REGAN AT TREASURY

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■ WHEN former actor Ronald Reagan was elected President of the United States, wags speculated that he wanted to name some of his old friends from Hollywood for key posts in the Administration. He would have preferred the late John Wayne for Secretary of Defense, the late Jack Benny for Secretary of the Treasury, Clint Eastwood for Attorney General, and Efrem Zimbalist Jr. for Director of the F.B.I. Well, it didn't work out that way, although it might have been better if it had.

Some of Mr. Reagan's choices for the new Cabinet are far too much like those who ran the Carter Administration. They are, just as Dr. Susan Huck predicted, the C.F.R. "B" team. The terrible irony of the elec-

President Ronald Reagan's choice for Secretary of the Treasury is Donald Regan, who belongs to the Eastern "Liberal" Establishment's inner sanctum: the Council on Foreign Relations, Business Roundtable, and Committee for Economic Development. These elitist groups run U.S. economic and foreign policy.

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toral revolution of November fourth is that, instead of getting the dramatic change in government for which we voted, we are being given an Administration dominated by people from the same Establishment club which has governed the United States since the end of World War II.

Meanwhile, the state of the American economy is bleak and getting bleaker. Unemployment is high, and inflation is still eating up savings and investments. Many Americans are increasingly demoralized by the deepening morass of social, economic, and political bankruptcy. It is therefore not a time for business as usual with the same old Establishment manipulators in charge.

On November 4, 1980, the American electorate demonstrated its profound dissatisfaction with the reign of the "Liberal" Democrats and their G.O.P. *clones* who have dominated the political process in our country for the past five decades. The voters retired from office many prominent "Liberals" — including Senators George McGovern, Frank Church, Mike Gravel, Warren Magnuson, Gaylord Nelson, John Culver, Birch Bayh — and sent the flim-flam man in the White House back to Georgia.

Conservatives desperately hoped that Ronald Reagan would lead us out of the economic pits by decisively altering the direction of federal tax and spending policies. They now fear he might default on his mandate for a fundamental change in economic policies. Evidence of this came during the transition period when it was noted that the personnel to fill the top three hundred sub-Cabinet jobs were to be selected by persons with no ties to Conservative principles. Among the most influential Reagan advisors were Council on Foreign Relations member William J. Casey and Trilateralist Caspar Weinberger. Expressing justifiable concern about this, *Human Events* asked in its issue for December 13, 1980: "Why do the people surrounding the President-elect keep putting into the most important personnel slots those with distinctly *non-conservative* backgrounds? Simply put, why aren't the key selectors of personnel well-known conservatives?"

Of a list of fifty-nine names of people mentioned by President-elect Reagan as possible members of his Administration, twenty-seven were C.F.R. members, ten were Trilateralists, and ten were Bilderbergers. It seemed a heavily stacked deck. And, alas, the apprehension triggered by the seeming Establishment dominance of the transition teams was soon borne out by the President-elect's choice of Cabinet officials.

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Particularly by his choice of Donald Regan for Secretary of Treasury.

Sixty-one-year-old Donald T. Regan (pronounced REE-g'n) comes to the post of Treasury Secretary after ten years as chairman of Merrill Lynch & Company, the largest securities firm in the United States. He has a reputation for being an aggressive Wall Street businessman who pays special attention to detail. Educated at Harvard, Regan is an efficient and ambitious businessman who is a member of the Council on Foreign Relations, inner sanctum of the Eastern "Liberal" Establishment.

Although the news media made much about Mr. Regan's alleged support of President Reagan's tax-cutting promises, Donald Regan long supported tax *increases* and wrote on Page 57 of his book, *A View From The Street*, that the Harry Hopkins dictum, "We shall spend and spend, tax and tax, elect and elect" made "some good economic sense." The new Treasury Secretary clearly has more in common with the international banking crowd than with the Conservative movement.

