

Red alert on Reagan's budget cut plan

by Warren Hamerman

Ronald Reagan has embarked upon a short-term protection of Paul Adolph Volcker's high interest-rate policy at the Federal Reserve and has launched his untenable budget and tax policy without the benefit of scientific advice. All the top scientific positions in the new administration remain vacant. Therefore, the ship of state is steering on a course between Scylla and Charybdis.

No new head of NASA has been appointed. The position of Scientific Adviser to the President is vacant. The key undersecretaries at the Department of Energy are unfilled; the current acting number-two man there held the position of assistant administrator under Carter. Very key posts at the Nuclear Regulatory Commission and Council on Environmental Quality are unfilled.

Actual policy is being determined by Carter holdovers.

It is worse. As the new budget entirely cuts out the MHD (magnetohydrodynamic) program, aims to cripple the fusion energy research program, and aims to handicap the nation's ability to produce new scientists and provide the research and development for new technologies to stimulate the economy, three individuals are running around Washington wreaking havoc. Over at Stockman's Office of Management and Budget, the deputy for science is a former aide to Ralph Nader, Fred Kheddouri. Former transition team leaders Russell Train, a leader of the World Wildlife Fund, and William Ruckelshaus, the head of the EPA under Nixon who

banned DDT, are de facto setting policy to destroy science.

Reagan's script

The absence of a scientific viewpoint in the new administration has affected its economic thinking and program. Ten days ago, the State Department officially rebuffed the timely arguments of West German Chancellor Helmut Schmidt and other Europeans that the administration deal with the Volcker problem in the world economy. The State Department officially backed the high interest-rate policy of the Federal Reserve, despite its recognition of "some negative responses from Europe."

With twisted and unscientific logic, the circle around the new President is convinced that, by protecting Volcker's position and policy, they are actually embarking on an anti-Volcker program. The argument goes as follows:

"Volcker is bad. Interest rates must be lowered. Wall Street agrees. Within six months Volcker will be forced to resign. To get Volcker out, you must support the Reagan program to slash the budget, and introduce the tax program. How much interest rates can be lowered depends on how much Congress supports the programs. Volcker has agreed to not oppose the tax program and go on fighting inflation."

This "anti-Volcker" program is currently supported

by the national leaderships of the Homebuilders, Auto-dealers, Savings and Loans Association, League of Municipalities, Business Roundtable, National Chamber of Commerce, and others.

Simultaneously, the Volcker-tainted Reagan economic program is under attack from both sides. Treasury official and archmonetarist Beryl Sprinkel, former president of Harris Trust in Chicago and a close associate of Milton Friedman, charges that Reagan and Volcker are too soft because they "only" agreed to reduce the rate of monetary expansion by half over the next six years. Representative Henry Reuss (D.-Wis.) of the House Banking Committee is misquoting Helmut Schmidt and calling for full-scale credit controls.

From the other side, the "social confrontationists" are attacking Reagan and Volcker, prompting me to wonder: why is Reagan pumping new political life back into Ted Kennedy and the defeated liberals?

At the end of February, AFL-CIO President Lane Kirkland read a statement at AFL-CIO headquarters—signed by 157 organizations ranging from the AFL to the NAACP, the United Auto Workers, the United Mine Workers, the American Agriculture Movement (AAM), the Naderite groups, and Speaker of the House Tip O'Neill—attacking the budget cuts as provoking social dislocation.

The same week, 200 Democratic congressmen issued a statement condemning the Reagan economic program and instead calling for: 1) wage-price controls; 2) credit controls; 3) revoking oil deregulation; 4) lowering interest rates.

The Congressional Black Caucus threw in its two cents by attacking Reagan's program and calling instead for labor-intensive service-oriented jobs.

On cue, Ted Kennedy and California Gov. Jerry Brown issued well-marketed statements. Kennedy charged that the administration policy will not only lead to a "rip-off" of the poor but also of the middle class. Environmentalist Jerry Brown tried to paint himself a bigger supporter of science and industry than Ronald Reagan.

The well-intentioned leaders of the new administration are rapidly expending their political capital in a futile effort to induce the constituencies who voted for Reagan to revive economic and scientific growth to "trust them" and back the economic program—even though it would appear to kill off the already sick patient known as the American economy. It is, indeed, a fairly difficult political task to sell a protection of Volcker and implementation of his depression policy as an "anti-Volcker program." It is rather awkward to sell the slashing of scientific and energy programs as a pro-scientific development. Overall, the constituencies who elected Reagan are hurt the most by his program.

There are four inputs into Washington at this time

that define the potential leadership allies for the Reagan administration to steer back onto the historic course for which it was mandated in the last election:

- **Chancellor Helmut Schmidt** and a grouping of West German and French officials, bankers, and industrialists are proposing an International Interest Rate Disarmament Conference to defuse the Volcker time-bomb on the world economy.

- **President Valéry Giscard d'Estaing**, the French leader now seeking re-election, has been offering to help Reagan establish a dialogue with the faction of "moderates" in the Soviet Union around Leonid Brezhnev, for the purpose of defusing potential confrontations by cooperating around a common program of economic development in the Third World.

