



Derek Halstead — Editor

A Review Of The First Year Under RONALD REAGAN

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■ ON JANUARY 20, 1981, Ronald Wilson Reagan took the oath of office as President of the United States and declared in his Inaugural Address that government is not the solution, government is the problem. Conservatives were ecstatic. One of their own had finally made it into the Oval Office, and would make it a first principle of his Administration to get

Big Government off the backs of the people and out of their pockets. It had at last become clear to a working majority of Americans that the worst tragedy of the Twentieth Century has been the enormous growth in the size, scope, and power of government. In order to reduce Big Government, radical therapy would be required. Otherwise, the escalating

weight and momentum of the federal juggernaut would continue to crush everything in its path.

President Reagan has been in office for one year now. It is time to undertake a general review of his accomplishments and his setbacks, and to try to evaluate the performance of his Administration in the crucial policy areas of government. How successful has the Administration been in getting control of the federal Budget, reducing regulation, strengthening our national defense, pursuing a foreign policy based on America's national interest, and containing the bureaucracy by replacing New Deal hacks with Conservative deregulators?

At the outset, the Reagan team compares extremely well with previous Administrations in terms of the general propriety of its personnel. Compared to the scandals of previous Administrations, the internal squabbles and personal embarrassments within the Reagan team have been a tempest in a teapot. John Kennedy had his sexcapades. Lyndon Johnson presided over the scandals of Bobby Baker, Billy Sol Estes, and Walter Jenkins. Richard Nixon, of course, drowned in Watergate. Jimmy Carter's entire Administration was a scandal, and his brother's wheelings and dealings with the Libyans were a national disgrace.

The Reaganauts seem relatively tame. Up until November of last year the biggest issue in the media seemed to center on Nancy Reagan's decision privately to purchase some expensive new china for the White House dining table. While this did not help Reagan shake the concocted media image that he is a "rich man's President," complaints were strictly cheap shots.

But, with a press corps eager to pounce on any apparent contradic-

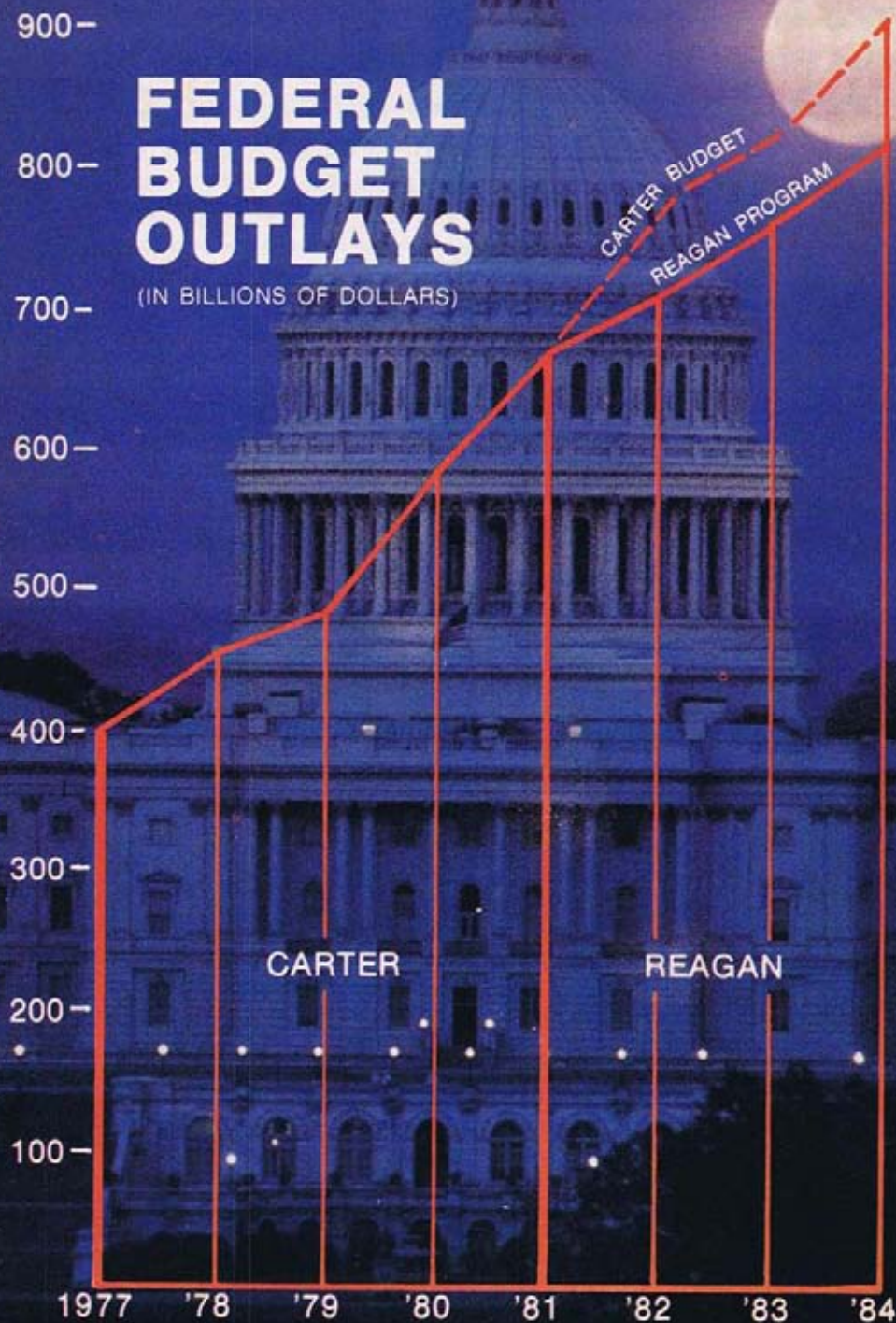
tion or verbal *faux pas*, it was inevitable that a molehill would be found to be built into a mountain. Then, during a span of two weeks, three molehills were sighted and charted as dumping grounds. Had they been separated by a period of several months they would likely have been dismissed as the product of minor human misjudgment. Since they occurred simultaneously, however, they were used to project an impression of disarray and lack of discipline among Reagan's "very happy group."

