New York bankers issue marching orders to Clinton

by Kathleen Klenetsky

The same New York banking elites whose folly caused the current downward-spiraling depression in the United States, have issued an ultimatum to the incoming Bill Clinton regime: Either continue to apply fascist economics with renewed vigor, or else Wall Street will pull the plug on the financial markets.

Sounding much like a child threatening a temper tantrum, the establishment warns that if Clinton does not implement the main elements of their program, "Wall Street and its foreign counterparts" will "bring him to his knees," turning his first 100 days into a "minefield that could blow up and damage his administration for the next four years."

The threat is contained in an article scheduled to appear in the upcoming issue of *Foreign Affairs,* the journal of the elite New York Council on Foreign Relations. *EIR* has obtained a prepublication draft of the article, entitled "The 100-Day Economic Agenda," written by Jeffrey Garten, senior adviser to The Blackstone Group, a New York investment firm run by CFR chairman Peter Petersen and another key Clinton adviser, Roger Altman.

Garten's threats are hardly to be taken seriously, since the first to be hurt by a staged financial blowout would be the New York banks themselves. But his recommendations represent the desperate state of mind of an influential grouping within the U.S. establishment, as they follow the footsteps of Nazi Economics Minister Hjalmar Schacht in calling for drastic cuts in the standard of living—not in order to help rebuild the shattered U.S. industrial and agricultural infrastructure, but merely in order to keep the establishment's ship afloat for a few more months.

In essence, Garten calls on Clinton to get Japan and western Europe (principally Germany) to agree to an international "stimulus" program, whereby Germany and Japan would unleash inflation in their own countries, supposedly in order to help Clinton put through a few pathetically underfunded public infrastructure projects, but actually in order to bolster the enormous speculative debt buildup over the past 13 years.

'Tough fiscal policy'

"Clinton's immediate priorities," says Garten, "should be both offensive and defensive, and defined in terms that are crystal clear: to attack the cancerous budget deficit and simultaneously calm the financial markets, and to work with Japan and Germany on a global growth package that includes economic stimulus, trade promotion, and currency stability." Dismissing as "Pollyannish" Clinton's campaign claim that he could cut the U.S. budget deficit in half without making deep cuts in U.S. social spending, Garten tells the President-elect that he "must emerge as a tough fiscal conservative right away," and even before his inauguration, lay out a program that involves: a cap on Social Security and Medicare, plus a freeze on all other social spending; "bolder" cuts in defense spending; and a tax on gasoline consumption.

Garten's call for spending cuts in order to "attack the cancerous budget deficit" are anything but honest. As *EIR* laid out in a recent feature article ("Non-Money: How the Deficit Is Created," *EIR,* Oct. 23, 1992), such cuts are in fact a sure-fire way to *increase* the deficit by ravaging the nation's tax base. In reality, the only people who reap any benefit from such cuts are the bankers who end up with even more government debt to speculate with.

Coupled with this "tough fiscal policy" on behalf of the banking elite, Garten advises Clinton to jack up the economy and produce some jobs by giving a "massive boost to small businesses and new industries" through a combination of tax breaks, incentives to banks to extend credit and a significant reduction in regulatory red tape." But lest anyone think this is a serious effort at reindustrializing the country, Garten also proposes making "bold moves on the trade policy front," beginning with rapid implementation of the North American Free Trade Agreement—an agreement which will suck more productive industry and agriculture out of the country than Clinton's infrastructure programs could ever create.

Clinton will have to devise an international economic agenda quickly, too, says Garten, arguing that the only available avenue for U.S. economic growth is an increase in exports. For this to happen, "markets abroad will have to expand, particularly in Europe and Japan." Garten proposes that to that end, Clinton should send emissaries to Tokyo and Bonn "before Christmas" to arrange an early summit of the Group of Seven, whose main goal would be to devise a U.S.-Japan-Europe "growth package," based on draconian austerity in the U.S. (including cuts in subsidies to industry and wage restraint by labor); domestic and international "pump-priming" by Tokyo; and more liberal (i.e., inflationary) monetary policies in Germany.

Given the fact that Germany and Japan are also traveling down the road to depression, it is highly unlikely that they will agree to committing economic suicide any more quickly than they already are at present. But in an effort to garner Germany and Japan's cooperation in this scheme, Garten recommends that Clinton offer some *quid pro quos,* such as supporting Japan and Germany's quest for full membership in the U.N. Security Council, and embarking on an enlarged aid program to eastern Europe and the former Soviet Union in order to reduce the threat of a political and economic eruption in Europe that would have an immediate adverse impact on Germany in particular.

Germany would indeed be foolish to accept Garten's geopolitical sops, since any mere "aid" program for eastern Europe and Russia is doomed to failure and general war, so long as these countries do not make a decisive break with the International Monetary Fund's debt-collection policies.

Clinton's Reich

While Clinton and his advisers have been extremely vague about what direction the new adminstration's economic policy will take, there is very little in Garten's article which contradicts the thinking in the Clinton camp. The only thing the Clinton people might balk at—and here's where Garten's warning about Wall Street destroying the new administration comes in—is the demand for domestic austerity, which would obviously reap negative political consequences for the new President.

Otherwise, judging by their records, one would expect that Clinton's economic policy gurus would advise him to sign on to the CFR's proposals.

Robert Reich, a leading Clinton adviser whose various policy recommendations were clearly reflected in Clinton's program, is a prime example. Currently serving as head of economic policy for the Clinton transition—a charge that includes developing a legislative package for the new administration—Reich has been close to Clinton since their days together as Rhodes Scholars at Oxford.

Post-industrial fascism

A lawyer who teaches political economy at Harvard's John F. Kennedy School of Government, Reich has frequently called for implementing many of the same policies Garten recommends.

In an article published in the 1987-88 year-end issue of the same *Foreign Affairs* in which Garten's piece will appear, Reich stated flat out that in order to reverse America's declining competitiveness, it will be necessary to "scale back aggregate consumption by . . . taxing more of Social Security benefits . . . reducing farm supports . . . and taxing consumption directly—through, for example, a progressive tax on a family's net spending." In other words, Reich would have no disagreement with the domestic austerity program demanded by the CFR's Garten.

Like Garten, Reich favors some form of government-backed infrastructure program, but with a very particular twist: It would be limited to upgrading the country's communication and transportation systems, and its "human capital" through worker training programs.

In his latest book, *The Work of Nations,* Reich objects to any industrial policy that would have as its primary focus the rebuilding of the U.S. industrial base. Why? Because, he claims, the predominance of the global economy over national economies means there can no longer be a truly "American" corporation. Instead, there are a host of nationless multinationals, which roam the globe searching for locations that offer skilled work forces willing to work for low wages in which to set up operations.

Reich further maintains that "there is no longer any reason for the United States . . . to protect, subsidize, or otherwise support its corporations above all others."

Reich makes no real differentiation between productive and non-productive investment. While he has attacked the speculative excesses of the 1980s for wasting capital, he also insists that the wealth of a country correlates with the emphasis it places on turning its work force into "symbolic analysts," i.e., people who deal in concepts.

But Reich doesn't limit this designation to scientists, engineers, and others who are necessary to increasing the productive powers of an economy. He also includes in this category "public relations executives, investment bankers, lawyers, real estate developers, and even a few creative accountants," along with "management consultants, financial consultants . . . organization development specialists . . . corporate headhunters, and systems analysts . . . advertising executives and marketing strategists, art directors, architects, cinematographers, film editors, production designers."