

Comment

Recalling Reagan

America and Europe have no respite from being continually haunted by economic decline. Bad news all the time! But doctors seldom venture into diagnosing the real reason for the disease, for most of the time they duel over the symptoms. What is not debated is the hard reality that the US's long standing reliance on military Keynesianism is one of the key factors feeding into the debt crisis that has literally engulfed the entire Western World. But debt crisis is intricately related to militarism. The dazzling level of US public debt, now standing at 14 trillion US dollars has a legacy of Reaganism.

The period of the eighties, when the US was ruled by the Republican President Ronald Reagan was inaugurated in 1981 by a so called 'tax revolution' which had an income effect that was squarely notorious: the super rich benefited from tax reductions, even as social welfare programmes were slashed. Thus the bias of Reagan's budgetary measures was all too obvious. Yet it did not result in balanced budgets. In fact, throughout his governing period the budget deficit kept increasing dramatically, much faster it appears than had been the case during preceding decades. As official data of the US Department of the Treasury confirm: the US's public debt skyrocketed, from roughly 1 trillion US Dollars in 1982, to two and half times this amount, some 2.5 trillion, at the end of the Reagan era, in 1989. And these skyrocketing debts were almost uniformly blamed on the fact that the military budget was raised each and every year. Ironically, during recent Congressional negotiations Obama's lieutenant at the Treasury Geithner, in an attempt to convince Republicans, conveniently referred to appeals to lift the debt ceiling made by Ronald Reagan a quarter century back. Yet it is Reagan who set the pattern that has resulted in the US's present plight!

Whereas Obama since taking office has countered the US recession via double digit deficit spending both military and civilian, it is Congressmen belonging to the oppositional Republican Party who have insisted most strenuously on the need to balance the US's annual budget. Yet a comparison of different US presidential periods over the last thirty years brings out that there has been no case where a Republican President was parsimonious. Quite the contrary. The only period when a serious attempt was made to re-balance the US government budget was during the 1990s, when the Democratic President Bill Clinton ruled. Whereas the late 1990s were characterized by balanced budgets, from the moment the Republican President George W Bush assumed power, in 2001, the US's public debt started rising rapidly once more!

Obama's government too has failed to carry out any meaningful cuts in the military expenditures so far, although it uses civilian spending towards stimulation of the economy much more actively than has been the case in the past. Again, even when the Democratic President Clinton ruled in the nineties, the US's level of military spending was half the world's total! Yet debt spending for military purposes seems a special Republican legacy. During each Republican governing period, a distinct a pattern of two parallel upward movements can be discerned, of annual increases in military allocations and of annual increases in the US's public debt. These parallel movements stand for a specific form of policymaking aimed at drawing the US economy from the slump. Both under Reagan

and under Bush wasteful spending—in the form of construction programmes for military aircraft, for missiles, etc—has been so large that it became the single most important stimulus.

Also, the deregulation of financial markets, the start of which too can be dated from the beginning of the 1980s, and the 2008 financial crisis are other major causes behind escalating state debts.