



Dirck Halstead — Liaison

Too Much Of The Wrong Stuff RONALD REAGAN

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■ IN 1980 the Right set the agenda for political debate and the favorable outcome of the elections that year was determined by our issues. Fed up with the discredited programs of a decadent "Liberalism," the American people gave Ronald Reagan a mandate for change by electing him overwhelmingly. Here at last was a man who would reverse the

disasters of the "Liberal" Establishment which had been building momentum in every Administration, Democrat and Republican, for more than five decades. Conservatives were caught up in a Reagan Euphoria, convinced that their man was about to inaugurate a new political era, doing for Conservative Republicans what F.D.R. had done for the "Lib-

Conservatives feel they were Bushwhacked. Top White House jobs went to associates of George Bush and the Rockefeller wing of the G.O.P. In fact the Administration of Ronald Reagan is packed with some eighty members of the C.F.R. or Trilateral Commission and irate observers are calling it the Bush Administration.

eral" Democrats a half-century ago.

Now, three years later, the dreams of ideological Reaganauts have been dashed against the rocks of the Reagan performance. Instead of bringing in a new generation of leaders, President Reagan has turned to the same Establishment responsible for the monstrous Welfare State, our highly regulated and cartelized economy, no-win wars in remote areas of the globe, and the increasing tax burden. Rather than change the direction of our national government, Mr. Reagan has gone along with spending, taxing, and regulation as usual.

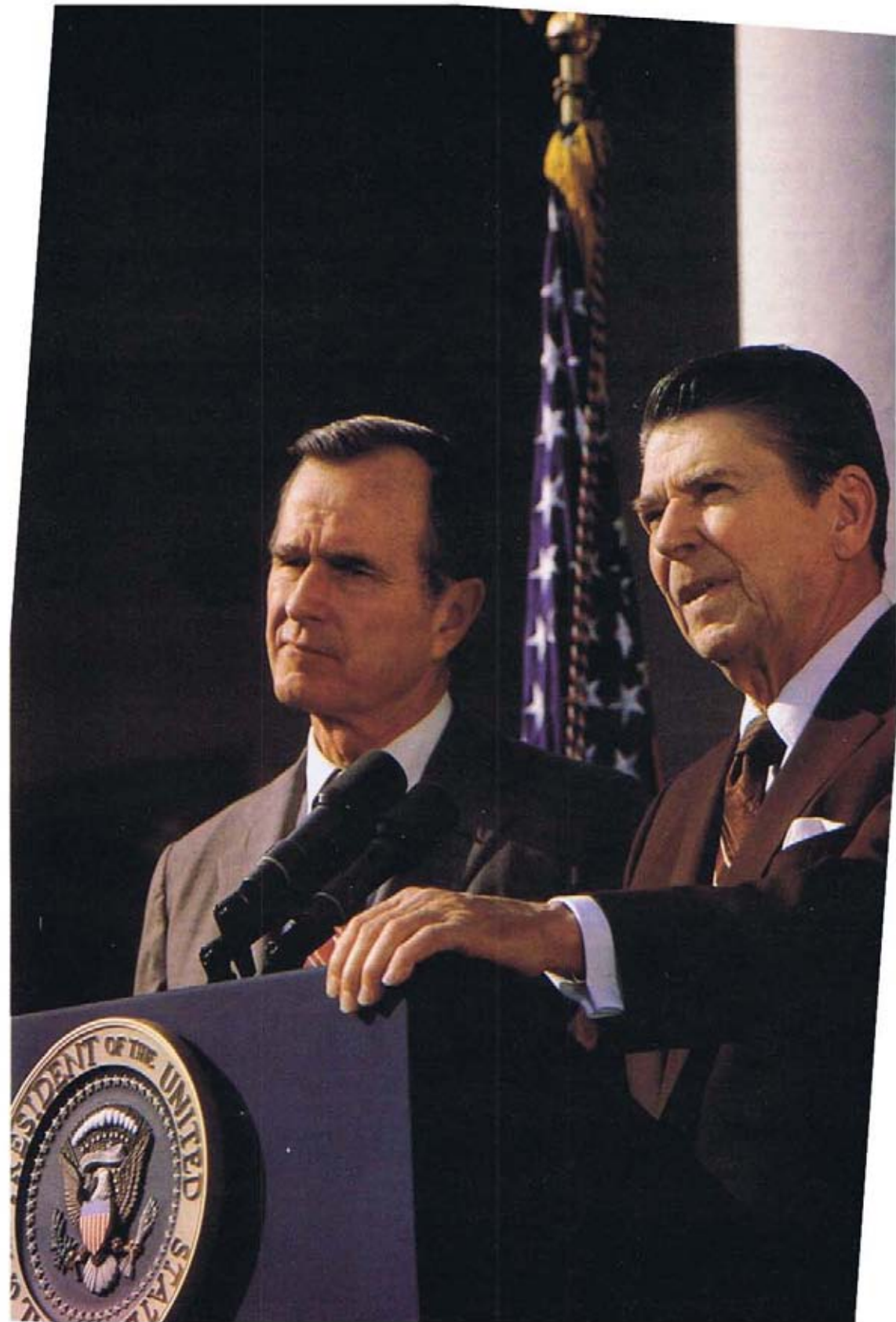
Richard Viguerie, publisher of *Conservative Digest*, reflected the disappointment of Conservatives all over America when he observed of President Reagan: "By carrying forward the policies set by his Democratic and Republican predecessors, he has squandered a once-in-a-lifetime opportunity to break up the existing political party structure, in which the GOP is a permanent minority and the only choice the voters can make is between two competing elites with little difference in substance"

Viguerie notes: "Conservative disenchantment with the President has grown markedly . . . as the contrast between Reagan the candidate and Reagan the President has sharpened.