First came word of behind-the-scenes scrapping between Secretary of State Alexander Haig (C.F.R.) and Conservative National Security Advisor Richard Allen. This surfaced with crybaby reports from Haig that a "guerrilla campaign" was being conducted against him, presumably by Richard Allen. Extremely jealous of his turf, and experienced at bureaucratic in-fighting, Haig wanted to make sure everybody knew he was in charge of foreign policy. Not long thereafter a mini-scandal arose involving Richard Allen's acceptance of an envelope containing one thousand dollars from a Japanese magazine as an honorarium for an interview with First Lady Nancy Reagan. Intending to forward the money to the proper government fund, Allen gave the envelope to a secretary who put the money in the office safe and forgot about it. Although Richard Allen was later cleared by the Justice Department of any wrongdoing, the "Liberal" media used the incident to question his judgment and kept the matter on the front page for weeks.

Meanwhile the President's political opponents found a juicy story they could get their teeth into when David Stockman's unguarded comments about Reaganomics were made public in the December issue of *At-*

FEDERAL BUDGET OUTLAYS

(IN BILLIONS OF DOLLARS)



Disinformation campaigns were mounted simultaneously by the "Liberal" media against two of the most determined Conservatives on the President's team. They are National Security Advisor Richard Allen (below) and O.M.B. Director David Stockman (above). The object was to project a false impression of disarray.

lantic magazine. The strident furor surrounding the O.M.B. chief's alleged "doubts" concerning the chances for success of the President's economic program unleashed more cheap shots than an evening with Don Rickles. The Stockman remarks, which he had been assured were "off the record," were both taken out of context and blown out of proportion to make it appear that he had no personal confidence in the President's economic recovery program, but cynically continued to push for it despite his doubts.

What Stockman actually said makes a good deal of sense if one keeps in mind what he was trying to do and the problems of getting Congress to go along. Stockman knew, of course, that more Budget cuts would be necessary. After Congress approved the Budget Resolution last summer — which was claimed as a \$35 billion "cut" in spending — David Stockman observed privately that there was "less than met the eye. Let's say . . . I waved a wand and said I just lowered the temperature from 110 to 78. Would you believe me? What this was was a cut from an artificial base." He was speaking over breakfast to William Greider, assistant managing editor of the *Washington Post*, who authored the lengthy *Atlantic* hatchet job.

