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President Reagan junks free enterprise

by Christopher White

Presidential approval is now pending for proposals which will formally bury the administration's ideological commitment to Adam Smith's free enterprise system. By Sept. 1, the President is to decide whether to adopt the proposals of his Economic Council, headed by James Baker III, now approved by the Cabinet, and impose tariffs on imported footwear.

The U.S. shoe industry, in this case, is to be the precedent-setter. The tariff proposal was put forward, by Baker's Economic Council, as an alternative to the import quotas that had been recommended by the U.S. International Trade Commission. The proposal now before the Cabinet is a muddled attempt by Baker and his friends to "have their cake, and eat it too."

Subverting the President's oft-stated commitment, "no to tax increases," the tariff proposal, unlike the import quota system, is designed to maintain import levels, increase government revenues, at the expense of the U.S. consumer, and not trigger a trade war, or a banking collapse.

The International Trade Commission's import quota proposal would perhaps have triggered both trade war and U.S. banking collapse quite effectively. That body had wanted the U.S. government to auction off the right to import into U.S. markets. For a certain payment, a certain trader could bring goods in to a certain slice of the U.S. market. The ITC proposal had drawn opposition from the entirety of Ibero-America and the Caribbean, and beyond, for it would have drastically affected foreign exchange earnings of the nations hit.

Designed to avoid the pitfalls associated with the quota system, the tariff system will be equally disastrous. Exporters into U.S. markets are already penalized by the over-valuation of the dollar, and have seen international prices for their products cut by more than half over the last two years. Why should they now accept the U.S. government launching a mafia-style skimming operation, off the top? The measures invite retaliation of precisely the sort feared in the case of the quota system.

The measures, furthermore, as usual, overlook the reality that is shaping U.S. economic policy, contrary to the illusions of policymakers and crooks, like Baker and Regan. The world is in a depression caused by the political dominance of usurious and genocidal financial practices. Unless that reality is addressed, administrative measures, such as the tariffs now proposed, will only make the crisis worse.

The consumer will pay

Shoe imports are now to provide the test case for the *nominal* reversal of Reagan's hitherto standing free-enterprise policy, as the government's revenue collectors dip their hands into consumers' hip pockets, along with the invisible hand of Adam Smith's magical market place. Revenues thus gouged from consumers will be set against increased Federal expenditures for the account of servicing Fed Chairman Paul Volcker's more than $1 trillion public debt, while the financial interests continue to skim off the difference between external price of purchase and internal sales price to the consumer, again for the account of debt and usury.

Footwear, of all elements of household consumption's market basket, is the area where foreign production has replaced U.S. productive capacity in the greatest degree. The United States is now 80% dependent on imported footwear, primarily from Taiwan, South Korea, Brazil, and Italy. But clothing and apparel, and household appliances are not very far behind, and about 40% of automboile purchases are likewise imported. The slicksters on the Economic Council must

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have cottoned on to Walter Wriston's standing policy proposition, that most of the loot available to government taxation, and banks, is located in the consumers' wallets. This form of pernicious indirect taxation can therefore be expected to spread, as long as the policies which brought us the depression remain in effect.

The tariff proposal has been put forward by James Baker III, head of the President's Economic Policy Committee, and Donald Regan, working together with congressional leaders such as Sen. Lloyd Bentsen of Texas, and Congressman Gibbons of Florida, in order to avoid the reduction of especially Third World foreign exchange earnings that would ensue from the implementation of the ITC quota proposals, while circumventing the President's nominal commitment not to increase taxes.

Bentsen and his friends have proposals before the Congress to simply levy a 25% tax on all imports from Japan, Taiwan, South Korea, and Brazil, until such time as the identified countries reduce their trade surpluses with the United States.

The imposition of tariffs on imported elements of household consumption—and it is expected that textiles and appliances, among other elements of household consumption's market basket, will follow shortly—is of course a straightforward tax on household consumption, of the sort that the President has repeatedly promised he would never adopt. James Baker's Treasury Department is now primed to steal from the consumer's hip pocket the revenues for debt-service payment that were not generated by cutting the budget.

Additionally it is thought, among Baker's friends, that prices for U.S. household consumption can thus be increased, through government intervention, without destabilizing the export earning flow on which the debt service of a country such as Brazil depends. Once again the U.S. household is asked to pick up the tab to cover the insane incompetence of administration economic policy, and also, to protect the position of the U.S. commercial banks, like David Rockefeller's Chase Manhattan, and Walter Wriston's Citibank, whose fictitious accounts would have been adversely affected by the imposition of import quotas.

Under that proposal, there would have been a significant reduction in household consumption, combined with a destabilization of indebted Third World countries, and selected advanced-sector countries, like Japan. Under the proposal up for adoption the hope is that enough can be stolen from household consumption's wage and salary earnings, without incurring the parallel destabilization of the bankrupt international credit and financial system.

Jimmy Carter's recipe for disaster

Either way, the Reagan administration, adopting wholeheartedly the policies of the degenerate Jimmy Carter, now finds itself in something like the situation of Richard Nixon, between the bankruptcy of Penn Central and the Aug. 15, 1971 decision to take the dollar off the gold standard. Those whose memories have not been subverted by soap opera and so on will recall that it was not only George Shultz and Paul Volcker who were part of that treacherous Nixon team.

The tariff proposal is part of a package now being worked on by the international financial circles associated with the International Monetary Fund. Further elements included in the package include lowering the valuation of the dollar another 25% on international exchange markets, while attempting to keep Third World nations such as Brazil within the confines of IMF genocidal conditionalities policies.

However, the kind of thinking on which the tariff proposal is based is the usual muddle-headed collection of nonsense that one has come to expect on these questions from the Reagan administration, and the cultish U.S. business community.

It is argued that especially the over-valuation of the dollar has restricted U.S. industry's access to overseas export markets, while cheapening the cost of importing to the United States for foreign competitors of the United States. Tariffs and related protectionist measures have therefore been demanded from the House of Representatives and Senate in order to supposedly right the balance in favor of U.S. domestic production.

Where was Lloyd Bentsen, one might ask, when Jimmy Carter and Paul Volcker were destroying the productive basis of the U.S. economy with their usurious interest rate policy? Why would those, who have insisted that Third World nations, such as Brazil or Mexico, must solve their debt crisis by exporting to the advanced sector, now seek to impose measures which would dramatically restrict the access of such Third World countries, to exactly those advanced-sector markets?

It is illusory to blame the destruction of U.S. industry on imported goods, made possible by the bloated dollar. One must go back many years to trace the origins of the destruction of the U.S. shoe industry. One must go back not quite as far to find the origins of the destruction of the U.S. steel industry, and the associated industries which depend on the production of that and other metals.

The U.S. population is 80% dependent on imported footwear, and imports almost 600 million pairs of shoes per annum. Compared to this, total domestic production capabilities are negligible. It is similar with other items of apparel. Without imported foreign production, the American consumer would not be clothed, housed or fed, nor would he be able to travel to work.

And he is not as well off as the political bosses of the government's revenue collectors think. The standard of living of U.S. households, measured in terms of household consumption of physical goods, has been cut in half since 1970, with the bulk of the reduction being effected in the period since Volcker became chairman of the Federal Reserve in 1978-79. Joining with Walter Wriston and David Rockefeller to rob the consumer of even more is simply a recipe for further disaster, political and financial.