It is easy to imagine Ronald Reagan, if he were a private citizen instead of President, leading the charge in favor of stronger anti-Soviet sanctions, against the I.M.F. bailout, against more taxpayers' money for the U.N., and against the Martin Luther King holiday."

When Gerald Ford spoke to Congress on August 12, 1974, in his first speech after inheriting the Presidency from Richard Nixon, he said: "I offer you a banner of consensus, compromise, conciliation, and cooperation." The message was clearly that his Presidency would be a failure from the point of view of those of us supporting the principles of limited government. And Ronald Reagan's Administration has been following that same prescription for failure. By compromising Conservative principles, the Reagan Administration has put the whole anti-collectivist movement in peril. As Howard Phillips, a leading spokesman for the Conservative movement, put it in no uncertain terms:

"This is not a Conservative Administration. It's a *failed* Administration which has used Conservative rhetoric to disable and disarm critics from the Right — while making significant and fundamental concessions to the Left. The problem was that Ronald Reagan accepted the



prevailing perceptions of 'political reality' — he accepted the conventional wisdom. There's only one way that a Conservative President can be a success in this city of Washington, D.C., in the United States of the 1980s — and that's by going to war with the Washington Establishment! Only when the President abandons the policy of *détente* with that Washington Establishment and rallies the American people to defeat that Establishment can he bring about the changes that are needed to put this country back on the right track."

Still another Reagan supporter turned critic is Charles D. Van Eaton, professor of economics at Hillsdale College. In his nationally syndicated column of March 6, 1983, he expressed the growing consensus among Conservative Republicans: "Few if any of President Reagan's conservative critics think that he has personally abandoned his conservative political and economic views. What they do think is that he has failed to do what needs to be done to implement his principles; he has used the wrong tactics and surrounded himself with the wrong people."

"But word from a number of sources indicates that nothing irritates Reagan more than this criticism — especially the charge that he has lost control of his Administration and has allowed the principles which formed the foundation of his presidential campaign to fall prey to the demands of political expediency. It's too bad that he has chosen to respond to his conservative critics by assuming a posture of wounded innocence, because there is substantial evidence to support the essential thrust of their charges."

We intend here to examine some of the reasons for this growing criticism from President Reagan's

disappointed supporters. And our report must begin with the President's choice of personnel.

Reagan's Palace Guard

From the outset the staffing of the White House under Ronald Reagan did not favor Movement Conservatives but "moderate" managerial types, "Liberal" Nixon-Ford retreats, and career bureaucrats. Almost all of the handful of Conservatives who initially received important posts have since been systematically attacked and driven from office.

During the transition after the election, Conservatives were astounded as they watched the top White House jobs being handed out to friends and associates of George Bush and the Rockefeller wing of the G.O.P. Reagan supporters were *really* knocked for a loop, however, when it was announced that James A. Baker III, former campaign manager for Republican rival George Bush, would hold the critical post of White House chief of staff. Baker, described as a "Texas-style Elliot Richardson," has showed no regard whatsoever for the principles of less government and more individual responsibility. Typical of the Reagan senior staffers, he has never known what it means to struggle for a living like most Americans, and once told the *Washington Post* that his earliest recollection was of riding in his family's private railroad car across Texas.

Baker and his colleagues, ensconced in plush offices in the West Wing of the Presidential residence, were soon in control at the White House. Edwin Meese, a long-time Reagan supporter, is a lonely Conservative among this group, and the target of constant attacks from James Baker and the other West Wing "pragmatists."

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THE WRONG STUFF

As columnist M. Stanton Evans has noted: "By all accounts, the dominant force within the Reagan White House is Chief of Staff James Baker — who fought against Reagan as a delegate hunter for Gerald Ford in '76 and again as Bush's campaign manager in 1980. Unsuccessful in electoral politics, Baker is apparently a master at inside maneuver. His influence is spread throughout the White House staff, communications set-up, congressional liaison, and the Republican National Committee."

Why would Ronald Reagan bring in political opponents to run things after he won the election? Was a deal forged at the G.O.P. Convention? Did Mr. Reagan deliberately allow his own Administration to be captured by Establishment toadies and career bureaucrats? Or has he simply been surrounded and isolated by artful non-ideological and Bush League advisors happy to let him make the speeches while they run the country? No matter what his intentions, or how sound his own inclinations, the major policy decisions of a President can be no better than the advice and information he has been given and upon which he bases those decisions.

Presidential assistant Richard Darman, a Baker partisan, is a good example of the problem. He controls the flow of information to the President and helps frame the agenda for Administration policy decisions. It is Mr. Darman, along with James Baker and Michael Deaver, who provides the data from which President Reagan makes policy. They set the context and decide the alternative courses of action. Is it any wonder that the issues and policy

options favored by the Conservatives who worked so hard to make Reagan our President suffer short shift or total neglect?