For decades four posts in Administration after Administration, Republican and Democratic, have consistently gone to C.F.R. members and Trilateralists. They are: Director of the C.I.A., Secretary of State, Secretary of Defense, and Secretary of the Treasury. In other words, the Eastern "Liberal" Establishment has controlled our defense, foreign policy, and money. Purely by happenstance, we are once again supposed to believe, this Establishment gang has batted four for four with the Reagan Administration. Incredibly, not a single major newspaper in this country has considered that worthy of comment.

In addition to his C.F.R. membership, Donald Regan also serves at least two other key personnel pools of the Eastern "Liberal" Establishment. They are the powerful Business Roundtable and the highly influential Committee for Economic Development.

The Business Roundtable is the lobbying arm of the older Business Council and is made up of some of the most powerful men in the country. It is a very influential instrument of politicalized businessmen who have extensive ties with various departments and agencies of the federal government and use government intervention to manipulate markets for their advantage. This powerful club of corporate elitists is heavily involved in formulating federal economic policy.

Although founded in 1973 by the chairmen of the largest corporations in the country, the roots of the Business Roundtable extend back to the New Deal of Franklin Roosevelt when the Business Advisory Council was created to help the Commerce Department cartelize the economy by forcing key business firms to operate in a partnership with Big Government. In 1962 the Business Advisory Council changed its name to the Business Council and expanded its links beyond the Commerce Department to other departments and agencies as well. Its membership is interlocked with those of the C.F.R. and the Business Roundtable. Thirty-three of the forty-five leaders of the Business Roundtable were in 1977 also members of the Business Council. As power-structure analyst G. William Domhoff observes, "While the Business Council prefers to remain in the background and focus on the Executive branch, the Business Roundtable is unique among general policy groups in that it has an activist profile and personally lobbies mem-

Informed that Donald Regan had provided campaign funds for "Liberals" John Lindsay, Bob Eckhardt, Alan Cranston, Gaylord Nelson, and Chris Dodd, President-elect Ronald Reagan is reported to have replied, "Why didn't anyone tell me?" Regan was recommended by Bill Casey (C.F.R.) and William Rogers (C.F.R.).

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bers of Congress as readily as it meets privately with the President and Cabinet leaders." (*The Powers That Be*, New York, Vintage Books, 1979.)

Of the Roundtable's forty-five member policy board, eighteen are members of the C.F.R., including David Rockefeller, Irving S. Shapiro (Du Pont), George P. Shultz (Bechtel), Walter Wriston (Citibank), and Donald T. Regan of Merrill Lynch. Three key Trilateralists who sit on the Roundtable's policy committee are David Rockefeller, Coca-Cola chairman J. Paul Austin (a Carter crony), and David Packard of Hewlett-Packard. In addition to these interlocking memberships, thirteen members of the Roundtable's policy committee also belong to still another important arm of the Eastern "Liberal" Establishment known as the Committee for Economic Development (C.E.D.).

Credit for founding of the C.E.D. is usually given to Leftist multimillionaires Paul Hoffman and William Benton, both members of the Council on Foreign Relations. Not surprisingly, most members of the Executive Committee of the C.E.D. are also C.F.R. members. The Committee for Economic Development in turn serves the Establishment *Insiders* by providing research to support policy recommendations and implementation. An Annual Report of the Committee states that the "CED is an organization of 200 businessmen and educators whose primary function is to use objective research to *determine private and public policies* which will promote economic growth."

Whose economic growth? *Theirs*, of course! Yet note that this is to be achieved by determining public as well as private policies. Indeed, the product of study groups which become official policy statements of the C.E.D. bear a striking resemblance — sometimes word for word — to subsequent government policies enacted and implemented by law.

Over the years the C.E.D. has employed batteries of Keynesian economists who have formulated most of the economic policies of the U.S. Government. As G. William Domhoff observes in *The Higher Circles*, the C.E.D. has become so influential that "the importance of this organization, on both domestic and foreign policy, probably cannot be over-estimated."