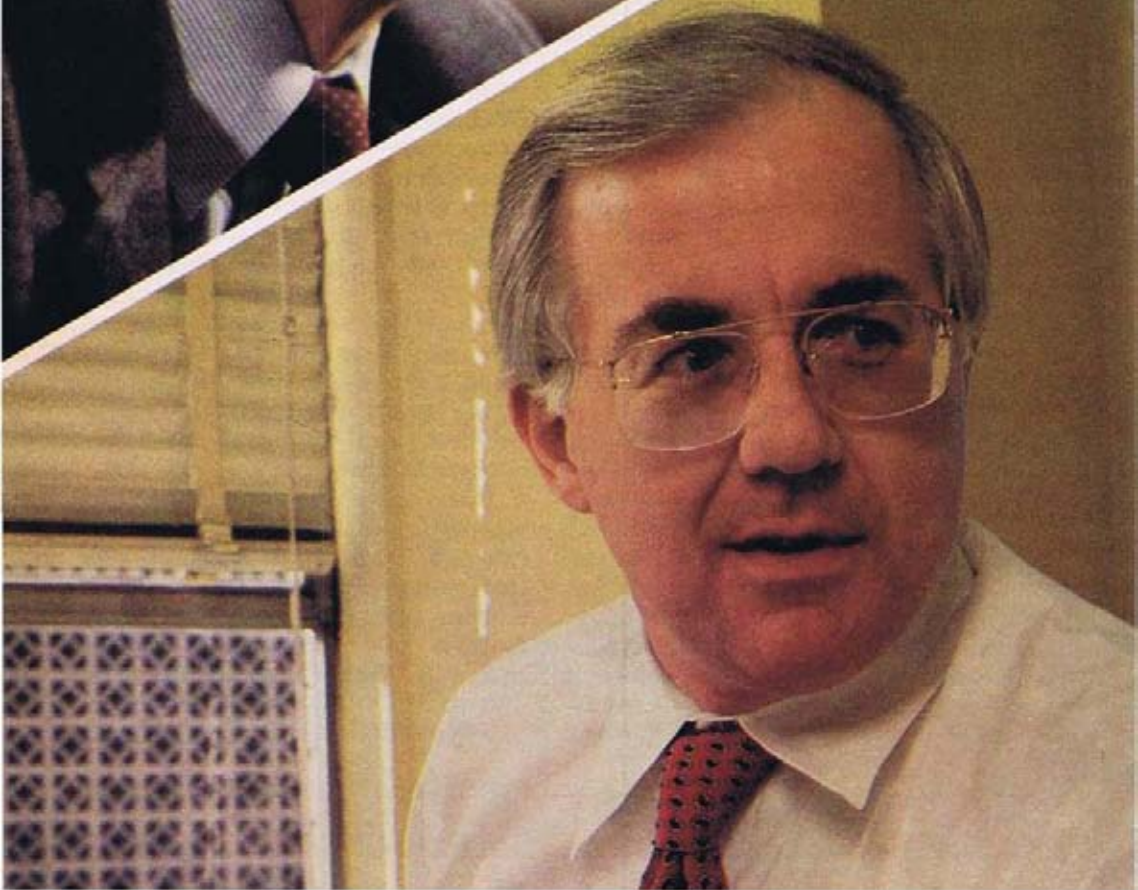
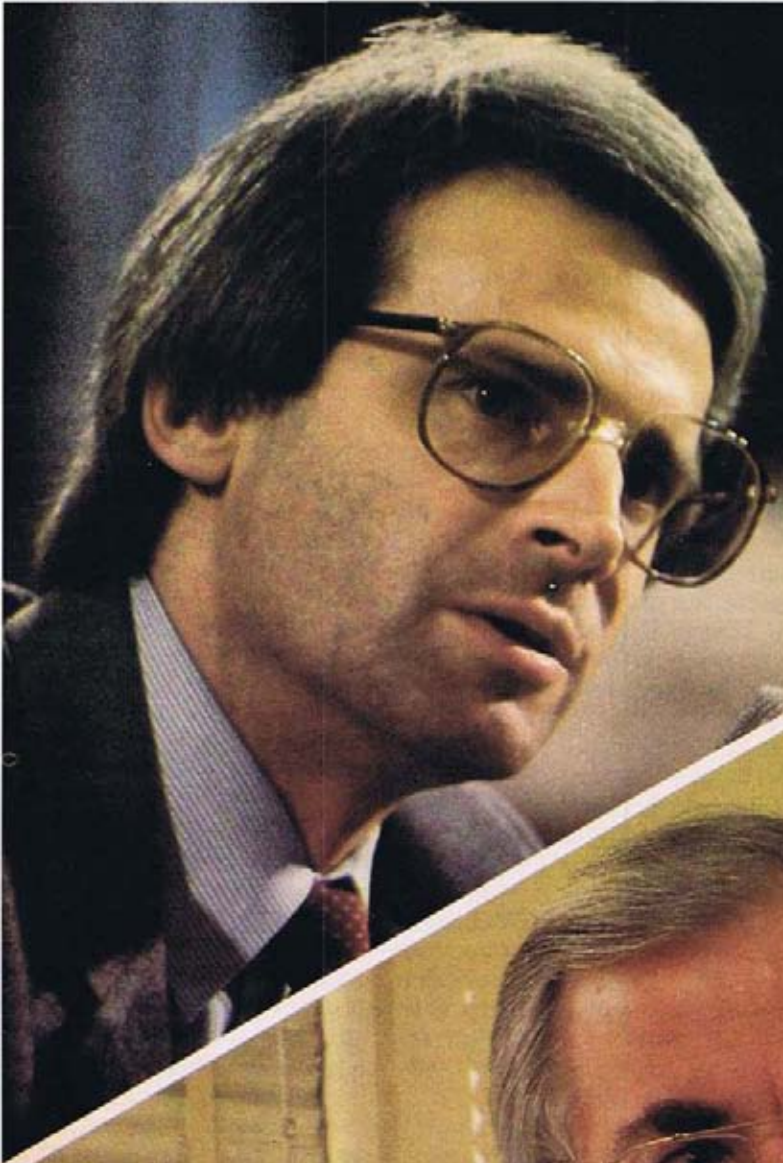
Stockman obviously should never have trusted anyone from the "Liberal" *Post*. The fact that he did suggests inexperience rather than arrogance. But what David Stockman was saying was only what had been observed in this magazine for many months — that there were no real Budget cuts, and that the spending reductions were taken from the "artificial base" of the Carter projections as to what spending would be for Fiscal 1982 if policies remained unchanged. Stockman was trying to point out that calling what Congress did a "cut" was an exaggeration, and that real cuts are needed. Indeed, he thought, Congress was moving far too slowly in finding such cuts.

At the end of the *Atlantic* magazine article Stockman is quoted as saying, "I can't move the system any faster. I can't have an emergency session of Congress to say, Here's a resolution to cut the permanent size of government by 18 percent, vote it up or down. If we did that, it would be all over. But the system works much more slowly. But what can I do about it? Okay? Nothing. So I'm not going to naval-gaze about it too long. The 1982 election cycle will tell us all we need to know about whether the democratic society wants fiscal control in the federal government."

In another part of the article,

Dennis Brack — Black Star

D. Walker — Laiton



Stockman's use of the term "trickle-down economics" was unfortunate only because it is a term of disparagement invented by anti-capital "Liberals." Based on an envy for the successful, the phrase was designed cynically to deplore the supply-side notion that tax rates should be cut for the wealthy as well as for everyone else. But the notion is basically sound. When confiscatory tax rates at the upper-income levels are cut, this encourages investments that provide more capital, more industrial expansion, and greater employment for workers with lower incomes. Given the graduated income tax, it is one of the best ways to benefit the poor and unemployed. But it flies in the face of those who want to take from those who have "too much" and redistribute it to those who have "too little."

Because he is one of the best and brightest members of the Reagan Cabinet, David Stockman became, like Richard Allen, a target for a well-planned "Liberal" disinformation campaign. President Reagan has done the right thing by keeping Stockman. The damage done by the *Atlantic* article would continue whether Stockman were in or out of the Administration.

The "Liberals" at *Atlantic* certainly knew what they were doing. Publication of the Stockman comments came at the worst possible time in terms of the Administration's efforts to get more spending cuts out of Congress. But what is clear is that the whole thrust of Stockman's statements and efforts was his complaint that he could not get enough of the needed Budget cuts through Congress. Flabbergasted and horrified at the *Atlantic* story, the O.M.B. director exclaimed, "It's incredible to say that I don't believe in the program. I've worked twenty hours a day for ten months to shape

it." What Stockman *doesn't* believe is that a "Liberal" Congress will approve enough cuts to make it work. And neither do we.

