

## Clinton's 'laser focus' will fry the economy

by Kathleen Klenetsky

After two weeks of post-inauguration focus on a social agenda topped by homosexuals in the military and unrestricted abortion, President Clinton has finally started his promised "laser-like" focus on the economy. But, judging from the proposals that have been floated by the President and his cabinet alike, he's headed in the wrong direction. Far from implementing the "high-wage, high-tech" job-creation program that formed the core of his campaign platform, Clinton, heeding Wall Street's demands, is heading down the road of domestic austerity, targetting the most vulnerable segments of the population in the process.

At the World Economic Forum, which met in Davos, Switzerland in late January, a very senior policy insider confirmed privately that Clinton's "task" will be to impose savage austerity and cuts in the U.S. standard of living which no Republican administration could have politically managed.

According to this source, Clinton is being told by his establishment "handlers" that the principal components of his economic policy will be deficit reduction, to be accomplished through raising taxes and significantly cutting "entitlement" programs (primarily Social Security and Medicare); health care "reform," which will dramatically lower the already inadequate level of health care available to most Americans; and a "market-driven" job-training program, in which unemployed black and Hispanic youths will be given jobs at below prevailing wages with private companies, further turning the United States into a Third World-type cheap-labor economy.

Clinton's actions thus far have borne out this analysis, as well as *EIR's* repeated warnings of the last year that the major factions within the U.S. establishment had agreed to push through a program of cutbacks which primarily targets the elderly and the poor, regardless of whether Clinton, George Bush, or Ross Perot won the election.

### The devil made him do it

Although the administration has let it be known that the economic policy package Clinton is scheduled to unveil on Feb. 17 will include a "stimulus" package, consisting of approximately \$15-30 billion in new spending and tax incentives to business, it is becoming ominously obvious that it will be offset by a combination of new, regressive taxes, and lethal cuts in social spending.

While it is impossible to predict with absolute certainty what Clinton will ultimately include in his Feb. 17 economic proposal, there have been plenty of signals emanating from the new administration to indicate the general contours of that package. The President and his advisers have floated a number of specific proposals since the inauguration, including:

- **A national consumption tax.** This was first raised publicly by Treasury Secretary Lloyd Bentsen on the NBC News "Meet the Press" program on Jan. 24. "What you're going to see in this situation is some consumption tax," asserted Bentsen, leaving no doubt that deficit reduction, rather than encouragement of economic growth, has become the administration's main focus. Such a tax, he said, would probably take the form of a broad-based energy or gasoline levy.

While Clinton himself said that no final decision has been made, White House spokesman George Stephanopoulos told reporters that the President is seriously considering a consumption tax along the lines outlined by Bentsen.

- **Cutbacks in Social Security and Medicare.** Cutting Medicare figured heavily in Clinton's campaign platform proposal for controlling health care costs—although, for obvious political reasons, he did not choose to trumpet that fact while on the hustings.

Now, in addition to these cutbacks, Clinton has decided to take on Social Security itself. Several top administration officials have been busy over the past two weeks discussing the possibility that Clinton will do what no other President has dared try since Social Security was first put into effect in 1935: pare back the program.

Secretary Bentsen first raised the prospect of Social Security reductions in his Jan. 24 NBC interview. He was followed in rapid succession by Deputy Budget Director Alice Rivlin, Secretary of Health and Human Services Donna Shalala, and Deputy Treasury Secretary Roger Altman.

Altman, who was the most specific, told interviewer John McLaughlin on Jan. 31 that "there will have to be reductions in entitlements" as part of Clinton's economic package. "We have to reduce the rate of growth in entitlements," which is "eating the federal budget like a termite," he warned.

Clinton spokesman says that there has been no final decision made yet on what form the Social Security reductions would take. Options under discussion include reducing or eliminating cost-of-living adjustment (COLA) increases; increasing the retirement age from 65 to 67; and/or taxing a greater portion of Social Security benefits.

● **Turn welfare into a slave-labor program.** Clinton began to fulfill his campaign pledge to "end welfare as we know it," in a speech to the National Governors Association conference in Washington, D.C. on Feb. 2. Clinton said that he planned to promote legislation that would require recipients of Aid to Families with Dependent Children, the country's principal welfare program, to take a job, or lose benefits after two years. He did not say where the jobs would come from—which is not surprising, given that approximately 17 million Americans are already without jobs—although there is much suspicion that Clinton will attempt to use welfare recipients to replace laid-off workers in the public and private sectors at greatly reduced wages and benefits.

In addition, Clinton has reaffirmed his intention to push ahead with a national service plan—a scheme to enlist poor and working-class youth into a low-wage, union-busting community service program, with promises of financial aid for college.

● **Slash health care for the poor.** Clinton also told the National Governors Association that he will loosen federal regulations governing state implementation of the Medicaid program, the health care program for the nation's poor. This will open the door to the "Oregon Plan," the Medicaid program adopted by Oregon last year (although Bush refused to approve it) which would have instituted strict rationing and "triage" of the chronically ill and handicapped.

## Hell to pay

As with the "gays in the military" fiasco, Clinton will soon find himself embroiled in a political uproar if he persists with this poor excuse for an economic program. Washington sources told *EIR* last month that Clinton would have "hell to

pay" if he aggressively pursues his health cost-containment program, since it would negatively affect the vast majority of Americans, and would draw large, well-funded lobbies into battle against him.

But Clinton is now provoking other constituencies with his proposals for cutting Social Security and imposing a consumption tax. Although there is strong support within large segments of the establishment (and its foot-soldiers in the media and Congress) for some form of consumption tax, there are contending forces, as well.

As soon as Bentsen raised the prospect of an energy tax, the American Petroleum Institute put out statements condemning the proposal as a dire threat to the economy. Advocacy groups, such as Citizens for Tax Justice, also blasted the idea, pointing out, in the words of its director Robert McIntyre, that energy taxes "are about four times as tough on the middle class, and about eight times as tough on the poor, as they are on the rich."

But it's in the area of Social Security that Clinton faces his potentially most damaging fight. Only hours after the administration first advanced the notion that Social Security would be put "on the table," the blowback began. In addition to various senior citizens' groups, several influential members of Congress voiced strong opposition.

Among these were Sen. Daniel Moynihan (D-N.Y.), who took over the chairmanship of the Senate Finance Committee after Bentsen went into the Clinton cabinet. Appearing on "This Week with David Brinkley" on Jan. 31, Moynihan blasted the proposed Social Security cut as a political "death wish." "Let's get it out of the way and forget it right now," he said. When asked whether he would be standing "at the bridge" to block a year's elimination of the COLA (the proposal favored by Office of Management and Budget Director Leon Panetta and Rep. Richard Gephardt (D-Mo.), among others), Moynihan shot back: "That's it, and you can blow up bridges if it comes to you."

Senate Budget Committee Chairman James Sasser (D-Tenn.) also attacked the proposed reductions, saying that doing away with the Social Security COLA for a year would push 500,000 elderly below the poverty line.

However, both Moynihan and Sasser left the door open to another form of Social Security cuts: increasing the amount of benefits that would be subject to a tax—a proposal endorsed by Clinton during the campaign.

That the new President is bound to incur severe—and possibly fatal—political damage as a result of his economic program is clearly no secret to the administration, as Health and Human Services Secretary Shalala acknowledged in a television interview on Jan. 29. "You can be assured that there's going to be a bruising argument at the table about what's acceptable in terms of [Social Security] cuts," she said. "But in the end we have to do both—we have to maintain our basic commitment to health care and to Social Security, but simultaneously make some moves on the deficit."