The Committee for Economic Development came of age in 1957, when it established the Commission on Money and Credit. Donald K. David, then chairman of the Committee, explains: "Although CED had envisaged a commission created by govern-

Mr. Reagan named David Stockman to head the Office of Management and Budget. Stockman had moved from radical politics at Michigan State to Harvard and then the staff of Representative John Anderson. Suddenly he turned Right, was elected to Congress, and spent two terms fighting for the Free Market.

ment, the ability of the government to obtain the consensus required for launching the study became as apparent as the need for avoiding further delay. So, after receiving encouragement from other research institutions, leaders in Congress, the Administration, and from various leaders in private life, CED's trustees decided to sponsor the effort, assisted by a grant from the Ford Foundation . . . ."

There were twenty-seven members of this new Commission, including such Establishment *Insiders* as David Rockefeller; Walter Heller, President Kennedy's chief economic advisor; Henry Fowler, President Johnson's Secretary of the Treasury; and, David M. Kennedy, President Nixon's first Treasury Secretary.

The C.E.D. and its Commission on Money and Credit succeeded in making adoption of the Keynesian "New Economics" the official policy of the federal government across several Administrations, both Democrat and Republican. At the same time it championed acceptance of the Keynesian perversions among the corporate bureaucrats of Big Business. This has in turn resulted in the enormous expansion of the huge debt-money pyramid, debasement of our coinage, depreciation of our currency, and the transformation of our system of Private Enterprise into a corporate state.

Emilio Collado, of Standard Oil of New Jersey and the C.F.R., expressed one of the main purposes of the C.E.D. when he was chairman of its Research and Policy Committee. Collado said: "American business must do more to help solve the nation's social problems . . . . Business and government must develop that same kind of effective partnership in social problem-solving that has hitherto only been achieved during major war-time emergencies. . . . I think it is entirely appropriate that the CED take the same kind of leadership in the social problems of today as it did in planning the reconversion of the economy after World War II . . . ."

Approaching social problems as one would approach "major wartime emergencies," by a partnership between business and government, amounts to as neat a definition of fascism as you are ever likely to find. In 1971 the C.E.D. issued a study entitled "Social Responsibilities of Business Corporations." It brazenly advocated funneling billions of dollars of tax money into private corporations to finance "social work." Now we would have Marxism at a profit — but at the taxpayers' expense!

The fact that Donald Regan is a member of the "Liberal" Establishment organizations we have been describing justifies concern and suspicion. Howard Phillips of Conservative Caucus has called the selection of Regan "a disgrace and insult to every person in America who worked for Governor Reagan's election," noting wryly that Donald Regan "has never been active in support of Conservative candidates."

Phillips notes that Regan has been a substantial contributor to "Liberal" causes and political candidates — including a personal donation of one thousand dollars (the maximum allowable) to Jimmy Carter's re-election fight *against* Ronald Reagan! He gave nothing to the Reagan campaign committee. Regan was also involved in supporting the political campaign of "Liberal" John Lindsay in the Democratic senatorial primaries, and made large contributions to the campaigns of Senator Russell Long (D.-Louisiana) and Representative Bob Eckhardt (D.-Texas), a determined "Liberal" who was in a fight for survival against a Conservative challenger.

In fact Donald Regan personally co-hosted a fund-raising breakfast for radical Congressman Eckhardt on September 22, 1978, at the Essex House in New York. According to an article by Hedrick Smith in the *New York Times* for December 13, 1980, Regan personally donated $250 at the breakfast — even though Eckhardt was then a primary target of the Conservative movement. Regan subsequently hosted a fund-raising cocktail party on behalf of Eckhardt at New York's posh 21 Club.

It seems strange that Donald T. Regan would finance and work so hard for a Democrat who was the most "Liberal" member of the Texas delegation. The *New York Times* explained that, "Mr. Eckhardt said he was a principal author of the Securities Act of 1975, adding that he had followed the industry closely and regarded Mr. Regan as a pragmatic and able businessman. It is common practice for executives or their company political action committees to donate to campaigns of members of Congress with oversight over their industry." If that doesn't make you sick to your stomach stay tuned.