Whether federal spending is in the red or in the black, spending at the present massive level robs the American people of their wealth and drains the life-blood from our economy. What Congress must do — and what the Reagan team must continue to press for even more strongly — is make bigger cuts in outlays. Far from making the necessary reductions in spending, however, Congress isn't even implementing many of the "cuts" provided for in the original Budget Resolution.

You will recall that we wrote here several months ago that Reagan's victory in getting the Congress to pass his Budget Resolution was a spectacular political triumph, but that we would not know what the real Budget would be until we saw the individual appropriation bills. Ignoring the promise it gave America in its Budget Resolution last summer, Congress has been systematically reporting appropriations bills out of its Committees which substantially exceed the limits to which it had agreed.

Estimates for the 1982 Budget have been continually revised upward. Current estimates for this year's Budget are already \$100 billion more than the original Carter Budget for 1981, and \$65 billion higher than the actual final numbers for that year. So again, there has been no Budget cut.

But, quite separate from any comparison with the Carter Administration's projections, Reagan's own Budget has grown like a cancer. The Reagan Budget estimates and Resolutions have increased from \$695 billion in March to \$705 billion in July to \$722 billion by September —

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THE FIRST YEAR

and are headed ever upward. Thus, the *Reagan Budget* has grown by an horrific \$27 billion in only five months! What we actually have here is not a Budget but a series of constantly revised spending estimates!

President Reagan has at least made an effort to reduce the *rate of increase* in federal outlays, but even this goal is in jeopardy. At the rate spending is growing, when the final figures are in for Fiscal 1982 it is likely that they will be as high as, or higher than, the Carter projections (about \$739 billion) for that year!

Because of this, President Reagan called for another \$13 billion in cuts in September. When Congress balked, the request was reduced to \$8 billion. Congress still balked, and refused to accept the responsibility for finding the needed reductions. Reagan later agreed to split the difference with Congress and settle for about \$4 billion in cuts. But the Democrat-controlled House offered only \$2 billion. Exercising his first Presidential veto, the President rejected the \$427.8 billion emergency funding measure passed by Congress, and temporarily halted the operations of about twenty percent of the federal government. Congress then quickly accepted the President's terms and passed a 25-day stopgap bill at the previous year's spending levels.

All of this dramatic fuss and frenetic activity would not have been necessary had Congress done its work earlier in the Budget process. But our national legislators failed to meet the October first deadline for passing the appropriations bills on the 1982 Budget. The only major appropriations bill they *did* pass before the deadline was for the operation of Congress.

So what we have isn't a Budget. It is spending by a series of "Continuing Resolutions" whenever the Congress and its spending habits start to crowd the old spending limits. As an exasperated Reagan put it, "The fact is that this country had gone on now for a year without a Budget. That is no way to run a railroad, and it's even less of a way to run a country."

Now, because of the propaganda over the Stockman revelations and the growing realization of the immensity of the Budget problem, there has been within the Congress a wavering of resolve to do what is necessary to make substantial cuts in Big Government. Panicking in the face of the mammoth Budget deficits which loom ahead, many politicians and bureaucrats are trying to reverse the President's tax-rate reduction that was approved by Congress last fall. Suddenly we hear politicians who have voted for Budget deficits throughout their political careers calling for "fiscal responsibility" and expressing concern over a deficit which, they claim, is the direct result of the Reagan tax cut. To hear them tell it, the problem is not too much spending but not enough taxes! Senate Majority Leader Howard Baker and Budget Committee Chairman Pete Domenici — both Republicans — are talking about more taxes. Or, as they prefer to call them, "revenue enhancements"! Many others are plugging for a delay or deferment of the three-year tax-rate reductions already passed into law.

Before the President's program has even had a chance, the summer soldiers and sunshine patriots are losing their nerve. Believe it or not, only a few short months after the President's impressive political victories in Congress, the G.O.P. is toying with the suicidal notion of going into the

1982 elections campaigning for tax increases!

But tax hikes are not a cure for our economic ills. Raising taxes in order to balance the Budget was a miserable failure during the Great Depression. Providing more revenue for the government will only encourage our big spenders in Congress to spend more of our money. They don't care about the deficit, they want to keep spending ever more of our earnings to buy votes. **The proper way to reduce Budget deficits is not to raise taxes, it is to enact real spending cuts so Americans will have the money to spend and invest.**

But Ronald Reagan has a strategic sense of time and history. He realizes he cannot get everything he wants in one momentous vote on the floor of Congress. If he tries to go too far and too fast, he will lose Congress and fall behind in achieving his objectives. So Mr. Reagan's strategy has been to get as much from Congress as he can in each confrontation — then come back for more. The shoes keep dropping, one right after another, until it seems the man is not a biped but a centipede!

Given political realities, the President has accomplished a great deal. Remember that he has to deal with a House of Representatives dominated by the "Liberal" Democrats and a Senate which, while controlled by Republicans, is dominated by "Liberals" and Moderates led by Howard Baker. The President can go no further than the backbone of Congress will take him.

What the President should be doing is forcing Congress to carry the political burden for failing to balance the Budget and, at the same time, requiring it to select which programs will be cut. That can and must be done.