For such an important post, one would assume that a man of Reagan's experience would have insisted on a loyal Reagan partisan. There are scores of staunch Conservatives who have the brains and executive experience for that Darman job. Yet Richard Darman is not a Conservative, nor was he even a supporter of Mr. Reagan in the campaign. Asked by columnist John Lofton if he considered himself a Reaganaut, Darman candidly admitted that he was not, that he had backed Ford against Reagan in 1976, and had not been involved at all in the Reagan campaign of 1980. In fact, Richard Darman is a former aide to "Liberal" Republican Elliot Richardson and remains a key player on the Bush-Baker team.

Another problem is White House staff director and media coordinator David Gergen. Jim Baker's chief lieutenant, Gergen graduated from Yale and then Harvard Law School. He served as a speechwriter for Richard Nixon and then as a communications director in the Ford Administration. Though no Reaganaut, he was an important member of the Executive Office transition team picked by Reagan and headed by James Baker.

Of the entire White House staff, only David Gergen and his "Liberal" wife attended the birthday party in 1982 of V.I. Lenin's old comrade, Armand Hammer. Mr. Gergen is also credited as author of the phrase "voodoo economics" which the Bush campaign used against Reagan in the Republican primaries. And Gergen was one of the most active members of the Bush-Baker clique in using leaks to

fight the Reagan tax-rate reductions and to organize the press in favor of the tax hike pushed through Congress by Senator Robert Dole.

It is even believed by some observers that Gergen was the "Deep Throat" traitor of Watergate fame. His roommate at Yale was Bob Woodward, later of the Woodward and Bernstein team at the *Washington Post* which "broke" the Watergate scandal. And, while at Yale, the six-foot-four Gergen was nicknamed "Giraffe." What has a deeper throat than a giraffe?

In the midst of F.B.I. and congressional investigations implicating Gergen in the Carter briefing-papers controversy, Gergen has announced his intention to resign and become a fellow at Harvard University's Kennedy Institute of Politics. His duties will be assumed by Richard Darman and Michael K. Deaver. As deputy chief of staff, Deaver works more closely with Reagan on a day-to-day basis than anyone else. How he views the grass-roots Republicans and other Conservative elements which brought Reagan to the White House can be discerned from the following report by columnist Charles D. Van Eaton:

"Spending in all categories has risen as a percent of GNP since Reagan entered office. But the clear acceleration point in spending was 1982 — and it was precisely at that point that the conservatives began their wave of criticism. It's known that Reagan has been amazed by this criticism. But how has Reagan's staff reacted? With utter contempt. 'Screw 'em,' says Reagan aide Michael Deaver, 'and you can quote me.' So there it is! Deaver and his men are in charge. These are men guided by the ethic of pragmatic compromise — not by principle. They serve their own goals and political interests, not those of the country."

Cabbage Patch Cabinet

Also responsible for the failure of the anticipated "Reagan Revolution" are the men and women selected by the President to run his Executive Departments. For example, he brought in Malcolm Baldrige, a member of the Council on Foreign Relations and George Bush's Connecticut campaign manager during the primaries, to be Secretary of Commerce; Wall Street executive Donald T. Regan (C.F.R.) was named Secretary of the Treasury; Alexander Haig, a C.F.R. member who had been Henry Kissinger's top assistant, was chosen for State; and, William J. Casey (C.F.R.), a Wall Street lawyer close to Henry Kissinger, became Director of the C.I.A. When Al Haig proved tougher than expected at the Department of State, he was replaced by C.F.R. Director George P. Shultz.

In short, with very few exceptions, the Reagan Cabinet is anything but what Conservatives were led to expect. As a candidate, Mr. Reagan had repeatedly promised not to fill his Administration with the same old Establishment operators. During the Republican primary in Florida, for instance, he was asked if he would appoint members of the Trilateral Commission to his Cabinet. Ronald Reagan gave the following reply to that question in a campaign briefing on March 17, 1980:

"Let me just say that I believe what prompts your question is that the present Administration, beginning with the President and Vice President, . . . has something in the neighborhood of 19 of its top appointees all from a single group. Now, I don't believe the Trilateral Commission is a conspiratorial group, but I do think its interests are devoted to international banking, multinational corporations, and so

forth. I don't think that any administration of the U.S. Government should have its top 19 positions filled by people from any one group or organization representing one viewpoint. No, I would go in a different direction."

Yet, the Administration of Ronald Wilson Reagan is stacked and packed with over eighty members of David Rockefeller's elitist Council on Foreign Relations and Trilateral Commission! Evidently Reagan did not take that campaign promise very seriously.

What really rattled Conservatives, however, was President Reagan's appointment of Henry Kissinger to chair a policy commission on Latin America. Failing himself to develop a strategy to address the problems in Latin America, Mr. Reagan passed the buck by establishing the "Kissinger Commission." It is ironic that, as a candidate, Ronald Reagan had many times denounced Kissinger as the man responsible for the failed policies of *détente*.

