

# New budgetary traps set for the White House: is Chief of Staff James Baker III a mole?

by Richard Cohen, Washington Bureau Chief

While national attention has been riveted on the daily escalating scandals surrounding the case of now suspended National Security Adviser Richard Allen and the emerging press-generated smell of illegality directed at some of the President's most trusted advisers, close observers of the White House are warning that President Reagan has been under extreme pressure over the past two weeks to make fatal blunders on economic policy. The public signals point to an all-out effort to force the President to capitulate to the dictates of Federal Reserve Board Chairman Paul Volcker, by endorsing a 1983 economic program which is reported to include the most massive assault yet on the already whittled-down U.S. federal government domestic budget, plus a frontal attack on critical entitlement programs including the Social Security system.

White House observers note that presidential Chief of Staff and former George Bush campaign manager James Baker III has played a role that could most charitably be described as "puzzling," in locking the President into a politically suicidal economic approach that happens to be diametrically opposed to Reagan's pro-growth inclinations. The result of such a policy, by the time of the January State of the Union message, would be to ensure that current and planned Watergate-style attacks on Reagan's loyal followers in his administration—possibly including the President himself—find a ready market in an outraged population. These observers believe that the heightened campaign to force presidential acceptance of this disastrous "deep-cuts" policy coincided with the resuscitation of Office of Management and Budget Director David Stockman.

## The saving of Stockman's skin

Of increasing interest is the fact that Stockman's "skin was saved" following his open attack on Reagan's tax cut in the pages of the *Atlantic Monthly* at a Nov. 17 White House meeting at which Reagan loyalists Presidential Counselor Edwin Meese, Assistant to the President Michael Deaver and Presidential political adviser Lyn Nofziger pressed for Stockman's firing. Only James Baker III defended Stockman, asserting

that the OMB chief was the most capable domestic-policy official in the administration, and that Stockman would be crucial in the final weeks for the 1983 budget.

Importantly Stockman was revived even though one of Reagan's advisers, Michael Deaver, went so far as to question Stockman's loyalty, in a clear reference to Stockman's open adoption of the "deep-cuts" approach which has been promoted since Day One of the Reagan administration by former Ford Treasury Secretary Alan Greenspan, by the current U.S. Ambassador to West Germany Arthur Burns, and by Volcker. In fact, Greenspan, the chief negotiator during the 1980 Republican Convention for the attempts by the unsavory Max Fisher and former Secretary of State Henry Kissinger to seize control of key Reagan cabinet appointments, has repeatedly organized open rebellions on Wall Street against the early budgetary and tax-cut political victories by the Reagan administration on Capitol Hill.

The Greenspan-inspired downturns in the "markets," in conjunction with Volcker directed up-ticks in interest rates, represented the muscle behind Greenspan's demands for a fiscal-austerity policy which would eliminate the tax cut while slashing into the remains of the domestic budget, entitlements, and defense.

On Nov. 27, after a weekend in which Stockman was rehabilitated on Capitol Hill, presidential press spokesman Larry Speakes put out the line that the President accepts most elements of the Greenspan "deep-cuts" policy. Speakes reported that President Reagan would spend most of his time in mid-December hearing "final appeals" from cabinet secretaries on OMB-outlined cuts in departmental budgets. He then warned that the President expected a huge number of appeals from cabinet officials because the cuts would be "very deep."

The staggering scope of the OMB-proposed cuts was signaled early last week when Ed Kintner, the Department of Energy's Associate Director for the Office of Fusion Research, quit on the basis of still-unrevealed cuts in the 1983 fusion budget. On Nov. 27, Ann Gorsuch, the chairman of the Environmental Protection Agency, and a close associate of Interior Secretary James Watt, complained loudly to the press about

an OMB-proposed 36 percent cut in the EPA budget. On the same day Commerce Secretary Malcolm Baldrige howled over the fact that Stockman proposed cutting three entire divisions of his department; these included the Office of Export Development, the primary channel for U.S. aircraft and nuclear exports which rank second and third respectively next to U.S. food exports. In addition, Baldrige learned that the Bureau of Industrial Economics and the Foreign Commercial Service, which employs 600 economists in U.S. embassies and is responsible for virtually the entirety of U.S. economic intelligence, would be eliminated.

