reorganization of the way the country handles its credit and economic policy, the federal structure of the country will be blown apart in a bankruptcy crisis, no matter what Clinton's delayed budget plans and programs come up with.

LaRouche has insisted since Jimmy Carter appointed Paul Volcker as chairman of the Federal Reserve, that top priority had to be given to expanding the nation's tax revenue base, through creating more productive jobs, not by increasing taxes or cutting expenditures. He insisted that the only way to do this was by bringing the creation and issuance of credit back under constitutional law. This approach was laid out in television broadcasts during the last election campaign. But it wasn't one that the suckers who make up the bulk of the population felt they could agree with. They evidently preferred choices which led, and are leading, to national disaster.