The President missed a tremendous opportunity to accomplish this when he failed to support a cap on the National Debt ceiling, which Congress has raised twice since Mr. Reagan took office. By refusing to increase the ceiling the Congress would have had to make sharp cuts and furlough part of the bureaucracy, but the Budget would have been immediately in balance, inflation halted, and interest rates lowered. Unfortunately, Mr. Reagan chose to ask the Congress to increase the Debt limit, so that it is now well over the trillion-dollar mark. The interest payments alone are now approaching an unbelievable \$100 billion, the third largest item in the national Budget after social welfare and defense.

Had President Reagan pushed for a permanent cap on the National Debt he would have put the Budgetary ball in the corner of Congress. The Congress, not the President, would then have the responsibility for making specific cuts. And we wouldn't have Tip O'Neill and other big spenders preparing for re-election as opponents of rising deficits while voting for constant spending increases.

This could still be an effective strategy if the President would only use it! Should he do so he can in November go to the people for more Conservative help in the Congress without having to bear the burden of having been responsible for cutting off the freebies.

As with the federal Budget, the Administration's goal of reducing regulation and bureaucracy has met with some success — but not nearly enough to make a difference in putting a stop to strangulation of the economy. President Reagan began well when, on January twenty-ninth of last year, he imposed a sixty-day

freeze on the implementation of new rules, putting a hold on one hundred seventy-two "midnight" regulations issued during the last days of the lame-duck Carter regime. Even so, many of these new regulations eventually survived the review process as they were either mandated by the courts or required under already existing laws. New regulations arrive for review in the Office of Management and Budget at the rate of about fifty per week.

In February, the White House issued an Executive Order requiring that all proposed regulations be analyzed for their "cost-to-benefit" ratios. Whether cost and benefits of bureaucratic regulations can be accurately measured is debatable, however, and agency heads complain that they lack enough economists and analysts to satisfy the new requirement. The paperwork alone is enormous. Even so, hundreds of regulations have been buried, amended, or sent back for review. The size of this year's *Federal Register*, where new regulations are published, has been reduced to about one-third of that for the previous year. This is encouraging, but it still means that only the *growth* in regulation has been slowed.

Nonetheless, key bottlenecks have been targeted. Among the impediments that have been eliminated are the program for monitoring wages and prices, mandatory federal requirements for bilingual education, Department of Energy price and allocation regulations for crude oil, and the nine-digit ZIP Code. Some bureaucracies have actually been ordered abolished — such as the Wage and Price Control Board and the infamous Bureau of Alcohol, Tobacco, and Firearms. And Mr. Reagan has renewed his pledge to terminate the Departments of Energy and Education.

Certainly one of the President's best appointments was the selection of James G. Watt as Interior Secretary. Watt has earned the enmity of Leftwing environmental groups because of his efforts at clearing away regulatory hurdles that held back mining, lumber production, development of offshore oil, and production of strategic metals. The Secretary seems undeterred in his efforts at deregulation, despite calls for his ouster by the President's political enemies. More men like Watt are needed in the Cabinet.

Another excellent fighter of bureaucratic regulations is James C. Miller III. Originally head of President Reagan's Task Force on Regulatory Relief, Miller is now Chairman of the Federal Trade Commission, an agency which he is laboring to reduce in power and scope. Although he asked Congress to cut the F.T.C.'s budget by twelve percent, the Senate Appropriations Committee voted to maintain outlays for the Federal Trade Commission at the current level of \$71.8 million. "I'll have to be careful not to get these guys too mad at me," Miller reportedly told an aide, "or they're liable to give me another \$10 million." What is needed is a quick termination of the F.T.C. and its maze of regulations.

Also laboring to cut regulation and reduce the power of his own agency is Mark S. Fowler, Chairman of the Federal Communications Commission. Fowler is now trying to get Congress to go along.

In the area of defense and foreign policy, however, the Reagan Administration has a less impressive record. Of course it scores far higher in these areas than did its predecessors. The problem, in view of the massive Soviet military buildup described by William P. Hoar in the November issue of this magazine, is that Amer-

ica now has little choice but to involve itself in a crash program to restore our military strength. Because of our technological aid and trade with Russia, as well as our seriously dangerous disarmament under Jimmy Carter, America's relative military weakness has already encouraged bold expansionism on the part of the Soviets from Afghanistan to Yemen, Nicaragua, and El Salvador.

Unless our weakness is replaced by a credible defense capability, the Reds might even consider a first strike against our shores. Would they dare risk such enormous destruction and massive loss of life? Consider the following: About twenty percent of the Soviet population was wiped out during World War II, which you will recall was started when Hitler and Stalin invaded Poland. Casualties of twenty percent are just about what the Soviets could expect in a nuclear exchange with the United States.

Remember that the Soviet leaders have shown themselves to be extremely callous about their subervient peoples. When one of their submarines recently ran aground off the coast of Sweden, the Swedish authorities found that the vessel was carrying highly radioactive nuclear weapons. This was determined from readings of radioactivity taken *outside* the hull of the sub indicating that the amount of radioactivity *inside* the ship was so high that within approximately ten years all the men on board will probably be dead of cancer.

It is nonetheless doubtful that the Reds really want a confrontation which could escalate into nuclear devastation. They have been winning the "Cold War" without one. The Soviet bear has with impunity extended his paw into country after country right up to our doorstep. But the possibility of war cannot be dis-

missed — especially over the next ten years when we will be relatively vulnerable because of the activities of our disarmers.

The matter is sufficiently serious as to be enveloped in grave secrecy. For instance, because of "uncleared" remarks by Major General Robert L. Schweitzer concerning the increasing possibility of war with the U.S.S.R., the general lost his job on the National Security Council. General Schweitzer had warned that a superior Soviet military force is on the move and threatening to defeat what's left of the Free World, and he declared that it will take at least a decade for the U.S. to rebuild its military might and restore a safe margin.