Indeed, some observers are wondering aloud if Reagan is presiding over a *Bush* Administration! The Vice President was not only a high-ranking member of the Trilateral Commission, but also served on the board of the Council on Foreign Relations and maintains a close friendship with David Rockefeller. Grass-roots Republicans do not trust George. If they had wanted a Bush Leaguer in the White House they would have voted for George instead of Reagan in the primaries and at the National Convention. They feel badly let down.

Red-Ink Reagan

While on the Presidential campaign trail in 1980, Ronald Reagan stated his intention to balance the federal Budget by 1983. After win-

ning the election, he revised that projection to target a balance in 1984. How close have Congress and the Reagan Administration come to balancing the Budget? Let's look at the alarming figures.

The Carter deficit for Fiscal 1980 amounted to a whopping \$59.6 billion — some 10.3 percent of federal outlays. In 1981 the deficit portion of federal spending stood at \$57.9 billion. And by Fiscal 1982 the Reagan Budget achieved the record-breaking deficit of \$110.7 billion — a full 15.2 percent of total on-Budget outlays. Just over a year ago, the President's Office of Management and Budget projected the deficit for Fiscal 1983 at \$115 billion. In fact, however, the deficit reported by the federal government for the Fiscal Year which ended September 30, 1983, came to a stunning \$195.4 billion, more than \$80 billion above the O.M.B. prediction. That red ink figure comes to about one-quarter of total Budgeted outlays. And it appears to most observers that we can expect annual federal deficits of \$200 billion or more as far as the eye can see.

Reagan's three deficits (for Fiscal 1981, 1982, and 1983) total \$364 billion — more red ink than was accrued under all the Presidents from George Washington to Richard Nixon! That's very red indeed.

Make no mistake about it, deficits do have consequences — terrible consequences. They have to be paid for one way or another: Either the U.S. Treasury will get the money by going into the credit markets to borrow it by selling government securities (I.O.U.s), the Federal Reserve will "create" new fiat money in the fractional-reserve banking system, or a combination of both. In other words, the government must borrow out of the nation's pool of real

savings, pushing up interest rates and depressing the economy, or it can resort to a complicated system of legal counterfeiting which plunders the people's wealth through inflation. Either way, resources are absorbed out of the private (productive) sector of America to cover the deficit funding of the Welfare State.

Interest payments to service this gargantuan National Debt, which is the accumulation of our deficits, came to \$128.8 billion for Fiscal 1983, which is 16.2 percent of the Budget outlays. Your taxes pay this service charge, and it is a rapidly mounting load upon the American economy. Interest on the \$1.4 trillion National Debt is the third-largest item in the federal Budget, just behind social spending and defense.

Now a growing chorus of politicians and bureaucrats is cynically using the Deficit Crisis to sing out for more taxation as "the only solution." These statists are actually trying to pose as fiscally prudent and financially conservative. After many years of voting for ever-higher spending and taxes, the Ted Kennedys and Tip O'Neills tell us they are now worried about the growing gap between spending and revenues.

The Taxing Solution

Those advocating a new major tax increase conjure up three main arguments. The first is their claim that the huge "structural" deficits are the result of President Reagan's "massive tax cuts" which were enacted in 1981. It is true that the Reagan Administration managed to cut tax rates during its first year in office, but those reductions were phased in gradually over a period of thirty-three months, greatly diluting whatever stimulative effect they might have had on the economy's

production. Moreover, those cuts were more than offset by hikes in Social Security taxes and by "tax-bracket creep" whereby inflation pushed millions of citizens into higher income-tax brackets. The Reagan tax-rate reductions are invisible, gone, vanished. Which prompts the question: How can vanished tax cuts be responsible for real Budget deficits?

After trimming tax rates in 1981, Reagan raised taxes dramatically in his second and third years. Having played the role of a football quarterback in the movies, he apparently developed the habit of changing goals at half time.

To appreciate this political reverse, consider President Reagan's observations in his first State of the Union speech. He quite correctly announced: "The doubters would have us turn back the clock with tax increases that would offset the personal tax-rate reductions already passed Raising taxes won't balance the Budget. It will encourage more government spending and less private investment I promised the American people to bring their tax rates down and keep them down — to provide them with incentives to rebuild our economy, to save, to invest in America's future. I will stand by my word."

Unfortunately, he didn't. In contrast to his bold declaration, President Reagan pushed through the largest single tax increase in U.S. history (\$228 billion over a period of five years), followed that with a gasoline tax siphoning from us an estimated \$35 billion during its first year of impact, and then with higher Social Security taxes amounting to an estimated \$167 billion over a seven year period. Yet the tax hikers have the audacity to claim that Ronald Reagan's "tax cuts" caused the mam-

moth deficits — and they are pushing for still more tax extortion.

The second claim of those who want still more taxes is that further cuts in social spending are unthinkable because Reagan has already cut social spending "to the bone"! The only cuts that might be contemplated, they say, must come from defense. Again, this argument is false. The two primary "social programs" are Social Security and Medicare. In 1980 the Carter Administration spent \$117 billion on Social Security; the Reagan Administration spent over \$154 billion in 1983. The Social Security program is the single most costly non-military item in the federal Budget. Under Carter, in 1980, \$35 billion was spent on Medicare. In 1983, the Reagan Budget designated \$39 billion for the Medicare program's hospital trust fund alone.

