



Gramm, Rudman in their former lives

Anton Chaitkin, the author of Treason in America, traces the historical roots of today's American budget maniacs.

Here they are again. Senators "Phil Gramm" and "Warren Rudman" they call them this time. Previously they were called "Albert Gallatin," "Roger Taney," "Franklin Pierce," "James Buchanan"—and even worse names.

In each life they would appear, often in two or more bodies simultaneously, preaching radical budget-cutting, the destruction of national defense and government operations, to pay off the national debt. Each time their doctrines would cause some savage collapse of national life. Then they would disappear, only to be reborn later, unnoticed, and do it all again.

Medical science has not yet determined if these creatures are of earthly, or of British origin. But we should map and be keenly aware of the record of their vandalism in American history, to aid in their capture and interdiction this time around.

The United States government began operations in 1789, unable to pay, on the original schedule, our national and state debts incurred in the war against Britain. The first treasury secretary, Alexander Hamilton, made a deal to pay these debts later and at a lower rate of interest—the kind of deal that must now be made with all the presently underdeveloped countries.

Rather than limit government operations, Hamilton proposed to found a thriving nation with government-sponsored canals and roads, protective tariffs, a national bank to war with speculators, and a strong, growing defense capability. Under this program the national debt grew from \$75 million in 1791 to \$83 million in 1801.

'Gramm-Rudman' No. 1

Swiss aristocrat **Albert Gallatin** served as U.S. treasury secretary from 1801 to 1813. Upon his arrival on these shores in 1780, Gallatin had termed the Revolution "unfortunate." He now announced that all governmental operations, especially national defense, must be sacrificed in order to rapidly pay off the public debt.

By 1812, America's army and navy had been virtually dissolved, even in the face of British terrorism and kidnapping on the high seas; but Gallatin had successfully reduced the debt to \$45 million.

At this point, a second war commencing with the British, enemy forces invaded and burned Washington D.C. to the ground. We had to borrow so much to fight the War of 1812 that the national debt rose to \$127 million in 1816.

President John Quincy Adams and his allies reinstated the Hamiltonian policies during the 1820s, sponsoring higher tariffs, canals, roads to the western frontier, and the new railroads, fighting the speculators, and championing Latin American independence against European usurers. The national debt was even somewhat reduced because of economic growth, to \$67 million in 1828.

'Gramm-Rudman' No. 2

President **Andrew Jackson**, convinced by free traders ("radical free enterprisers" today) such as Albert Gallatin that the U.S. should not interfere in its own economy, attempted to destroy the Bank of the United States. Hiring one treasury secretary after another, each of whom refused to remove the government deposits from the Bank, Jackson finally came up with **Roger B. Taney**, who pulled the plug for him beginning in 1833; the Bank's charter was allowed to expire in 1836.

The government ceased interfering in the economy, and in 1835 and 1836 the U.S.A. had *zero* national debt!

With our country thus disarmed economically, the Bank of England called in its loans internationally, setting off an American collapse and depression in 1837 with mass bankruptcy, and hunger. From the United States, the depression spread worldwide.

The chaos was partially repaired by Whig Party dirigism in the 1840s. The nation and its industries grew again.

'Gramm-Rudman' No. 3

British interests chose New Hampshire politico **Franklin Pierce** for the presidency in 1853-57. Pierce was a radical free enterpriser, content to stop all nationally sponsored development.

The carefully worked out territorial compromise between north and south was abruptly terminated, and slave-grown cotton became the leading American enterprise.

In 1857, the economy collapsed in the biggest depression

up to that time. Businesses closed. Americans went hungry.

President **James Buchanan** (1857-61) continued to renounce American governmental interference in America. National life became utterly demoralized.

In 1858, Supreme Court Justice Roger Taney, who had earlier pulled the plug on the Bank of the United States, delivered the Dred Scott decision, declaring black people private property, and property the supreme consideration of the government.

President Buchanan's cabinet officers transferred government weapons and millions of dollars to insurrectionists, but he philosophized that government spending for infrastructure was a great evil.