In addition to his personal contributions, the six-member political action committee of Merrill Lynch (which Regan has chaired for the past decade) has given substantial financial support to a long list of big-spending "Liberal" Democrats — including a three thousand dollar donation to the 1980 Carter-Kennedy Unity Dinner. Among the "Liberal" politicians underwritten by the Merrill Lynch political action committee headed by Donald T. Regan: Senator Alan Cranston (A.D.A. rating: 79), Senator Gaylord Nelson (A.D.A. rating: 84), Senator Patrick Leahy (A.D.A. rating: 89), Representative Thomas J. Downey (A.D.A. rating: 89), and Christopher Dodd (A.D.A. rating: 74). Judging from the information available from the Federal Election Commission, moreover, Merrill Lynch was out to try to defeat Ronald Reagan during the primaries, contributing a thousand dollars to George Bush in February. On April twenty-ninth, with the nomination locked up for Reagan, Merrill Lynch switched. Its contribution was still less than it contributed to the Carter-Mondale re-election bid. If one is to judge Merrill Lynch by where it puts its money, the firm is not bullish on capitalism but socialism.

According to Hedrick Smith in the *New York Times* both Senator-elect Steven Symms of Idaho and Senator William L. Armstrong of Colorado voiced concern about Regan. " 'He's been active politically in support of Democratic candidates and left-wing candidates,' Senator Armstrong said. 'He's also supposed to have said at one time that he was for wage and price controls. If he were to say that now, I'd be stunned. I'd be thunderstruck. I would not vote for someone who favored wage and price controls.' "

Although a spokesman for the Secretary-designate denied that he had ever endorsed wage and price controls, he later conceded that he had told President Nixon the controls were "appropriate." Why the backdown? Because a researcher had discovered Regan had written in his 1972 book that just such "forceful action" as the 1971 freeze was needed.

Hedrick Smith reports that some Conservatives in the Ronald Reagan camp were so upset with the Donald Regan selection that they contacted members of the President-elect's kitchen Cabinet. ". . . At least one member of that group . . . telephoned the President-elect personally to raise objections . . . ." The caller told Reagan, "This guy's not right. He's been helping the other side." And Reagan reportedly replied, "Why didn't anyone tell me?"

Why, indeed.

The fact is that Donald T. Regan, whose name had not been mentioned in any of the public statements by the transition team, was backed by his old buddy and fellow C.F.R. member William J. Casey, who came out of nowhere to be named Reagan's campaign director on the night of the New Hampshire primary and now serves as Director of the C.I.A. Casey, as it happens, is a senior partner in Rogers & Wells, a major New York law firm. His law partner is former Secretary of State William Rogers (C.F.R.) who serves on the board of Merrill Lynch — headed by Donald Regan for the last ten years. According to the Annual Reports of Merrill Lynch, in both 1979 and 1980 that company paid legal fees of more than two million dollars to Casey's law firm, Rogers & Wells, Inc. Such connections might provide a clue as to why Bill Casey and Bill Rogers knew Don Regan could be trusted at Treasury. The C.F.R.-Wall Street combine was at work.

What alternative candidates were presented for the post of Treasury Secretary? The man who was Reagan's first choice for the post was William E. Simon, who had held that office during the Ford Administration. Having seen how the federal bureaucracy operates from the inside, Simon had become an outspoken critic of the growing cancer of Big Government. Among his many laudable efforts have been two excellent books, *A Time For Truth* and *A Time For Action*. It must be noted however that, like so many other Establishment Republicans, Simon seems more interested in "eliminating waste" than abolishing unconstitutional programs. It is nevertheless clear that William Simon is, generally speaking, in favor of less government and more individual responsibility. Given political realities, he was assuredly one of the best choices for Treasury Secretary that Conservatives might have expected. There were worse candidates for the job — and we got one of them.

A point which has worried some Americanists is that even though Mr. Simon denies he is a member of any Establishment organization, his name continues to appear on the membership rolls of the Council on Foreign Relations. But to judge by his public statements and writings, William Simon's views do not now square

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MR. REGAN

with those of the C.F.R. *Insiders* — which may be why he is not now Secretary of the Treasury.