There have been significant increases in outlays for key "social programs" even from 1982 to 1983. The federal program which showed the largest jump was agricultural farm supports, now some \$19 billion — up sixty-two percent from the previous year. Student financial assistance went up almost fifty percent. Spending on unemployment benefits was up thirty-five percent, while health care trust-fund payments jumped a hefty thirty-one percent. This does not appear to be cutting "to the bone"!

The fact is that social spending under Ronald Reagan has increased an average of more than fifty percent since 1980 — an expansion of the Welfare State far in excess of any growth in price inflation, population, or any other index.

Finally, the third argument is that the new taxes would come from the rich who have "never paid their fair share." If the rich are taxed more, it is insisted, then plenty of revenue

can be obtained to narrow, if not close, the deficit gap. As with the other two claims, this one is also false. According to a study conducted by the Tax Foundation, the federal income-tax burden is distributed by classes of taxpayers as follows:

Income	Percent Returns	Percent Tax Paid
1970-1981		
Top 1 percent	17.6	17.9
Top 10 percent	45.0	48.8
Top 50 percent	89.7	92.7
Lowest 50 percent	10.3	7.3
Lowest 25 percent	0.9	0.6
Lowest 10 percent	0.1	—

The lion's share of the federal income-tax burden is borne by the middle class, the upper middle class, and the wealthy. And their relative contribution has been rising, not declining, over the past decade. It is calculated that for every \$100 paid in federal income taxes by a working man in the lowest twenty-five percent of income, the average man in the top one percent shells out some \$75,000!

Yet last year, suppressing opposition from his loyal Right flank, Mr. Reagan joined the forces of Teddy Kennedy and Tip O'Neill in saddling the U.S. economy with an enormous tax hike during a recession, adding over five thousand I.R.S. agents to help with collection, and pushed legislation through Congress requiring withholding by banks and savings institutions on interest and dividend income. Although this last proposal was later postponed by Congress after Conservatives seeded a storm of letters and public outcry, we must not forget that Ronald Reagan actively fought repeal of that pernicious measure.

We wish he had not done any of this — but he did. He didn't have to.



President Reagan is continuing the policy of opening "trade relations" with Communist China while at the same time limiting defensive arms sales to our long-standing allies on Taiwan. The trade with Red China is being financed by low-interest loans made possible by funds extracted from American taxpayers.

He could have proposed deep and meaningful tax cuts supported by major reductions in federal spending. Whatever Congress might have done or not done with his proposal is another matter; the point is that Ronald Reagan could have *tried* to make realistic cuts and taken his case to the people. But he did not. Many Conservatives who voted for and supported Mr. Reagan in 1980 have come reluctantly to agree with columnist Patrick Buchanan: "The truth is Ronald Reagan has presided over a massive expansion of the greatest Welfare State in history, a Welfare State where the poor pay no income taxes and the top 10 percent of income earners are forced to shoulder the same share as the bottom 90 percent."

According to estimates by the Congressional Budget Office, total federal revenues will increase more than \$300 billion during the next five years, leaping from \$605 billion for 1981 to at least \$923 billion by 1986. Yet despite this huge *increase*

in tax revenues, the deficit projections continue to soar. Raising more taxes is not the way to go. Tax increases only allow the insatiable federal beast to consume ever more.

Spending As Usual

Some will say that at least President Reagan has slowed the *rate* of growth in federal spending. This is dubious at best. In Fiscal 1978, the first total Fiscal Year under Carter, federal outlays increased 11.9 percent over the previous year. They grew another 9.5 percent in Fiscal 1979. By comparison, federal outlays under the Reagan Administration rose 10.8 percent in Fiscal 1982 and another 11 percent in 1983. While the rate of increase in Fiscal 1982 was slightly lower than in 1978 (the corresponding year during the Carter Administration), the rate of increase in total spending in 1983 was higher than that for 1979. In others words, it is spending as usual with the Gipper.

Total federal outlays, both for the Budget and the off-Budget

UPI

items, amounted to 22.0 percent of the Gross National Product in 1977, 21.9 percent in 1978, 21.4 percent in 1979, 23.0 percent in 1980, 23.6 percent in 1981, 24.6 percent in 1982, and over 25 percent in Fiscal 1983. No matter how you look at the numbers, it cannot be said that Ronald Reagan has cut federal spending.

Of course, it can be argued that Congress is responsible for the continued spendathon, and that President Reagan is not to blame. It is true that Congress enacts spending legislation and is responsible for the legislation it passes. But the President has a great deal of influence in proposing measures to Congress, especially including Budget proposals. And whatever Budget the Congress passes must be signed in the Oval Office before it becomes law.

Once more we note that President Reagan did not have to submit Budget proposals to Congress which had built-in deficits of \$100 billion and \$200 billion. He could, for example, have supported the Budget Resolution advanced by Representatives John Rousselot and William Dannemeyer for a balanced federal Budget in Fiscal 1983. The House voted that plan down by a margin of 182 to 242. If the Rousselot-Dannemeyer Resolution had enjoyed the support of President Ronald Reagan, the vote would have been a great deal closer. But at the time President Reagan was pushing for another Budget proposal that called for a planned federal deficit of \$103.5 billion in Fiscal 1983!