The problem in the Schweitzer incident was that his estimates came out of the National Security Council. In point of fact, however, the Schweitzer conclusions seem obvious from the facts the Administration has officially released concerning Soviet military development. Consider this brief summary of the situation as reported by *Human Events*:

"The Administration keeps churning out materials showing that the Soviets are continuing to forge ahead of us in virtually every category of weaponry, both nuclear and conventional. The Defense Intelligence Agency estimates that the Soviets out-produced the U.S. by as much as 3 to 1 in strategic and technical weapons over the past five years. It estimates Soviet annual production during this period at 3,000 tanks, 5,500 armored vehicles other than tanks, and 400 short-range ballistic missiles for battlefield use — far in excess of U.S. figures. In 1980 alone, says the report, the Soviets outproduced us 11 to 1 in submarines, 700 to 0 in submarine-launched ballistic missiles, 10 to 1 in surface-to-air missiles, 5 to 1 in anti-tank

missiles, and 30 to 0 in bombers."

It should be clear that the Carter Administration's policy of unilateral disarmament did not produce any deescalation of the Soviet military buildup. Indeed, it increased the likelihood of war or nuclear blackmail by encouraging the Soviets to take advantage of our contrived weakness. Whether we like it or not, America must now make a major effort to restore our defenses. And this increased national defense spending will greatly contribute to the problem of big Budgets and big deficits.

A few months ago, Dr. Gary North interviewed an important authority on military affairs and foreign policy issues. Because of this man's position within the U.S. Government, Dr. North identifies him only as "Dr. X" in order to preserve him from the fate which befell General Schweitzer. Dr. X told North: "It is clear that the people who have surrounded the President — the ones who are getting the favorable publicity — are the business-as-usual performers."

The trouble is that relatively few hard-core Conservatives were brought into positions of any power in military and foreign policy under the Reagan Administration. There are some good people, but mainly on the fringes of policy-making activities. They give good speeches, and have some access to the White House officially, but with the exception of Richard Allen and one or two others they have little real influence. In fact, some of the sound policy initiatives which the President has himself put forward have been blocked by the bureaucracy in their detailed implementation. As Gary North observes:

"We have examples of ideas from the President, who seems to have

good instincts so far as to what needs to be done militarily, and yet those who are giving him his advice have a tendency to squelch his ideas or keep him from following through on them. And so — essentially — since he cannot do everything and cannot make every decision, the bureaucracy is still running the government. The military bureaucracy has not changed at all. The basic strategy of this country has not changed a great deal."

In late spring of last year, the mysterious Dr. X told Dr. North that it was still too early to know with certainty which side had won the struggle for influence within the Reagan Administration. But by November, with Richard Allen under fire, Dr. X was telling North that there was no doubt in his mind that the Establishment business-as-usual types had won. These are the same kind of people who advised Jimmy Carter, Richard Nixon, and prior Administrations. The fight was all but lost when the new President entered office and, like every President since World War II, went to the Council on Foreign Relations for his senior policy advisors, foreign policy experts, and experienced managerial personnel.

One C.F.R. member of prominence is Secretary of State Alexander Haig. In a letter from a retired high-ranking military official written late last year to Gary North, the writer described a meeting he had with Haig that took place in July. According to this senior officer:

"He [Haig] spoke as Kissinger without the accent. He pursues a pragmatic policy with little regard for the long-term consequences. He spoke of the pro-Communist China policy, the need to accommodate the political needs of our Western European allies who are [Marxist] social

democrats. He condones the sale by Caterpillar of pipe-laying equipment for the natural gas pipeline between the Soviet Union and West Germany, although it was clear that he did oppose the Federal Republic of Germany in making the deal with the Soviets on the pipeline

"It was clear, at one point, his attitudes are those which were shaped in his golden years, the years when he was in the White House with Nixon and Kissinger. He disparages those who have a 'Devil Theory' and he believes the only correct attitude is one of pragmatism. Apparently he does not understand that the 'Devil Theory' is not a theory, but a proven, historical fact. In short, I felt that the foreign policy he is conducting is the same as if Gerald Ford were President, which is basically the same as practiced under Kennedy, Johnson, Nixon, and Carter. We are in serious trouble. It is worse today than under Carter, for at least there was a base of opposition to Carter. Now the opposition is a remnant.

"The defense policy is no better. The people with uniforms at high levels in the Pentagon say it is worse now than under Carter. Weinberger does not talk with them, and Weinberger still does not understand the problem. There is less awareness of the existence of problems than there was under Harold Brown. In fact, there are beginning to be noises about the 'Good Old Days' being the Carter days! What I see as the Reagan Administration's only positive element is the personal instincts of the President himself. Around him are those who are committed to a continuation of past policies."

Strong words, indeed — but there is evidence to support them. It should be astonishing, for example, that the same Ronald Reagan who pledged to reverse Jimmy Carter's disastrous

foreign policy has enlisted the services of Sol Linowitz, one of the chief architects of the Carter foreign-policy disasters. A long-time radical Democrat who held important positions in the Johnson and Carter Administrations, Linowitz is a solid member of David Rockefeller's C.F.R. and Trilateral Commission. Readers of this magazine will remember Linowitz as the key negotiator of the Panama Canal giveaway. Ronald Reagan had rightly opposed that treaty, yet he stood by while Linowitz was brought in by Haig as State Department consultant on Arab-Israeli affairs.

Another alarming anomaly is Deputy Secretary of Defense Frank Carlucci, our Number Two man at the Pentagon. An Establishment "Liberal," Carlucci is a member in good standing of the Council on Foreign Relations, and is a notorious collectivist. As assistant director of operations for the Office of Economic Opportunity's "war on poverty," Frank Carlucci was instrumental in providing grants to Far Left groups. In the Foreign Service, he developed personal ties with Marxist leaders in Portugal and with Red dictator Patrice Lumumba in the Congo.