On November 28, 1980, it was announced by the Reagan transition staff that William Simon had withdrawn his name from consideration for a post in the Reagan Cabinet. Simon reportedly said he had made the decision, while on a trip abroad, because of "family considerations." Was there more to it than that? According to an Evans and Novak column on December 9, 1980: "The unseen hand of Sen. Robert Dole, a lethal weapon in the backroom chicanery of Capitol Hill, fashioned the campaign against William Simon that led him to reject the Cabinet post that two weeks earlier he thought was securely his." The new Chairman of the Senate Finance Committee, Dole had worked behind the scenes to create the impression that Senate Republicans had voted seven to one to recommend against Simon for the Treasury post. In fact, no such vote was ever taken.

Another factor influencing Simon's decision to withdraw was the prospect of resuming battles with the White House staff which had won him some enemies during the Ford Administration. Evans and Novak comment: "Simon told others that Ed Meese, soon to be Reagan's White House chief counsel, considered Simon 'too conservative' and would commence open war with him at the Treasury; Simon did not relish that."

In any case the maneuvers of Dole and Meese, supported by the old Ford team, resulted in Simon's withdrawal. The successful manipulations of these and others around Ronald Reagan prompt serious questions about the new President. As Evans and Novak observe: "Quite apart from the desirability of Simon's return engagement at the Treasury, that intensifies post-election questions about Ronald Reagan: Are non-Reaganites like Dole supplanting Reaganites like Simon in setting policy for the new administration? Can the new President cope with the velvet-gloved grandees of Congress, including those wearing Republican colors? That leads to a broader concern beyond the confines of Congress: the seeming passivity of Reagan. If Simon were really his first choice at the Treasury, surely the president-elect could have shrugged off intrigue to insist that Simon take the job."

Another prospect under consideration for the post of Treasury boss was Walter Wriston, a C.F.R. member who is a longtime capo of the Wall Street international banking gang. At the age of sixty-three, Wriston is chairman of Citibank of New York, the second largest bank in America, and closely tied through its owners to its arch-rival, David Rockefeller's Chase Manhattan Bank. His background reveals Wriston to be a loyal team player for the Establishment *Insiders*. His name had to be withdrawn, however, because of "conflict of interest" arising from his ownership of $2.3 million worth of stock in the parent company of Citibank, which is involved in the government-guaranteed loans to New York City and to Chrysler. In addition, Citicorp has laid claim to part of the assets left by the Shah, and which the current Government in Iran was seeking to exchange for the U.S. hostages.

These problems arose because of the new "ethics-in-government" laws which require detailed financial disclosures by all senior government officials, and prohibit them from having any dealings with their former agencies or departments after they have left government employment. Ronald Reagan is the first President who has had to cope with the new rules in forming a Cabinet. Transition team personnel blamed these requirements and the necessity of F.B.I. background investigations for the delay in announcing Reagan's Cabinet nominees.

The favorite of movement Conservatives for the Treasury spot was forty-two-year-old Lewis Lehrman, a successful New York businessman and chairman of the Rite-Aid Corporation. "Lehrman was the candidate of virtually all the Conservatives I know," remarks Howard Phillips. A member of the board of the Heritage Foundation, a supporter of Conservative Republicans in politics, and a hard-money advocate, Lewis Lehrman is a longtime critic of the Federal Reserve system and strongly favors deep cuts in federal taxes and expenditures, and a return to the gold standard. He would have been an ideal choice. But, like Simon, he was considered "too Conservative" by Reagan's transition bosses and was not given serious consideration. Lewis Lehrman, you see, is not a member of the Eastern "Liberal" Establishment.

In view of the fact that it was Conservatives who supported Ronald Reagan over the lean years, kept his Presidential hopes alive, and obtained the nomination for him, why would Reagan disregard their suggestions as he seems to be doing? Or is he? All the news is not gloomy.