The scope of the cuts was further revealed when Presidential Science Adviser George Keyworth told staff members of the *Washington Post* on Dec. 1 that he has recommended halting all new planetary space missions for at least the next decade, an idea he said the White House is buying.

By the morning of Dec. 2, the next cabinet Secretary to holler was Samuel Pierce, Secretary of Housing and Urban Development. Stockman has recommended that federally subsidized housing for an annual increment of 150,000 people under Section 8 and other programs be phased out and eliminated altogether by FY 84. In addition, OMB wants to cut a total of \$3.6 billion in community and urban-development grants.

While sources on Capitol Hill report that these cuts represent samples for what is to come, Treasury Secretary Donald Regan, appearing on national television Nov. 29, predicted that if there is a recovery in mid-1982 (an absurd assumption) and all the drastic cuts were accepted by Congress, there would still be a \$60 to \$70 billion deficit for fiscal '83. Thus, he warned, "We are going to have to get into entitlements sooner or later." Regan's prediction was immediately turned into an ugly operational effort. At the White House Conference on Aging held here in Washington on Nov. 30-Dec. 3, the administration stacked the key "Economic Well-Being Committee" in order to pass a resolution opposing support for Social Security from general revenue funds, and supporting Social Security benefit cuts for workers now paying into the system. While ultimately rejected, the proposal clearly identified administration intentions. The most sinister aspect of the affair is revealed by the fact that President Reagan himself has been pressured to make several recent public appearances in order to get the "deep-cuts" campaign off the ground, even though he had previously canceled several appearances due to the escalation of assassination threats against him.

The "deep-cuts" campaign has already put the President at odds with some of his closest supporters on Capitol Hill. In remarks to reporters after speaking to the annual meeting of the National League of Cities in Detroit on Nov. 30, Reagan confidant Sen. Paul Laxalt of Nevada warned that too much money had already

been cut from federal social programs under the fiscal 1982 budget. Following the Dec. 2 HUD budget-cut revelation, Senate Banking Committee Chairman Jake Garn (R-Utah) called some of the Stockman proposals "just plain crazy." Sources on Capitol Hill report that even austerity advocate Pete Domenici (R-N.M.), the Senate Budget Committee Chairman, was "shaken" by some of the figures he saw in the Stockman proposal.

### **Baker and the Allen affair**

The revival of David Stockman at the insistence of James Baker was immediately followed on Nov. 18 by another meeting of Reagan White House advisers. At this meeting, Baker strongly promoted the early dismissal of Allen in the face of objections from Ed Meese. This has led to an emerging belief that Baker is the key "inside man" operating on behalf of Max Fisher-Kissinger elements. Recent information suggests that Kissinger was behind critical information leaked to the *Washington Post* and the *New York Times* implicating Allen in unethical relationships with former clients of Potomac International. This information, according to sources close to the White House, "will clinch Allen's final dismissal." Reports are that either Gerry Ford's National Security Adviser Brent Scowcroft, a Kissinger protégé, or Kissinger surrogate David Abshire of Georgetown University, is slated to replace Allen.

Interestingly, Deaver had backed Baker's early insistence on Allen's dismissal. On Nov. 30, the day following Allen's suspension, nationally syndicated columnists Evans and Novak (who have close relationships with the administration) reported that subsequent investigations of Allen's relationship to former Deaver business partner Peter Hannaford will turn up an unethical relationship between Deaver and Hannaford similar to the one alleged between Allen and Hannaford.

If Deaver should follow in the path of Allen, Reagan would be left with only one trusted adviser, Meese. Nofziger has already handed in his resignation, effective in January.

Nofziger has blamed James Baker for an excess of "Bush appointments." My sources further report that Nofziger, a strong believer in candidate and party loyalty, also opposed an "olive-branch" approach to the AFL-CIO leadership, once it was clear that AFL-CIO President Lane Kirkland had broken with the tradition of George Meany and openly attacked the President. Nofziger was opposed by Baker.

Baker has now convinced the President to delegate himself, along with Stockman and Dick Darman, Baker's close assistant and a former aide to GOP Fabian Elliot Richardson, to work out budget problems on Capitol Hill with respect to the Dec. 15 deadline for FY '82. He and Stockman will also join Meese in dealing with departmental objections to Stockman's FY '83 budget.