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Greenspan Testimony Highlights Bush Plan for Deliberate Federal Bankruptcy

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Fed Chairman Alan Greenspan's Feb. 25 testimony to the House Budget Committee provided an unintentionally candid look at the Bush administration's deliberate fiscal policy of bankrupting the federal government to justify a sweeping program of privatization.

During his February 25 testimony before the House Budget Committee, Federal Reserve Chairman Alan Greenspan generated sensational national headlines by recommending that President Bush's \$1.5 trillion in tax cuts be made permanent while Social Security and Medicare benefits be dramatically cut to achieve long term deficit reduction and a balanced budget.



In spite of the media furor and across the board condemnation by the remaining Democratic presidential candidates, there should be no reason for surprise at Greenspan's remarks. In his capacity as shill for the Bush administration, the Chairman's recommendations make perfect sense, as long as one is not foolish enough to believe the window dressing about a long term balanced budget. Mr. Greenspan is laying the groundwork for a second Bush administration, not a balanced budget. His remarks, and most of the economic policies of the Bush administration, can only be understood against the backdrop of the little remarked right wing agenda of deliberate federal bankruptcy.



From the first months of the Bush administration, when their initial breathtaking tax cuts were presented to Congress, it has been obvious that the explicit goal of this administration is to bankrupt the federal government to justify a sweeping program of privatization. Pursuing federal bankruptcy is a deliberate policy.



This administration's pursuit of bankruptcy as deliberate policy had to be extraordinarily bold from day one because public programs such as Social Security were so extraordinarily solvent into the distant future, and the underlying strength and diversity of the U.S. economy was sufficient to keep them that way if spending priorities were not radically altered. The events of 9/11 provided the perfect cover for pursuing federal bankruptcy in the guise of an open ended war on terror.



We know that the constituency for the Bush economic program consists of the military-industrial complex and the wealthy. The Bush administration's policies of

massive defense spending and unprecedented tax cuts for upper income brackets reward both constituencies, while the short term economic lift from more than \$450 billion in defense spending (dubbed "Military Keynesianism" by Robert Pollin of the University of Massachusetts at Amherst and others) is part of a conscious election year strategy to give at least the appearance of economic recovery. But the longer term goal of these policies, cutting revenues while increasing spending into the indefinite future, is still federal insolvency.

A massive federal deficit, it is hoped, will justify to the public the wholesale privatization of social security, medicare, prisons, schools, water, the Federal Aviation Administration, Amtrak, welfare services, public power utilities, the federal postal service, etc., etc., etc. Visit the websites of any of the major right wing think tanks from which this administration has drawn its highest officials, and you will find entire sections of archived documents and books arguing the case for privatization of nearly the entire public sector.

From the American Enterprise Institute to the Heritage Foundation, from the Hoover Institution to the Cato Institute to the Reason Foundation, privatization has been a prime objective of the right for the past 25 years. The National Center for Policy Analysis (NCPA) even provides a handy list of potential targets for privatization.

There are plenty of examples of the Bush administration's attempts to push privatization, such as their effort to change federal funding rules for public water utilities, making such federal funding contingent upon proof that the utilities each have a privatization plan in place. Amtrak, Social Security and public schools are explicitly in their sights. Education factories such as Edison Schools are the preferred Republican solution to education.

The public, so far, is resistant to an explicit agenda of mass privatization. But if Bush and his corporate backers were to be given a second term, pursuit of this privatization agenda would be unfettered, with the bulging Social Security trust fund at the top of the list among prospective candidate programs. That is what Mr. Greenspan is really signaling with his Congressional testimony in favor of permanent tax cuts today. The pursuit of federal insolvency increases the financial pressure on all elements of the public sector, making the argument for privatization theoretically more compelling. Indeed, Bush and company would read their election to a second term as a tacit mandate for their privatization agenda, and the consequences for the commonweal would be devastating.

Only Rep. Dennis Kucinich and former Vermont Governor Howard Dean have talked explicitly about the Republican privatization agenda in this election year. Dean has noted that the Bush economic model for the U.S. is Argentina, although the sophistication of that analogy is lost on the average voter. Kucinich has talked about the dangers of privatizing water.

Privatization deserves to be front and center in this country's political debate, and privatization's history of miserable failure needs to be placed squarely on the table in plain language for the electorate to consider. The history of failed privatization schemes includes doomed water privatization projects in South America and the U. S. (Atlanta is the poster child), rail privatization in Britain, and school and prison privatization in the U.S.

The Bush administration's pursuit of federal bankruptcy on behalf of their largest corporate sponsors, who will be the primary beneficiaries of privatization, represents an all out assault on the idea that the federal government should represent the commonweal and act as a wise custodian of our collective resources. We see instead a vision of a global battlefield where scarce resources go to the strongest and to those who already have. Mr. Greenspan's comments today tell us that this world view extends to the domestic front and will continue and accelerate in a second Bush administration.

We would do well to heed the underlying message and put an end to the Bush administration's Imperial misadventures abroad and fiscal malfeasance at home.

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