BEAT THE DEVIL.

Clinton’s Populism: Big Woof, Tiny Teeth

Some smart animal breeder should go to work on a populist watchdog. Given the insurance liability problem these days, it should have tiny teeth but a terrific bark. It could be called the Clinton, a popular item in the pet stores for at least the next four years.

Consider the populist woofery of Clinton’s economic plan as laid before Congress. Next day’s headlines announced the rich were going to “take it on the chin,” with the top marginal rate rising to a shade under 40 percent, estate taxes going up, allowable itemized deductions going down. Clinton told Congress he wanted rich people to pay more, just as they supposedly had done back in 1986 when the top marginal rate was 50 percent or in the 1950s when it was over 90 percent.

The problem is that whatever the notional top marginal rate, rich folks hire accountants and politicians to make sure the system stays the same. And the top capital gains tax rate did stay the same, at 28 percent. So the accountants will be working overtime showing money from one column to another, and the Congressional finance committees will heave with mighty purpose, designing safe harbors for the new tax shelter industry that Clinton’s plan is conjuring into being like God’s finger moving over the primal slime.

The trouble with this fake economic populism is that it never really changes the terms of the fundamental equation, as represented by the Byzantine system of tax credits and expenditures that ends up costing the Treasury in revenue each year an amount roughly level with the annual federal deficit as it now stands. It’s a structure so impervious to change and so incapable of permitting any genuine redistribution (the basic idea of a progressive tax) that some—present writer included—supported Jerry Brown’s plan last year for a flat tax of progressive tilt, which would cut hypocrisy down to size. As things are, people who should know better are howling Clinton’s surrender to Wall Street as somehow an augury of liberal renewal and of Rooseveltian commitment to social reform. When Ronald Reagan fired the PATCO workers, there were howls. Clinton proposes to lay off 100,000 federal employees (maybe they’ll end up as his new national police corps) and cut the wages of all federal workers (almost 3 million) by around 7 percent over four years, and no one even bleats, except for the A.F.L.-C.I.O., which has emitted a sheeplike cough of tender reproach.

The fact that Clinton systematically betrayed all his campaign economic pledges doesn’t seem to bother liberals, which just shows how much they despise ordinary people. Wait a couple of years and you’ll find these same liberals deploRING apathy and cynicism among the electorate.

Clinton’s proposals were entirely traditional in that regard. Nothing truly dangerous—economic populism with teeth as well as bark—was on offer. No suggestion of limiting home mortgage interest deductions, a notorious gift to the better off. (The better off are now refinancing their houses to take advantage of this famous bolt-hole.) Nothing dismaying to Wall Street, like a securities transaction tax, an idea ardently endorsed at various times by economic advisors to Clinton such as James Tobin, Lawrence Summers or Joseph Stiglitz, but also an idea presumably unappetizing to financiers powerful in the Clinton court, such as his chief economic coordinator, Robert Rubin. And indeed Clinton’s plan pivoted on Wall Street’s demand to the new Administration that the agenda be first and foremost concerned with deficit reduction.

“If there’s anything this program is directed at,” Rubin told reporters, “it’s interest rates.” The theory here is the one beloved by Wall Street: that the prime inhibition to economic growth is the deficit, and that with an attack on the deficit, interest rates will fall and rosy times return. The theory does not require anything so raffish as promotion of growth via consumer demand. The answer to Wall Street is that the relationship between interest rates and investment growth is weak and that there are cheaper ways of getting interest rates down than by cutting demand.

But Wall Street won the day, and the deficit cutters won the day, as it was clear they had from the moment Clinton announced his economic team. Actually, the Clinton program is deflationary, will fail and will discredit the idea of liberal programs for years to come, just as Carter’s did.

We’re paying the penalty for fifteen years’ worth of Chamber of Commerce propaganda about the deficit, which ordinary Americans now wrongly conceive to be as big a crisis as cancer. (As a percentage of gross domestic product the deficit is currently far below levels associated with periods of great economic expansion.) Clinton’s approach to military conversion is merely gestural. A timid, shriveled jobs-and-infrastructure plan barely dares lift its head above the rubble of urban America. On a day when it was announced that housing starts had dropped 7 percent nationally, and when the National Guard was rehearsing how to put down the next riot in Los Angeles, the dominant tone was one of belt-tightening and austerity, greeted with those barks of the watchdog fretting excitedly at the end of its chain.

Same Old Rainbow, Same Old Crock

Enthusiasts for the North American Free Trade Agreement, such as the aforementioned Clinton, have been getting a bumpy ride lately. On page one of the New York Times business section for February 3, the headline was buoyant: “Study Says Trade Pact Will Aid U.S. Economy.” The story jumped to page D14, where Keith Bradsher finally laid out the joyful tidings: “The [federal] study estimated that compared with employment forecasts without the agreement, total employment with the agreement would gradually rise up by eight-hundredths of a percentage point in the United States. . . .” This precision comes from a statistical bureaucracy unable to state how many Americans are working, or even how many Americans there are. The day all Americans are too discou-
AGED to look for work we will, under current statistical guidelines for computing the unemployed, have arrived at full employment.