A man with whom Treasury Secretary Donald Regan will have to work closely is David Stockman, the new Director of the Office of Management and Budget. The young Congressman from Michigan has a score of 80 on the most recent Conservative Index. His cumulative score over the whole of the last Congress was a creditable 79. Not bad when you consider his background. David Stockman worked with the radicals of the Students for a Democratic Society (S.D.S.) at Michigan State before going on to the Harvard Divinity School and then to the Kennedy School of Politics. From the Kennedy School, Stockman joined the staff of Congressman John Anderson of Illinois. He appears to have undergone quite an ideological transformation since those earlier days, but nobody within the Conservative movement seems to know just how he became converted. Apparently it was not under the influence of any one individual, but a result of Stockman's own study and experience. Such conversions, though rare, do occur — and seem to be occurring more frequently these days. The new O.M.B. Director appears to be a sincere, sophisticated, and serious foe of Big Government and expanded federal spending.

In his spare time, David Stockman has been writing a book to support Free Enterprise and the policy recommendations of supply-side economics. Now only about half finished, Stockman's book is intended to serve as a complement to Friedrich von Hayek's classic *The Road To Serfdom* which in 1944 warned that government intervention into economic affairs would inevitably lead to the sacrifice of personal and political freedom as well as freedom in the marketplace. Stockman extends this theme by arguing that scarcity of resources is not the cause of America's economic problems, but rather that the problem stems from interventionist policies of government such as high rates of taxation and heavy regulation of business. Mr. Stockman maintains, quite correctly of course, that political planning and government allocation of resources are "incompatible with freedom." His remedy would be to unleash the productive power of the market economy by cutting taxes and reducing government regulation.

While Donald Regan might not be anything to write home about, David Stockman could be just the kind of fellow the doctor ordered for the O.M.B. post. He has been working on ways to cut spending — and he doesn't intend to wait for the first Reagan Budget to do so. Stockman says he means to do all he can to cut the 1981 Budget already laid down by the Carter Administration. At the news conference announcing his appointment to O.M.B., Stockman declared that "a commitment has been made for a two percent cut in the 1981 Budget" covering the period which began on October first of 1980. A two percent reduction might seem too small, but Stockman is trying to move in the right direction. And there are, after all, limitations to what can be done to a Budget already in place and guarded to the last day of the Carter Administration by determined spenders.

Significantly, one of the agencies on which David Stockman plans to direct his attempts to whittle down the federal Budget is a little-known bureaucracy called the Federal Financing Bank. Established ten years ago, the F.F.B. falls under the jurisdiction of the Treasury Department. Its purpose was to assist the government's loan-guarantee agencies, but Stockman discovered that the Bank actually makes direct loans at preferred interest rates. Although these loans become part of the National Debt, they are not carried on the official federal Budget but are among the infamous "off-Budget" items. Director Stockman refers to this dubious accounting system as "a classic Budget scam — a laundering device." He estimates that the Federal Financing Bank will add about eighteen billion dollars in "off-Budget" government outlays this Fiscal Year, and promises: "I will be fierce on the Federal Financing Bank." What is needed is a "period of severe restraint on the mechanisms that drive Treasury borrowing," observes Stockman, who is evidently taking Ronald Reagan's campaign promises more seriously than is the President-elect.

In the Congress, David Stockman had the admiration of friend and foe alike. According to "Liberal" Democrat Henry Waxman of California, "He's very bright, willing to entertain new ideas and therefore not predictable. He's predictable only in his commitment to the Free Market system." If that sounds good, remember that his record in Congress demonstrates that he has the courage of his convictions. For instance, Stockman was the only Member of the Michigan delegation in the House to oppose the federal loan guarantees for Chrysler. Arguing against the loan deal, Representative Stockman explained that the market should penalize failure as well as reward success. Taxpayers should not be forced to prop up a business which those same taxpayers have already rejected in the marketplace. For a Michigan Congressman to have taken such a stand is a good sign that he is a sincere advocate of the Free Market.

Mr. Stockman seems to be tackling his O.M.B. duties with enthusiasm and determination. Let us hope he can maintain that idealistic zeal after a few cold showers in the Executive branch. He is young and inexperienced, and he is likely to run into trouble early from higher-ups in the Reagan Cabinet such as Treasury Secretary Donald Regan.

