

## Policy crisis in Washington deepens

by Nicholas F. Benton

“Perception” is pitted against reality in official Washington’s response to the unfolding financial crash. The purveyors of “smoke and mirrors” are carrying the day for now, but as the crisis deepens, the situation could radically change.

The subordination of other defense foreign policy considerations to the foolish exigencies of President Reagan’s Pearl Harbor Day summit meeting with General Secretary Gorbachov, and the current frenzy of the White House and Congress to slash the federal deficit, reflect the fact that “perception” is considered more important than reality. A lone voice opposing the budget-cutting insanity is that of Defense Secretary Caspar Weinberger, who warned, during a Nov. 5 Pentagon press conference where he announced his resignation, that the proposed cuts are “flying in the face of reality,” as represented by the nation’s national security needs.

“Perception” is the preoccupation in Washington, because it is the fixation of Wall Street, which is having its way for now. According to the remarks of one Wall Street trader during a seminar at the Heritage Foundation Nov. 4, reality is irrelevant: “To start with, you must forget reality. It doesn’t matter. All that matters is perception. And the perception on ‘The Street’ is that the government must get its act together and make major cuts in the federal deficit in order for investors to regain confidence.” He added that cutting a mere \$23 billion from the budget—as the Gramm-Rudman amendment demands—wouldn’t do it. It would have to be at least \$50 billion.

This “perception” is a mere conjure from the boardrooms of Wall Street’s financiers, like David Rockefeller, who appeared on a nationwide talk show Nov. 1 to give the world “the line” on all this, which was then translated into the headlines of the nation’s leading newspapers, and came out of the mouths of TV newscasters.

Rockefeller and friends are seeking to blackmail jittery Washington politicians into draconian measures against the domestic U.S. budget and the economies of America’s allies abroad. They expect breakthroughs, in the context of the crisis, to crack open the so-called middle-income entitlements of the federal budget. These are the programs previously deemed “off limits” even to axe-wielding politicians—Social Security, unemployment insurance, pension funds, and Medicare. They are the economic “safety net” for 39 million elderly Americans, most of whom vote, as well as millions of unemployed and disabled.

Peter Peterson, former secretary of commerce, laid out the strategy during an appearance on CBS’s “Face the Nation” Oct. 25. He said that in order for confidence in the markets to be restored, “deep and abiding cuts” in the federal budget’s “middle-income entitlements” must occur. To make it possible for politicians to engage in such unpopular work, he said, a bipartisan body should be created to do it, so neither party need take the blame, or dare blame the other for it.

Peterson’s strategy was promptly given the form of the bipartisan, bi-cameral “budget summit” the following week in Washington, to hammer out the budget cuts. And, while President Reagan went into these negotiations saying, “Everything is on the table except Social Security,” it took just over a week for him to bend on Social Security.

The bleeding-heart liberals of the White House press corps began attacking Reagan for exempting Social Security from the negotiations, beginning the stampede to demand that the President chisel a few dollars each from the nation’s 39 million old folks, in order to bail out Wall Street, as Rockefeller had demanded.

This made it possible for congressional Republicans, led by House Minority Leader Robert Michel (Ill.), to present

the President with a way to cut Social Security without appearing to back down. "Let's convince him that reducing the annual cost-of-living adjustment [COLA] of Social Security is not the same thing as cutting Social Security, itself," they schemed.

So, by Nov. 6, only 10 days after Reagan said that Social Security was non-negotiable, White House spokesman Marlin Fitzwater told the press corps that the President had "no comment" about the proposal to reduce the Social Security COLA.

## Weinberger's resignation

The policy crisis in Washington is most sharply posed by Weinberger's resignation, partly because of his opposition to the mandated cuts in the U.S. defense budget. Responding to a question from *EIR*, he said at his press conference, "I question the conventional wisdom that the deficit is the big cause of whatever problems there may be. If you have to choose between deficit reduction and too low a defense budget, I would always come down in favor of worrying much more about the nation's security. . . . I don't think the vital priority is curing the deficit. I think the vital priority is to have the kind of continued, strong defense that our budgets in the last few years have given us. Nothing in the world situation has improved to the extent that would warrant our cutting back 7% one year [FY1987] and anywhere from 8 to 10 or 11% this year if the Gramm-Rudman sequestration takes effect."

He added, "You're just flying in the face of reality and playing a very risky game with the nation's security. . . . I think we really need to keep our eye on what I think is the main theme, and that is just how much do we value our freedom? How much do we want to stay free and stay at peace? We can only do that if we're strong, and that's been demonstrated repeatedly."

Asked whether his proposed replacement, National Security Adviser Frank Carlucci, could handle the Persian Gulf crisis, Weinberger said he was much more worried about the budget. He repeatedly attacked the folly of deficit reduction at the expense of national security.

At the White House press briefing the next day, reports were noted that Weinberger, in fact, had given Reagan an ultimatum in October, threatening to resign if the President signed the new Gramm-Rudman automatic sequester provision into law. According to this conjecture, when Reagan signed the bill, ignoring Weinberger's counsel, just as he did when Weinberger counseled him against selling arms to the Ayatollah, Weinberger made good on his threat.

## What will Weinberger do now?

Weinberger is the acknowledged rallying point for a wide assortment of patriotic forces in the United States, Western Europe, and elsewhere. All are wondering what his next move will be.

It is virtually certain that his resignation means his immediate promotion to a status which, considering the hollowness of the administration as a whole at this moment, is in fact currently higher than that of cabinet member, a pivot for those working behind the scenes to bring needed new conceptions into the government.

Certainly, Weinberger is a likely candidate to coordinate any emergency body built around the cabinet, or sections of it, at such point—perhaps after the Dec. 7 Reagan-Gorbachov summit fiasco—that the White House's belated recognition of the current financial and economic crisis might call him back in some advisory capacity.

There are three critical policy areas that will have to be addressed:

1) **The proposed agreement on Intermediate-range Nuclear Forces (INF).** There is no way in which U.S. agreement to the presently proposed INF agreement will not be a strategic disaster for both the United States and the Western alliance as a whole.

This, Weinberger was not prepared to acknowledge. At his press conference, he affirmed his support for the treaty: "It's vital that it be ratified by the Senate, because otherwise it will be extremely difficult to keep the missiles in Europe, and the Soviets will undoubtedly not pull theirs out if the agreement is not ratified." He stressed that at the just completed NATO Nuclear Planning Group meeting in California, "We had total unanimity . . . that this agreement was a good thing and should be accepted."

2) **The SDI.** Despite administration claims of dramatic progress in research for the Strategic Defense Initiative, there are no "miracle cures" for the SDI now waiting to be applied, which could significantly outweigh the terrible damage to Western security caused by acceptance of the INF treaty. Most sources around Washington are serving as conduits for calculated deception on this point, whether wittingly or not. The one party that is certainly not deceived, is Moscow.

3) **Soviet irregular warfare.** There has been a virtual suppression of news coverage, within the U.S. news media and official channels of government, of the ambush of the West German police by Soviet-backed terrorists. This occurs, not because U.S. intelligence services do not know that this is a Moscow-directed operation, but rather because relevant persons in Washington *do* know it, and choose to play down anything which might lessen the popularity of the scheduled Dec. 7 "Day of Infamy," the summit meeting with Gorbachov.

The best hope for defeating Wall Street's magicians of "perception," lies with the political and financial shocks that are coming up fast. Imminent explosions on the financial markets will sweep away not only Wall Street's accumulated nominal paper values, but also a considerable part of the political power associated with those values. This will give the opportunity for more rational and patriotic minds to come to the fore.