geopolitical position. By this is meant the curtailed role that the U.S. is now playing in world affairs. Its answer is to try once again to control events as well as the mass of people abroad on the basis of a renewed effort to become the predominant military and diplomatic power on a world scale.

How could this be done in a period of general capitalist decline everywhere in the imperialist world? To retool U.S. industry with government assistance on a scale needed to overcome its imperialist rivals requires the most stupendous infusion of capital—first of all from government sources.

The U.S. federal budget for 1980 is $650 billion and constitutes one-fifth of the national economy. Any significant changes in the budget up or down are immediately reflected in the national economy precisely because of the budget's vastness. The capitalist government and industry and finance are intimately and virtually fused together, regardless of which administration is in office. Nevertheless, the federal budget is one thing and the national economy is still another.

The incoming Reagan administration reckons that a mere cut of 2% of the national budget will amount to about $13 billion. Since these cuts are basically in social services and will leave hundreds of thousands if not millions unemployed, it is estimated even by moderate bourgeois economists that they will impose a severe strain on the civilian economy, not to speak of the hardship caused to the unemployed and others affected by the cuts.

In addition to this cut in the federal budget, they are talking about adding tens of billions in military expenditures. This will not compensate for the civilian cuts but will increase the pressure on the national economy even more. Military spending adds nothing of any real value to the economy. But spending more on the military creates fictitious money and adds to the inflation rate. This in turn does havoc not only to the living standards of the masses but to the national economy as a whole.

The federal budget for the incoming Reagan administration is therefore a living example of an internal social contradiction which cannot be resolved on the basis of false economic growth which the Reagan administration projects as part of its program. It is impossible to reconcile the expenditure of vast sums

for military purposes which generate inflation with the cutting of vital social services that the civilian economy depends on. First the military weakens the civilian economy by draining it of capital and of resources for research and development. Then, in their effort to seek orders for their idle plants, the civilian element of the capitalist economy is forced to gravitate toward the Pentagon to fill the vacuum. It's a vicious circle from which there is no exit.

It is an irreconcilable contradiction which cannot be resolved on a peaceable basis. The Reagan administration will be forced to turn its back on reindustrialization if it continues on the reckless course of huge military expenditures and on cuts in the federal budget involving social services like Social Security, the minimum wage, help for the disabled, and so on, all of which inevitably entails a cultivation by the government of racism and a struggle against the working class.

In the articles in this pamphlet we discussed some of these questions in detail as they evolved in the last year of the Carter administration. We shall now see how the Reagan administration will deal with these very crucial issues. It will not take long before they reveal their hand.

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