tary short" and interest rates unchanged. In Davos, Switzerland, Fox and his Finance Minister Francisco Gil Díaz announced there would be no intervention in the markets to sustain parity, nor would the budget be cut; and the objective of 3% inflation, a fiscal deficit of .5% and a GDP growth rate of 3% would be maintained. That is, no change of any sort. "There is no change," Fox announced, since that system "is a guarantee" to deal with "moments of turbulence or speculation," and the currency will "attain its real value in that system, competing clearly with other currencies." Moreover, "currency values are being changed in a very balanced way," but the status of the Mexican peso "has been much more favorable and has conserved a greater value than the rest of Latin American, and many other world currencies."

The reality is that the Mexican government thinks it can do nothing to change the current course toward the economic precipice, due to its blind submission to liberal economic dogma. In his speech to the World Economic Forum at Davos, Vicente Fox said that "market-based development policies are currently the target of strong criticism, but this is a time to build, not to destroy. . . . This is not a time to change principles. It is not a time to abandon our commitment to opening the economy, deregulating the markets," or to abandon "our commitment to the so-called second generation of reforms."

As for Bank of Mexico Governor Guillermo Ortíz, he prefers to let the course of the Mexican economy be determined by four external variables over which Mexico has no control, with the exception of its marginal position on the UN Security Council, and its also marginal position as an oil exporter. Those four variables are an eventual war with Iraq, the political situation in the Middle East, the future oil price, and the "lack of clarity" in the recovery of the U.S. economy. "It is a complicated panorama, with a high degree of uncertainty. These four factors will determine the behavior of Mexico's economy," Ortíz says.

While the Banco de México Governor speaks of a "high degree of uncertainty," President Fox asserts there will be "no change" in policy because "in some way, we had already considered that this year would be one of uncertainty." Mexico has the confidence to confront "any turbulence that might present itself." So, according to Fox's odd reasoning, "certainty" derives from the fact that "uncertainty" had already been foreseen!

The way to understand Guillermo Ortíz, is that the behavior of the Mexican economy will not obey the goals of the economy itself, but will instead be determined by whatever happens with these four variables. Since there is so far no indication that the United States economy will alter the current path toward economic depression—without the necessary policy changes indicated by Presidential pre-candidate Lyndon LaRouche—the Mexican economy, and consequently the government of Vicente Fox, will continue to be dragged toward disintegration by the United States.

Congress: An Ominous Omnibus Spending Bill

by Carl Osgood

The Congressional debate on an omnibus spending bill, finally to complete a budget for a Fiscal Year 2003 (Oct. 1, 2002-Sept. 30, 2003) which is nearly half over, is doomed to irrelevance. House and Senate are trying to ignore an ominous collapse of Federal tax revenue—caused by collapsing economic activity—which is going on, month by month, under the ground on which they are standing and debating. The tolling bell was heard on Jan. 29 from the Office of Management and Budget (OMB).

OMB director Mitch Daniels, in news interviews reported on Jan. 29, said that President Bush's Fiscal Year 2004 budget submission would project a budget deficit of $300-$400 billion, a gigantic rise from the $14 billion deficit for 2004 that was projected only a year ago—and this despite the White House's caps on discretionary spending.

Also on Jan. 29, the Congressional Budget Office (CBO) projected that the Fiscal 2003 budget would be in $199 billion in deficit. But the CBO had earlier reported that the deficit for the first quarter of Fiscal 2003 alone—from October to December 2002—was $109 billion, foreshadowing a much higher yearly deficit. The reality is, of course, much worse, when the Social Security and other trust funds, which have their own separate revenue streams, are subtracted from the budget figures. Without arrogating money from the trust funds, the CBO projection is for a $361 billion deficit for the current Fiscal Year 2003. And Mr. Daniels' estimated deficit for Fiscal 2004 can likewise be lifted well above the $500 billion mark, if the trust funds are not to be looted again.

The tax revenue collapse which has been disintegrating state budgets is now beginning to hit the Federal budget in a dramatic way, and to make the deficits as "incalculable" for Congressmen as they have become for governors; until they wake up and used Federal credit-creation powers to create jobs and infrastructure.