- **President López Portillo** of Mexico, who successfully established a personal relationship with Reagan before Jan. 20 and later established an historic alliance with India's Indira Gandhi, has provided channels and policies for establishing a North-South dialogue for development that would cut through the genocidal conditionalities policy of the World Bank and the International Monetary Fund.

- **Lyndon H. LaRouche, Jr.**, the Chairman of the Advisory Board of the National Democratic Policy Committee (NDPC) and founder and Contributing Editor to the *Executive Intelligence Review*, has mobilized his resources and associates around a 30-day offensive to shift the course of the Reagan administration.

The efforts of these world leaders, LaRouche, Giscard, Schmidt, López Portillo, and Indira Gandhi, have stimulated the potential for a significant shift of policies in Washington toward a program of world economic development and scientific expansion.

Ousting the Volcker policy and the man from the Federal Reserve remains the key toward unlocking the door to a reasoned policy.

On Capitol Hill

Within Washington, the impact of this potential—largely organized by the combination of constituency mobilization in the United States directed by LaRouche's National Democratic Policy Committee and the international diplomatic efforts of the world statesmen I have mentioned—is most in evidence on Capitol Hill.

For example, one grouping of senators and congressmen associated with the Senate Armed Services Committee recently returned from visits to our NATO allies. Senator John Tower (R-Tex.), chairman of the Armed Services Committee, has brought the sentiments of our West German allies directly to the Senate floor. Tower pointed out that the high interest-rate policies of the Federal Reserve weaken the national security of the

alliance by undermining its economic strength. Similar concerns have been voiced by several congressmen in the House of Representatives who also recently traveled to Western Europe.

Representative Jim Jones (D-Okla.), chairman of the Budget Committee, has publicly exposed the disastrous consequences of the economics of British Prime Minister Margaret Thatcher. Others from the Oklahoma delegation are voicing similar concerns.

House Majority Leader Jim Wright (D-Tex.) has been leading a grouping from the Texas delegation, including Representative Mattox (D-Tex.) and Rep. Bill Patman (D-Tex.), in open confrontations with Paul Volcker at congressional hearings. Other senators and congressmen from Pennsylvania, New Jersey, Ohio, West Virginia, Louisiana, Kentucky, California, Arkansas, Alabama, Montana, Nebraska, and North Dakota have issued public statements encouraging the need for a sharp reversal of Paul Volcker's policies.

In addition to the antiscience cluster of Stockman, Train, and Ruckelshaus, two other groupings are in the arena in Washington. One is the so-called nuclear mafia, composed of pragmatic officials from three companies: Bechtel, Westinghouse, and General Electric. All three took huge profit losses in the environmentalist climate of the past four years. Now, they are pragmatically prepared to kill every decent science program—from fusion energy to MHD—as long as the nuclear breeder program gets funded.

The survival of science in the United States depends upon a few stalwart political leaders and the Fusion Energy Foundation. Representative Marilyn Bouquard (D-Tenn.), who is replacing Mike McCormack as chairman of the House Energy, Research, and Production subcommittee of the Science and Technology Committee, is one congressional leader who has made clear her commitment to see McCormack's 1980 fusion energy act put into practice.

Calendar for action

Over the next 30 days, the course of the Reagan administration will be determined. If the administration can be placed in a "political vise" between the appropriately focused constituency demand for a true anti-Volcker program for scientific development and economic expansion, and the international diplomatic efforts of Helmut Schmidt, Giscard, López Portillo, and Indira Gandhi, the historic mandate of last November's election may be fulfilled.

For his part, Lyndon LaRouche has announced an offensive of activity for this 30-day period. In early March, LaRouche, accompanied by his wife Helga Zepp-LaRouche, the chairman of the European Labor Party, will travel to Mexico.

On March 17, LaRouche's National Democratic Policy Committee is taking part in an Anti-Volcker Day

in Washington, D.C. along with business, farm, and labor constituency groups from around the nation. Included in the day will be a rally and press conference at the Federal Reserve headquarters, and intensive lobbying on Capitol Hill.

On March 26 and 27, the *Executive Intelligence Review* will hold a two-day conference, including substantive discussion of an oil-for-technology program between the United States and Mexico and intensive discussion of who's-doing-what-to-whom in Central America.

On March 20, the *Executive Intelligence Review* will also hold a conference focusing upon the policy perspectives of our West European allies. Particular emphasis, on the eve of Helmut Schmidt's visit to Washington and the French national elections, will be given to the overall political and cultural initiatives of France and Germany, the military implications of American economic policy, and other strategic concerns.

Within the next 30 days, the mandate of last November's elections will be determined in substantive form. Now that we are in the month of March, the world has a right to demand that the new administration take over—and that the corrupt policies of the Carter administration be ended.

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In Chicago:

Speaker: David Goldman.

Economics Editor

Wednesday, March 11 7:30 p.m.

Contact: Paul Greenberg (312) 782-2667

Mexico: America's \$100 Billion Neighbor

In Houston:

Sunday, March 22 2:00 p.m.

Speaker: Dennis Small,

Latin America Editor

Contact: Donna Benton (713) 972-1714