Then, in the Times for February 22, Bradsher reported that one of the two most influential academic experts on NAFTA, Gary Hufbauer, had disclosed at the Women's National Democratic Club that any net increase in jobs in the United States under NAFTA would evaporate in fifteen to twenty years. Hufbauer and Jeffrey Schott tactfully omitted from the latest edition of NAFTA: An Assessment the chart expounding this doo message.

Why Israel Claims U.S. Is Terror Central
Partly to offset the bad international publicity surrounding its expulsion of more than 400 Palestinians, the Israeli government is now claiming that Hamas, the Islamic fundamentalist group of which the deported Palestinians were supposedly leaders, is financed from the United States.

On January 27, Ehud Yaari, an Israeli with long-term contacts with that country's intelligence organizations, published an Op-Ed in the Times alleging the Hamas Arab-American ties. Two days earlier on the West Bank, Israeli police had arrested three Arab-Americans, accusing them of being organizers and bag men for Hamas.

One of the three has since been released and claims that he was tortured during his interrogation. The other two are still being held, with the U.S. consul protesting lack of access. Their captors claim they have substantiated the notion that the United States is central to Hamas's organization and funding. On February 17 the ineffable Judith Miller relayed more Israeli propaganda on the topic to Times readers.

But Israel has a long-term objective in this finger-pointing at the United States as the sanctuary of its enemies. Palestinians in the occupied territories do indeed rely on financial remittances from Arab-Americans, which help fund schools, clinics, hospitals and kindred infrastructure. Successive Israeli governments have long sought to block such money dispatched to Palestinians as part of its overall objective of making life so wretched that the Palestinians will move elsewhere.

Two cases now unwinding in California attest to the lengths to which Israel and its supporters here will go to inhibit the ability of Arab-Americans to send money home. Since 1987 the case of the Los Angeles 8 has been working its way through the courts. In that year seven Palestinians and one Kenyan were arrested by the Immigration and Naturalization Service and charged with being supporters of a P.L.O. group—the Popular Front for the Liberation of Palestine. The I.N.S. sought to deport them. No evidence has been introduced showing that any of the 8 were involved in unlawful activity, but with the original charges thrown out as unconstitutional, the case has become a government test of the Immigration Act of 1990.

Under this law the government claims that Khader Hamide and Michal Shehadeh, the two permanent residents from the original 8, were somehow lending material support to the P.F.L.P., which the I.N.S. declares to be a terrorist organization. (A senior State Department official recently told Washington-based Al-Safir correspondent Hisham Milhem that any group opposed to "the peace process" was by definition "terrorist.")

The Israeli government has taken an extraordinary interest in the case, declassifying top-secret documents and rushing them to the Los Angeles courtroom. The stakes are high. If all support for organizations such as the P.F.L.P.—which itself operates schools and clinics—can be classified as terror sponsorship, then Israel will have secured an important victory.

In San Francisco, the campaign has now taken a sinister twist. The district attorney, the F.B.I. and the local police department are investigating a former S.F.P.D. inspector, Tom Gerard, for having privately and illegally maintained on his Sausalito houseboat thousands of police intelligence files, including records of surveillance of Arab-American functions in the Bay Area.

The allegation is that Gerard sold material from these files to a South African intelligence agent; also that he shared information with Roy Bullock, an informant and undercover investigator for the Anti-Defamation League of B'nai B'rith. Search warrants have been issued for A.D.L. offices in San Francisco. The A.D.L. has announced that it is cooperating with the investigation, while insisting it is not a target of same.

From the Philippines, where he now resides, Gerard has claimed in an interview with the San Francisco Examiner that the beneficiaries of information developed by himself and Bullock were the police, the F.B.I. and the A.D.L. In 1991 Gerard was one of a group of U.S. law-enforcement officers traveling to Israel as part of an A.D.L. mission.

The A.D.L. works closely with U.S. law enforcement. At the time of the original arrests of the Los Angeles 8, the Los Angeles Times reported the A.D.L.'s regional director, David Lehrer, as saying that his organization had supplied the F.B.I. with investigative material relevant to the case. (He now prudently downplays that boast.) Israel's security services are also in possession of the Gerard-Bullock material. So Arab-Americans returning home to Israel or the occupied territories do so with the knowledge that raw files pertaining to innocent public functions of émigré life have preceded them. And if the Los Angeles 8 prosecution prevails, such functions could be classifiable as terrorist activity.

The San Francisco disclosure has already rocked the Los Angeles courtroom where, last week, Judge Bruce Einhorn refused a defense request that he quit the case on grounds that he is an A.D.L. official. The charges may yet be found unconstitutional in federal court. A Clinton Justice Department could drop the case (fat chance) and thus end an ugly affair whose bottom line is whether the Israeli government can reach into U.S. courts, and illegally maintained spy files, to inhibit the most basic rights of citizens and residents in this country.
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