Meanwhile, what to do? The American economy is heading into an increasingly dangerous and fearful period as the extortionate interest rates of the Fed and allied bankers exceed even last year's horrendous peaks. Our business community is increasingly hamstrung by bureaucratic regulations imposed by the McGovernite "environmentalists" and other radicals running the Washington bureaus. The Budget for Fiscal 1981 will exceed $662 billion — at least $30 billion more than Congress authorized in November. And the projected 1981 Budget deficit — the fuel of inflation — will be more than $53 billion, according to figures released in mid-December. Wasn't it just a few months ago that the Carter prognosticators were telling us that the Budget for Fiscal 1981 would be about $600 billion? By the time September thirtieth rolls around, total spending by the federal government for this Fiscal year could very well be more than $100 billion in excess of the phony Carter Administration projection.

Given this grim backdrop, one can sympathize with the new President as he faces his ominous inheritance. The mess is enormous, and if he does not turn things around he will be Carterized into ignominy.

A major difficulty facing Reagan and his new Cabinet is that the people working under them are, by and large, either "Liberal" Democrats or career bureaucrats full of collectivist prejudices. These federal employees, taken together as a body, constitute a gigantic lobby in support of the *status quo*. They have a vested interest in perpetuating the system they created, and tend to view their Cabinet bosses as transitory superficialities who should not be permitted to interfere with their routine. When the new Secretary tries to initiate new policies by an order from the top, he finds that by the time those policies are implemented they have become quite different from his intention.

This is one reason why attempts at applying business methods to government agencies meet with only limited success. Government is political and bureaucratic; business is economic. Putting a "good businessman" in charge of a government agency is no guarantee of success because the incentives to respond to his leadership just aren't there. The likely outcome of such a strategy by the Reagan Administration will be that very little substantive change will take place — and the bureaucracy will continue to grow like a colony of bacteria.

When Reagan was on the campaign trail, his rhetoric centered on the slashing of government programs. Now the talk has changed to the Nixon-Ford babble about streamlining government and making it more efficient by eliminating waste and applying "sound business practices." Of course, this is about as controversial as suggesting that ground glass be kept out of one's bourbon.

A major problem in attempting to apply business methods to make socialism more efficient is that — when it takes on a political nature — efficiency is difficult or impossible even to define. This is because government cannot allocate personnel and resources according to a market pricing mechanism, so costs and benefits cannot be measured with any precision. In a Free Market, business firms can measure benefits in terms of money revenues, and be compared quantitatively in terms of costs. In government, on the other hand, the "benefit" ascribed to any particular tax or regulation is subjective and arbitrary — and cannot be measured in dollars and cents. In other words, cost-revenue analyses which can be applied to firms in the marketplace cannot be applied to government bureaucracies. We raise the matter here because some in the Reagan camp have suggested that regulations and controls be accepted or rejected on the basis of whether they pass a cost-benefit test. Since the "estimates" of any "benefits" presumed to come from a given regulation or program are arbitrary, such tests would have no real meaning and serve only to provide more government jobs for accountants and economists. Regulations should not be opposed merely because they are "inefficient," but also because they are not proper actions of the federal government.

If Mr. Reagan and his people want to cut spending and reduce the bureaucracy, they can and should impose a ten percent spending cut on all budgets except Defense — all across the board — accompanied by a ten percent reduction in personnel. This would avoid some of the opposition from both Congress and agency heads since the interests involved would be consoled by the fact that everyone else would be cut by an equal amount. And who will deny that there is at least ten percent waste in every federal program? The following year, all programs could be cut another ten percent — and taxes cut accordingly. Unless President Reagan acts quickly and decisively on his promise to halt the spread of runaway government, the momentum of the bureaucracy and the built-in escalatory processes will result in his total loss of control.

Aware of the gravity of the situation, O.M.B. Director-designate David Stockman sought to underscore the seriousness of our economic and Budgetary woes by urging Reagan to declare an "economic emergency" immediately after inauguration. During the transition period, Stockman and his congressional colleague Jack Kemp wrote a lengthy memo to the President-elect which suggested that the nation faces an "economic Dunkirk" in 1981 unless Reagan moves immediately to slash spending, cut taxes, and stimulate economic growth. Among other things, the Stockman-Kemp memo suggested that America could be facing an avalanche of new regulations due to go into effect this year, a federal deficit of as high as $100 billion, gasoline lines by spring, and a worse inflation rate by the end of 1981.