Of course, this is not to suggest that every appointment in these key areas has been ill-advised or disappointing. And the President personally gets high marks for his performance at the Cancún Conference in Mexico, where he advocated more Free Enterprise and reduced dependence on U.S. foreign aid for the less-developed nations. He nevertheless personally lobbied for the \$13 billion bailout of the big banks which have made huge loans to shaky dictatorships in Asia, Africa, and Latin America. The result is that the U.S. taxpayers will be required to help underwrite some of those bad loans as

the private bankers are subsidized with tax funds directed through the World Bank, the African Development Bank, the International Development Bank, and other "multilateral aid institutions." Also, Mr. Reagan's approval of the long-term, taxpayer-subsidized, low-interest loans to such Communist dictatorships as Romania and Red China have rightly shocked many of his supporters.

Reagan's friends are especially disappointed that he is continuing the policy of opening trade relations with Communist China that was begun by Richard Nixon and Henry Kissinger. Here, again, most of this "trade" is financed by long-term, low-interest loans provided by the Export-Import Bank and made possible by funds extracted from U.S. taxpayers. Will the Reds ever repay our generosity? Or will a concerted loan default on their part jar our banking system into a financial crisis? Poland alone is into the Western banks to the tune of about \$26 billion and cannot even pay the interest without U.S. tax-subsidized support from the international banking agencies.

A good move by the President was the promotion of Lawrence J. Brady as Assistant Secretary of Commerce for Trade Administration. As an official in the Office of Export Administration during the Carter years, Brady was viciously harassed for his efforts to halt high-technology exports to the Communist bloc. Now, he has a reasonably free hand in developing and implementing policies on export control of high technology products which could affect our military security. Unfortunately, the Export Administration Act under which Brady functions provides a relatively narrow definition of what constitutes trade with strategic military potential. Foodstuffs are ex-

empted, and Mr. Reagan has dropped the grain embargo and tripled to 23 million metric tons the quantity of U.S. wheat and corn that the Soviets will be permitted to buy. As William P. Hoar pointed out in his November article here on the Soviet military, grain is strategically very important. For one thing, this trade permits the Soviets to divert productive resources from agriculture to further military expansion. For another, the Red Army moves on its stomach.

The President is meanwhile virtually isolated by non-ideological or Establishment advisors. The three closest are Edwin Meese, Michael Deaver, and James Baker. It is through these three individuals and their aides that virtually all information flows to Mr. Reagan.

Meese and Deaver have been with Ronald Reagan since the time he was governor of California. Meese, an attorney and former law professor in San Diego, is the top Presidential counselor and is responsible for directing the work of the Cabinet, the National Security Council, and the domestic policy staff. He is a pragmatist who is usually more interested in process than policies. Ed Meese tends to go with the "conventional wisdom" and is said to have been responsible for persuading President Reagan not to endorse some of the "radical" measures to cut government put forth by David Stockman and Jack Kemp. On the other hand, he has been a loyal defender of Richard Allen. Mr. Meese is Reagan's most trusted advisor, but he is more administrator than ideologue.

Michael Deaver's contact with the President is more personal in that he attends to the details of scheduling appearances, finding overnight accommodations, and making proper security arrangements. He is said to

be the last member of the staff to see Mr. Reagan before he goes to bed. Again, Deaver like Meese does not appear to be an ideologue.

James Baker, chief of staff, supervises all other White House operations and the flow of information to the President. Hard-core Reaganites were shocked when it was announced that Baker, former campaign manager for Presidential rival George Bush, would hold such an important post in the new Administration. It gives the Bushers a means of compromising the President's policy initiatives from within the innermost core of the Administration. We hardly need remind regular readers of this magazine that George Bush was a director of the C.F.R. until he began his run for the White House.

No matter how good his intentions, or how sound his inclinations, the major policy decisions of the President can not be better than the advice and information he is given. And there's the rub.

A good example of the problem is Assistant to the President Richard Darman. Michael Deaver calls Darman "the fourth most powerful man at the White House." An article in the *Washington Post* says the 38-year-old aide is "a man who controls the paper flow and therefore, says a colleague, 'the debate.'" It is Darman who decides what the President reads, prepares briefings on various issues for the Chief Executive, and organizes information flow. Darman himself states: "Sometimes it's as much as a couple of hundred pages, sometimes it's as little as 20 pages of briefing on events of the next day. It depends on what's going on. It ranges from intelligence reports to policy decision documents . . ."

Clearly, Darman holds an extremely crucial position of power within this Administration since he

provides the data on which the President makes his decisions. And this man whom White House press spokesman David Gergen calls "one of the most important influences on decision-making at the White House" is a former aide to "Liberal" Republican Elliot Richardson. He is now, of course, Jim Baker's man. When asked by columnist John D. Lofton if he was a Reaganite, Darman replied that he wasn't, that he had supported Ford against Reagan in 1976, and had not been involved at all in Reagan's 1980 campaign.

One might think that, for such an important post, the President would have insisted on a Conservative and a Reagan partisan. There can be no "Reagan Revolution" unless those in control of the levers of power are themselves committed Reaganites.

This paucity of movement Conservatives has resulted in some serious gaffes. One of the important elements of the popular coalition which elected Ronald Reagan was the pro-life movement. Knowing this, the President's staff nevertheless persuaded him to appoint Sandra O'Connor to the U.S. Supreme Court. He was formally assured that she was an opponent of abortion. Dr. Carolyn Gerster, a national anti-abortion activist, remembers that in Rye, New York, on January 17, 1980, candidate Ronald Reagan personally promised her that the first appointment he would make to the Supreme Court would share their anti-abortion views.