Nor did Mr. Reagan have to ask Congress for tax hikes in 1982 and 1983 — especially in view of his public promise not to raise taxes. He nevertheless actively fought for and got the largest peacetime tax increase in our history, and then went on to support that nickel-a-gallon tax on

gasoline. This was the same man who had been asked, "Can you assure the American people now that you will flatly rule out any tax increases, revenue enhancers, or specifically an increase in the gasoline tax?" And it is the same man who unflinchingly replied: "Unless there's a palace coup and I'm overtaken — or overthrown, no, I don't see the necessity for that."

Why didn't the President stand by his promises? He could have at least *proposed* real cuts in spending and a balanced Budget. What hurts is that he didn't even *try*.

Promised Deregulation

What about Mr. Reagan's pledge to deregulate the American economy? The Reagan record in this area is mixed, but disappointing.

The Administration did start out in the right direction by completing the deregulation of oil which had been begun during the Carter Administration. Reagan also did away with the Council on Wage and Price Stability and killed a few "midnight regulations" that had been proposed by the previous Administration. And it must be admitted that some good has been done in the communications industry. Mark Fowler, Reagan's Chairman of the Federal Communications Commission, has supported a broad range of deregulatory proposals and sought to abolish his own agency.

But, despite the promising start toward deregulation during its first year, the Reagan team has achieved comparatively little in the subsequent two years. Indeed, Mr. Reagan's people have failed to deregulate some industries scheduled for at least some deregulation even under Jimmy Carter. Trucking is a good example. By appointing H. Reese Taylor as Chairman of the infamous Interstate Commerce Commis-

sion (the first major federal regulatory agency, established in 1887), the Reagan Administration put a halt to freeing up the trucking industry and embarked instead on a deliberate policy to reimpose a variety of burdensome and restrictive regulations which had already been removed. Although the Department of Transportation has drafted a bill to deregulate trucking, Presidential aide Craig Fuller admits that the plan is "on hold" because of objections by the Teamsters union.

President Reagan's Justice Department has even sought to bring back retail price fixing ("fair trade" laws). These bureaucratic price rules were discarded decades ago in order to restore price competition. It is an unpleasant irony that this is being pushed by an Administration perceived to be an advocate of the free market.

Furthermore, merely reforming and restricting a few of the agencies would not be nearly enough. These would simply blossom again under the next President. Lasting deregulation requires that Mr. Reagan fight to abolish O.S.H.A., the F.T.C., the I.C.C., and other regulatory monsters. This must be done as soon as possible to free the economy from the awesome burden imposed by some 135 such regulatory agencies and a seemingly endless number of rules and dictates which are hamstringing production and increasing the price of American goods. This regulatory burden imposes over \$100 billion in costs on businesses and consumers, and requires us to spend over 1.5 billion hours a year in paperwork alone. A meat ax is needed. And now!

Know Your Enemy

While appearing to abandon our long-standing ally, the Republic of China on Taiwan, the Reagan Ad-

ministration is continuing the policy of opening "trade relations" with Red China which were begun by Richard Nixon and Henry Kissinger. This so-called "trade," of course, is financed by long-term, low-interest loans (gifts, actually) provided by the Export-Import Bank and made possible by funds extracted from the American taxpayers.

For example, President Reagan has extended free credit to the brutal Peiping dictatorship in the amount of more than \$68 million for "purchase" (with *our* money) of U.S.-made steel production technology. At the same time, the President has decided to reduce defensive arms sales to Taipei, signaling the Reds that the U.S. might be phasing out its commitment to help the Republic of China protect itself from the mainland tyrants who are determined to extend their oppressive rule.

And the China switch is only one important instance of what Conservatives perceive as a pattern of foreign-policy disasters and flip-flops. Ronald Reagan made a show of fighting the Soviet natural-gas pipeline from Siberia to Europe, but the sanctions he imposed were too little and too late — making it necessary for him to lift them later, with embarrassment. He also bailed out Poland's Communist regime, having American taxpayers pick up the tab for the interest payments that the Warsaw dictatorship owes to American bankers. And he did this without even requiring that Poland be declared in default on those uncollectible loans as is stipulated by law. Taxpayer bailouts of the Communists only perpetuate their tyranny over captive peoples.

But probably the most damning indication that the President may be in the pocket of the megabankers is his unrelenting personal support for

the bill authorizing an increase of over \$8.4 billion in America's "contribution" to the International Monetary Fund. This money would in turn be "loaned" by the I.M.F. to deadbeat Third World governments to help them make interest payments on the gargantuan debts they owe to the Big Banks. Sadly, the Reagan Administration even opposed and defeated an attempt in Congress to add an amendment to the bill which would have banned the use of such funds to bail out Communist regimes. This is the policy of an "anti-Communist" Government?

The I.M.F. subsidy is part of a broader legislative package. Title One of H.R. 2957 extends the life of the Export-Import Bank for two years and gives another \$9.4 billion in direct loans to it, plus some \$20 billion for loan guarantees. Title Two requires the President to carry out unspecified "actions" to aid the economic "recovery" of the Less Developed Countries. Title Three is the part that authorizes another \$8.4 billion for the I.M.F.