This thirty-two-page memorandum points out: "In all, President Reagan will inherit thoroughly disordered credit and capital markets, punishingly high interest rates, and a hair-trigger market psychology poised to respond strongly to early economic policy signals in either favorable or unfavorable ways."

Fearing a resumption of higher inflation rates, Stockman and Kemp emphasize the need for "decisive, credible elements on matters of outlay control, future budget authority reduction, and a believable plan for curtailing the federal government's massive direct and indirect credit absorption . . . ." Spending controls and cutbacks must accompany the tax-rate reductions of the proposed Kemp-Roth plan; otherwise, inflationary fears would be excited.

In addition to policy recommendations on Budget and tax-rate cutting, as we have noted, the Kemp-Stockman memorandum discussed the huge avalanche of new federal regulations expected to descend on the economy in the next eighteen to forty months representing a "quantum scale-up" of the regulatory burden. During the 1970s, Congress passed several sweeping environmental, safety, and energy acts which would have an enormous detrimental effect on industry. Since then, according to the memo, "McGovernite no-growth activists assumed control of most of the relevant sub-Cabinet policy posts during the Carter Administration. They have spent the past four years 'tooling up' for implementation through a mind-boggling outpouring of rule-makings, interpretive guidelines, and major litigation — all heavily biased toward maximization of regulatory scope and burden."

According to Stockman and Kemp, the momentum of the growing regulatory Leviathan will very soon reach the "stage at which it will sweep through the industrial economy with near gale force, preempting multibillions in investment capital, driving up operating costs, and siphoning off management and technical personnel in an incredible morass of new controls and compliance procedures."

The two Conservatives give examples to show how the new swarm of regulations will attack the already shaky auto industry. Unless these impending regulations are thwarted, they say, the auto industry alone will be stung to death over the next four years with regulations costing some ten to twenty billion dollars.

When the Stockman-Kemp memo was leaked to the press, it was reported that some of the President-elect's aides were very cool to the document, charging that Stockman overstated the problems of the economic situation. Through his press secretary, Congressman Stockman responded that those who believe he overstated his case were not familiar with the federal Budget procedures and how completely government is out of control. We think the new President would do well to heed the counsel of David Stockman and Jack Kemp. The mess is worse — much worse — than even Reagan dared say during the campaign. Strong measures are required.

President Reagan should try to put a lid on the 1981 Budget already in place. He should withhold authorization to spend certain funds appropriated by Congress, and he should begin by directing Department heads to return a set percentage of the budgets appropriated to them. Reagan must force the bureaucrats to lower their expectations.

We hope that despite some of his disappointing Cabinet selections Mr. Reagan will work to keep his campaign promises to cut taxes, spending, and regulations. Superficial reforms and fireside chats will not be enough — a meat-axe approach is what is needed. Above all, the new President must not let his tendency to compromise in the face of opposition cause him to lose control of the Budget. If he does, the result will be immediate and total disaster for which Conservatives will be blamed into oblivion. ■ ■

GEORGE STEINER: REFLECTIONS

***The New Yorker*, December 8, 1980, Page 176.**

"Anthony Blunt was a K.G.B. minion whose treason over thirty years or more almost certainly did grave damage to his own country and may well have sent other men — Polish and Czech exiles, fellow intelligence agents — to abject death."

A. Goodman
B. Eye witness
C. Odd man out
D. Romberg
E. Ghosts
F. Ethical
G. Saddest
H. Telemann
I. Ewe lamb
J. In this way
K. Net weight
L. E.R.A.
M. Rickshaw
N. Rattle
O. Element
P. Frozen land
Q. Lavatory
R. Ejectory
S. Cancan
T. Theophilus
U. Ivy cover
V. Oxonian
W. Neighborly
X. Shall not