In a July 12, 1981, syndicated column, Rowland Evans and Michael Novak wrote that the most "plausible explanation is that Reagan shares the view of Jim Baker and his other aides that the Moral Majority is not vital to his political coalition. He has given that signal by ignoring its sensibilities in selecting Sandra O'Connor." Indeed, say Evans and Novak,

"important conservative Republicans in Congress, while keeping mum publicly, grumble privately that the President has lost control of his own administration to moderate forces generally and chief of staff James Baker III in particular."

Whatever the difficulties within the White House staff, the major problems will not go away. In addition to urgent changes in foreign policy, national defense strategy, and Budgetary reform, the President must also consider the need for drastic and long-overdue monetary reform. But in monetary affairs as in foreign policy Reagan seems almost naïve on some issues. Recently, when a prominent member of the Gold Commission informed President Reagan that it was very unlikely the Commission would come out in favor of a gold standard, the President seemed genuinely surprised at the news. The fact is that the Commission was stacked with anti-gold people — with five of its seventeen members belonging to the C.F.R. There seems to have been a lot of stacking at Treasury and State and Defense.

All of this poses serious political problems. Ronald Reagan took the vision of less government and more individual responsibility to the American people, and they elected him President of the United States by a landslide. Unless real changes are forthcoming, the people who voted for change may become too disillusioned with the ideals which inspired them to take a chance on a septuagenarian former Hollywood actor. President Reagan has been saying many of the right things, promulgating the rhetoric of Free Enterprise and limited government. But, if his thwarted program is taken for the Real Thing by the American people, and it does not yield positive results, Conservatives are in for big trouble.

Indeed, the resulting disillusionment could wrongly discredit the whole Conservative option and set the cause of economic freedom back many years. As Big Government and huge deficits cause both inflation and unemployment to worsen in an ever-deepening depression, the American electorate — acting with the madness of a mob — might in desperation and frustration turn to a "Liberal" Democrat on a White Horse, just as the German people turned to a National Socialist named Adolf Hitler in the wake of the economic turmoil following the Weimar Republic.

To prevent this disaster and to make sure that the recent turn to the Right continues, Conservatives must do more than ever before to educate and inform others, and to help in the election to Congress of movement Conservatives who will vote for real cuts and cap the National Debt. Otherwise, the so-called "Reagan Revolution" will die before it is begun. As we have seen, the Reagan program to cut the size of government, such as it was, has already been sabotaged by Congress and from within the Administration. If the President is not as consistent on principle as we would like, many of his advisors and Cabinet officers are even less so.

The publicly expressed "doubts" of David Stockman, right as they were and are, might now make it even more difficult to get further spending cuts through Congress. The image of Reagan as a rich man's President is also being exploited to advantage by Establishment propagandists who denounce across-the-board tax-rate reductions as "trickle-down economics." It is certainly no time for the Right to try to sit on past achievements. The elections of November 1980 were not the end but the begin-

ning of what we all hope will eventually prove to be a restoration of the American Republic.

But many Conservatives now seem to believe that the war has been won. They have grown complacent or are still revelling in the Reagan Euphoria. Subscriptions to hard-money financial newsletters are way down. Contributions to Conservative think-tanks and Free Enterprise educational foundations are in the pits.

Meanwhile, the reactionary Left is regrouping for a counterattack. The mass media are still controlled by the same Establishment "Liberals," and the academic institutions are still heavily dominated by anti-capitalists. These people can hardly wait for Reagan to stumble so they can jump in on all fours, braying loudly that freedom has had its chance and it is time to proceed with a planned economy under realistic socialism. The truth, of course, is that freedom has not been tried, and our economic malaise is not Reagan's fault but the ineluctable result of the "Liberal" policies of many decades — the policies of spend and spend, tax and tax, regulate and regulate.

Ronald Reagan is in the best position of any U.S. President to educate the American people on the virtues of the free market and the evil consequences of government interventionism. If the President does not exercise this option — using his abilities as a great communicator — his enemies will place the blame for the coming economic debacle on his shoulders and he will be vilified as the Herbert Hoover of the 1980s.

The federal leviathan is out of control and the President is making a serious mistake by not telling the

public about it. A meat axe is needed, and a Congress with guts enough to swing it. So the President must go to the people to put the heat on the Big Spenders in Congress and defeat as many of them as possible in this fall's elections. He must call for the election of movement Conservatives who will support his full program.

Among the actions that should be taken are massive spending cuts really to balance the federal Budget and substantially reduce the tax burden. This means reductions or elimination of federal loans, loan guarantees, and subsidies. It means the government must reduce its own huge credit demands in order to bring interest rates down and permit real economic growth. The President must ask Congress to abolish a host of unconstitutional bureaucracies and schemes such as the Department of Energy, the Department of Education, the Occupational Safety and Health Administration, the Environmental Protection Agency, the Federal Trade Commission, the Interstate Commerce Commission, Affirmative Action, C.E.T.A., and at least one hundred wasteful and unnecessary bureaucratic agencies and programs.*

But the job of putting the U.S. back on the road to a Constitutional Republic will not be easy. Ronald Reagan may not be the man to do it. But we Conservatives are determined that it be done. What we want from our President is leadership. Leadership in an open assault on collectivism that will take the offensive, tell it straight, and let the people decide. They will be doing that anyway in the congressional elections of 1982. President Ronald Reagan needs to tell them that to restore the economy he must have help in Congress. Dedicated help. Principled help. Conservative help. ■ ■

*For details, see *Fat City: How Washington Wastes Your Taxes* (South Bend, Indiana, Regnery/Gate, 1980).