Title Four concerns international lending supervision and strengthens the powers of domestic bank regulatory agencies. Title Five authorizes U.S. quotas to the Inter-American Development Bank of \$5.5 billion, to the Asian Development Bank of \$1.8 billion, and to the African Development Fund of \$150 million. The total U.S. commitment of largesse in this scheme comes to about \$25 billion, not merely the \$8.4 billion for the I.M.F. as some have been led to believe.

We strongly concur with economist Milton Friedman, who opposes this increased giveaway at the expense of the already burdened American taxpayers. Professor Friedman points out in his *Newsweek* column for November 14, 1983, that the bailout

advocates systematically ignore those Less Developed Countries that are *not* in trouble, are *not* on the brink of defaulting on their debts, and are *not* asking for or receiving assistance from the I.M.F. "They include," he writes, "such successful and rapidly growing LDCs as Taiwan, South Korea, Singapore, Hong Kong, not to mention Japan, which only two decades ago would also have been termed an LDC but no longer qualifies for that status."

"Compare these countries with Poland, Romania, Yugoslavia, Argentina, Brazil, Mexico — all of whom, except for Poland, are currently receiving assistance from the IMF. The two groups differ sharply in one major respect. Every successful country has relied primarily on private enterprise and free markets to achieve economic development. Every country in trouble has relied primarily on government to guide and direct its economic development."

Pointing out that the I.M.F. is being turned into an awesome World Central Bank, Friedman goes on to maintain: "National central banks are bad enough; we do not need an international one. The IMF should be abolished, not expanded."

Hear, hear!

Murder In The Sky

Perhaps most shocking and disappointing of all he has done or failed to do was President Reagan's response to the brutal shooting down by the Soviets on September 1, 1983, of the K.A.L. commercial airliner carrying Congressman Larry McDonald and 268 other civilians. Columnist Don Feder, writing in his newsletter *On Principle*, expressed the outrage shared by many when he wrote: "The final horror of the episode is the reaction of the Reagan administration. The disparity between Reagan

rhetoric and reality was never more disgustingly apparent than in his speech of September 5th. The President blended his usual blistering anti-Communist language with slap-on-the-wrist 'reprisals.' If all that Mr. Reagan said of the Communists is true, then the incident mandated a tough response. Even liberal Democratic Congressmen had demanded firmer sanctions than the wishy-washy and purely symbolic moves of the Administration.

"What can justify continuing arms negotiations with an outlaw nation that violates even existing aviation agreements and elementary standards of civilized behavior? What are such agreements worth?"

"What can justify maintaining trade deals and continuing our agricultural bail-out of the inept Soviet economic system?"

"What can justify continued diplomatic and cultural relations with butchers who, even now, refuse to acknowledge any wrongdoing?"

"One hoped — in spite of his wholesale surrender of free-market principles in domestic affairs . . . Mr. Reagan at least maintained a bit of backbone in his foreign policy. But his anemic response to this sorry affair has undermined the last reason that rational men had to support him."

Upon hearing of Conservative outrage at his failure adequately to respond, Mr. Reagan actually asked with fatuous irony if his critics wanted him to start a nuclear war.

As John Lofton observed in the *Washington Times*, "The Russians have now murdered more Americans under Ronald Reagan than Iran took hostage under Jimmy Carter, and Reagan took the hide off Jimmy Carter for being pusillanimous, for lacking leadership, for basically being a 'wimp.'"

"What Reagan should have done was close down the Soviet Embassy, kick their personnel out of here and sever diplomatic relations with the Soviet Union. What conservatives are going to measure Ronald Reagan by is almost two decades of Ronald Reagan's own rhetoric."

Military Policy

In the crucial area of national defense — the most important and proper function of the federal government — candidate Reagan campaigned in favor of a comprehensive and credible military strategy to "close the strategic window of vulnerability" between the U.S. and the Soviet military threat. He has tried, but he has missed a golden opportunity to neutralize a major "Liberal" Democrat issue: waste and cost overruns in the Pentagon budget. A huge government bureaucracy, the Defense Department is rife with unnecessary spending and waste of the taxpayers' money. The President should have attacked this head-on, from the start, and initiated a sincere drive to reduce and eliminate it wherever possible. He could then have gone to the American people and explained that we could finance the new weapons we need with money saved by eliminating military waste.

Of special concern to Conservatives is that the legal and illegal flow of Western technology to the Communist bloc has continued under President Reagan. Does Hungary need an American-subsidized chemical plant? Done. Does Romania need a U.S.-financed nuclear plant? Done. Does Moscow require the means to copy American microchip technology for its missile systems? Done. Do Russian soldiers in Afghanistan need food to keep fighting? Done.

And America's grasp on the sticky

Tar Baby of Lebanon is more of the kind of half-way military actions which have characterized U.S. foreign policy since the Korean War. In situations which demand either a total commitment to victory or no involvement at all, America sent in Marines to demonstrate our "resolve" to sacrifice for peace. In a mess as complex and as unlikely of solution as the Lebanese conflict, one wonders at the price.