When southern states seceded from the Union,

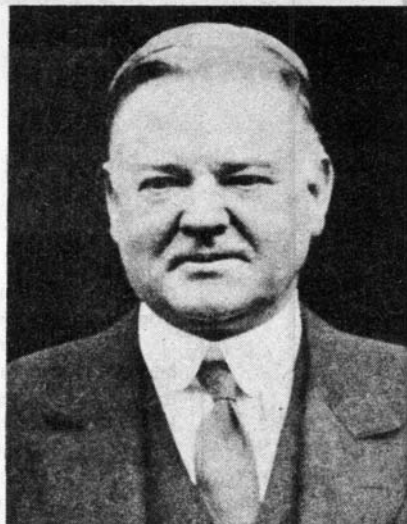
Buchanan declared that he had no power to interfere with their decision. It was the triumph of British economics, and "Gramm-Rudman" morality.

President Abraham Lincoln, taking office in 1861, found the government to be bankrupt, and the armed forces disarmed and dissolved. He mobilized the totality of national power for war, and simultaneously engineered a program of national development that changed the face of the world.

The government created five corporations to build railways from the Atlantic to the Pacific; gave away free land for farms and schools and industry; create the American steel industry from scratch overnight by a massive tariff structure;

U.S. national debt, selected years, 1791 to 1919

Year	Debt (millions)	Per capita	
1791	\$75	\$18	Hamilton launches American growth
1801	\$83	\$15	Gallatin
1805	\$82	\$13	era—
1808	\$65	\$10	budget
1811	\$49	\$6.40	cutting—
1812	\$45	\$5.90	War of 1812
1816	\$127	\$15	
1820	\$91	\$9	
1828	\$67	\$6	J.Q. Adams/Henry Clay dirigistic growth
1832	\$24	\$2	Jackson
1835	\$0	\$0	era—
1836	\$0	\$0	U.S. Bank closed, collapse follows
1842	\$14	\$0.70	
1860	\$65	\$2	
1861	\$88	\$3	Lincoln
1865	\$2,675	\$77	dirigism
1871	\$2,247	\$56	industrializes nation
1915	\$1,027	\$10	J.P. Morgan era
1919	\$24,479	\$231	—stagnation, inflation, collapse



President Herbert Hoover, budget-cutter.

and built the largest army in the world.

To finance all this, Lincoln created a new national banking system, in which bankers had to follow the rules of the nation, not vice versa. And he printed money, hundreds of millions of the new greenbacks.

As a result of all this, the national debt rose from \$88 million in 1861 to \$2.7 billion in 1865, and the prosperity of the nation was assured for the next 35 years. Lincoln's economic legacy maintained such productivity and inventiveness that, for the rest of the century, price levels continued to drop during economic expansion.

'Gramm' and 'Rudman' in the 20th century

The present manifestation of the Gramm-Rudman madness was actually initiated in the regimes of Presidents **Theodore Roosevelt** (1901-09), and **Woodrow Wilson** (1913-21), when the power of British- and Swiss-allied bankers over our economy was secured.

By 1915, the national debt had been reduced to \$1.0 billion, and the economy was completely stagnant. With the disaster of World War I, the debt in the United States zoomed to \$24 billion, and to astronomical levels in Europe, without any corresponding investment in development. Naturally this house of cards collapsed in the Great Depression of the 1930s—despite President **Herbert Hoover's** effort's to cut the budget to stop it!

In the 1950s, economists told Americans that we had learned from the errors of Herbert Hoover, that we had such built-in anti-depression safeguards that America had a *permanent* position as a booming industrial power.

Yet, in the 1980s, economists assure us that "Gramm" and "Rudman" are quite right in their radical adventure, because the United States can *never again* be an industrial power, that we must learn to lower our expectations, to think video toys and "new lifestyles."

We would be better off to think in terms of the proverbial Silver Bullet for "Gramm" and "Rudman."