Unreal Debates

Daniels downplayed the growing deficits, telling the *Washington Post* that a $300 billion deficit is manageable and the budget could be balanced if the Congress and the White House made it a priority. "We can do it in a year or two," he claimed. But the skyrocketing deficits are, in fact, a reflection of the collapse of the tax revenue base, not of runaway spending, as conservative ideologues always claim; and studies show that no more than 30% of that collapse reflects tax-rate

The states' budget chaos has now struck the Federal budget as well. Here, the LaRouche Youth Movement invades the Pennsylvania state capital at Harrisburg, one of many they've hit around the country demanding the "Super TVA" solution to collapsing revenues and budgets.

cuts, despite Democratic claims. That revenue collapse has pulled the rug out of, not only 46 of the 50 states, but also almost every municipality in the country, as was noted at the annual winter meeting of the U.S. Conference of Mayors Jan. 22-24. Detroit Mayor Kwame Kilpatrick, speaking at the Mayors Conference, presented an economic report that showed nothing but collapse in every major economic indicator that cities depend on.

Daniels' failure to admit the reality was also a feature of the nearly two-week-long debate in the U.S. Senate on the Fiscal 2003 omnibus budget bill, which is intended to finally wrap up the budget process left over from the 107th Congress. Senate Appropriations Committee Chairman Ted Stevens (R-Ak.) began the process in the Senate by bringing the combined package of 11 spending bills to the floor: $10 billion less than the same bills contained when they were each passed out of the then-Democratic-majority committee last year, all on unanimous votes. This incensed the Democrats who proceeded to bring to the numerous floor amendments to restore that money and then some. Most of the amendments failed when the Republicans voted as a bloc against them, in order to stick to vain limits set down by the White House.

The first major issue to be brought up by the Democrats, on Jan. 17, was funding for homeland security, in the form of two amendments—one to add $5 billion and a second, focused on infrastructure, to add $3.1 billion—both sponsored by Sen. Robert Byrd (D-W.V.). Sen. Debbie Stabenow (D-Mich.), speaking in support of Byrd's first amendment, emphasized assistance to state and local police, fire and emergency services which are "desperately needing our help to be able to get the job done to keep families safe and secure in their homes and in their neighborhoods." Byrd added that it was the Bush Administration that originally asked for the money he was proposing to add, and demanded to know if any Senator were "willing to stand up on the floor and say the President was mistaken." Both of Byrd's amendments were defeated by identical votes of 45 to 51.

Immediately following the debate on the Byrd amendments came an amendment by Sen. Edward M. Kennedy (D-Mass.) to add $6 billion to funding for education programs, including those covered by last year's Leave No Child Behind Act. Kennedy argued that the additional money was needed in order to fully fund the act as passed. Among other things, it requires the states to develop standards for elementary education and to undertake testing programs to implement and enforce those standards, all of which costs money. Kennedy's amendment was voted down 46 to 51.

On Jan. 22, the Senate took up agricultural disaster relief measures. Two amendments went to the floor, a $6.5 billion amendment sponsored by Senate Minority Leader Tom Daschle (D-S.D.) and a $3.1 billion alternative proposed by Sen. Thad Cochran (R-Miss.). What rapidly became evident was that the numbers were not determined by actual need in the drought-devastated agricultural belt, but rather, budget criteria. Cochran reported that White House agricultural advisor Chuck Connor told farm groups, the previous week, that there were three criteria for judging disaster aid bills: cost of the bill, the available budget offsets, and whether farmers would be more self-reliant in the end. Cochran, and other Republicans admitted that there is, indeed, a disaster in the farm belt, but that farmers cannot be helped if the help is not "fiscally responsible." The Cochran amendment passed by a vote of 59 to 35, and the Daschle amendment was defeated by the identical reverse vote.

A Budget That Won't Last

Final passage of the "ominous" omnibus bill came on a 69 to 29 vote, on Jan. 24, but not without a final blast against it by some of the Democrats. Sen. John Kerry (D-Mass.), after noting all of the cuts in the bill, including an across-the-board 2.9% cut in all domestic discretionary programs, declared, "The funding levels included by the Republican majority" in the bill "are simply inadequate to meet our nation's education, homeland security, and housing needs." Sen. Barbara Boxer (D-Calif.) said that the cuts were unacceptable and added, "We need to pass the appropriations bills, but not this way. We should go back to the drawing board and do it right."

Of course, the collapsing tax revenues and ballooning budget deficits mean that the Congress will soon be faced with rewriting the budget and rewriting it again, as the many states already have been forced to do.