Our Marines who were murdered in Lebanon by a terrorist's truck bomb were sitting ducks, and the attack was so likely that it was predicted the week before in our sister weekly *The Review Of The News* by U.S. Senator Gordon Humphrey. Our men were concentrated in a very vulnerable position at a low-lying airport runway surrounded by hills occupied by hostile forces. Only light perimeter protection was provided, and the sentries were not allowed to carry loaded weapons. It doesn't take a military genius to recognize how vulnerable those troops were. We thought we were through with that sort of politicalized bungling with the departure of Jimmy Carter!

Diverting American anguish and frustration in the wake of the Beirut disaster, a rapid military invasion was mounted against the Reds on the tiny Caribbean island of Grenada. Thus far, that was the finest moment of the Reagan Administration, thwarting the spread of Communism and terrorism in our own hemisphere. From the documents and arsenal stockpile found by U.S. troops on Grenada, there is no doubt that the island was being prepared as a staging base for a full-scale Soviet-Cuban thrust at the Eastern Caribbean and Central America. The military action on Grenada was the correct move, and Mr. Reagan must be given much credit for this. It

nevertheless strikes us that Grenada was Mr. Reagan's counterpart to Maggie Thatcher's "glorious victory" in the Falklands. When he moves against Cuba, wake us up.

Wrong-Way Reagan

This correspondent agrees with Howard Phillips, who writes: "On arms control and the nuclear freeze, on Welfare expenditures, on government subsidy of cultural and educational activities, on the funding of Leftwing advocacy groups, on balancing the Budget, on taxes, on Taiwan, on Polish bank defaults, on Israel, on voting rights, on Communist activity in the Western Hemisphere, on defense spending . . . on these and dozens of other issues, President Reagan has, however unknowingly, conceded the premises to the 'Liberals' in order to accommodate and overcome short-term political pressures."

The President has acted as if he were wooing radical feminists, hysterical environmentalists, militant blacks, and others in the "Liberal" Democrat coalition. Is he so politically naïve that he thinks he can get these groups to vote for him, while jettisoning those on the Right who already have? Mr. Reagan is alienating voters who would literally die for him if he would keep his campaign promises, in order to go after votes which he will never get. No matter what he does to placate the Left, it will never support Ronald Reagan.

In short, we gave Ronald Reagan the ball, and he ran in the wrong direction — toward the goal line of our opponents. Indeed, now that Reagan has reversed himself on such issues as federal support for bilingual education, a balanced Budget, and the Martin Luther King holiday, House Democrats are claiming —

— tongue-in-cheek — that this Administration must have obtained a copy of the *Mondale* briefing book.

Economist Murray Rothbard, a long-time critic of Ronald Reagan, has come to the following conclusion about the "real" Reagan. He writes: "The quintessence of Ronald Reagan is that he is a master in supplying the conservative movement with the rhetoric they want to hear. In all politicians there is a gulf between rhetoric and reality, but in Ronald Reagan that gulf has become a veritable and mighty ocean. There seems to be no contact whatever between Ronnie the rhetorician and Ronnie the maker of policy. In that situation it is hard to know which is 'the real' Reagan. The conservatives, feeling betrayed but lacking any guts for a break with the Administration, persist in asserting (publicly, at any rate) that the rhetorical Reagan is the *real* one, and that if only his evil pragmatist advisors would 'let him,' this real Reagan would finally emerge. Hence, the famous right-wing slogan, 'Let Reagan Be Reagan.' But the problem with that slogan is the 'let.' What do you mean, 'let'? Who picked these evil advisors, and who persists in maintaining them in power? None other than Reagan himself. So in what sense is this visible person *not* the 'real' Reagan?"

Perhaps a more important question is: Does it really matter which is the real Reagan? Professor Rothbard observes: "There are only two solutions to this dilemma, neither one a happy situation for conservatives.

Either Reagan is a total cretin, a puppet who gets wheeled out for ceremonial speeches, and who *really believes* that he is putting conservative policies into effect; *or* Reagan is a cynical master politician, keeping the conservatives happy by dishing out their rhetoric and his phony 3 x 5 card anecdotes, while keeping corporate statists happy by pursuing the New-Deal, Fair-Deal, Great-Society, Nixon-Ford policies that we have all come to know so well. Either way: Reagan the imbecile or Reagan the cynical manipulator, the situation is hopeless for those conservatives who yet persist in willfully not perceiving this stark reality."

Pick your own version: A helpless, hapless captive of the Establishment's palace guard on the one hand — or a cynical actor who knows exactly what he is doing. In either case, the consequences are loathsome. Regardless of his motives or intentions, the Reagan Administration makes a mockery of Conservatism and represents a betrayal.

The lesson that Conservatives should learn from the Reagan experience is not to put their trust in politics or personalities, but instead to labor ceaselessly to create a deeper and more consistent understanding of fundamental principles. Action without principles to guide that action is a recipe for disaster. Let us learn from this disaster and go on to succeed on the basis of sound principles apprehended by right reason. Let Ronald Reagan be entered into the record as Exhibit A. ■ ■

CRACKER BARREL

■ For more than twenty years, explained Medford Evans, we have been bound by federal policy *not to defend ourselves* against possible nuclear attack.

■ Man's fatal mistake, warned F.A. Hayek, is the belief that he can artificially control society and the economy through government manipulation.

■ "I don't, God knows, want a war to break out, but if one were compelled to choose between Russia and America — and I suppose that is the choice we might have to make — I would always choose America," explained George Orwell.