

Will the White House fall into Howard Baker's trap?

by Richard Cohen, Washington Bureau Chief

Senate Majority Leader Howard Baker (R-Tenn.) is now the pointman in an effort to nurse the White House into a deal that would all but eradicate President Reagan's ability to make sharp, independent political and economic moves during the period of intense crisis foreseeable in the spring and summer of 1983.

Baker and his collaborators are seeking signals from the President's State of the Union Address that would mark a change from the President's previous commitments to U.S. defense and national security, and a more conciliatory tone to a European and U.S. "peace movement" planning for potentially violent street actions next year. In addition, Baker is reported to be seeking signs of White House willingness to accept congressional moves to create institutions of permanent depression, institutions masquerading as "jobs programs."

This plan centers around surfacing Baker, along with Senate allies Finance Committee Chairman Robert Dole and Budget Committee Chairman Pete Domenici as "backroom" brokers between the Reagan White House on the one hand and the Federal Reserve Board and House Speaker Tip O'Neill. The powerful sponsors of the "Baker Project" are essentially the same New York and London commercial and investment bankers who in late 1981 ferried the staffs of the Senate Budget and Finance Committees from Washington up to New York in order to craft a 1982 tax increase and deepen federal budget cuts.

My sources insist that the same administration conspirators that promoted the 1981-82 Bank for International Settlements (BIS)-crafted austerity package are now privately involved in in-house lobbying for the "Baker Project." White House Chief of Staff James Baker III is said to be the most informed and direct agent of the Baker Project in the White

House. In addition, Baker's top assistant, Elliot Richardson-protégé Richard Darman, is now reported to be in the leading position to replace Deputy White House Chief of Staff Michael Deaver, and to have recently assumed direction over White House domestic policy. Office of Management and Budget Director David Stockman, Vice-President George Bush, and Commerce Secretary Malcolm Baldrige are reported to fully back the "Project," along with Secretary of State George Shultz, who has recently assumed a dominant position within the Reagan administration's "Economic Troika" of Stockman, Treasury Secretary Donald Regan, and Council of Economic Advisers Chairman Martin Feldstein. These sources point to Shultz's close collaboration with AFL-CIO President Lane Kirkland in promoting the gasoline tax and "road repair jobs bill" certain to pass the congressional lame-duck session. Shultz, in collaboration with Jim Baker and Kirkland, is said to be urging the President to drop Labor Secretary Ray Donovan, an opponent of the Depression-style jobs programs endorsed by Kirkland, if he hopes to get the support of the Building Trades unions of the AFL-CIO and their president, Robert Georgine, in 1984. Shultz is also reported to be opposed to key aspects of the President's strategic modernization program.

The most powerful backers of the "Baker Project" have two important tactical objectives within the next six months. First, they must eliminate the policy access to the Reagan administration of *EIR* founder Lyndon H. LaRouche and his associates, and second, they must finally break the last remnants of presidential independence by forcing Reagan to yield publicly to congressional *diktat* around the time of the 1983 State of the Union address.

Three additional parameters will be brought to bear by the BIS by mid-1983. 1) The President will presumably have

to launch his 1984 presidential campaign in the midst of an economic crisis. If the President is subjected to the "Baker Project" and LaRouche policy access is successfully blocked, then the BIS will have no obstacles in securing control over the apparatus of emergency government. 2) In addition, mid-1983 will mark the growing emergence of the U.S. and European "peace movement" within the context of the planned stationing of the new U.S. tactical nuclear missiles in Europe. This and rising unemployment are to be used by the BIS crowd to force irreversible strategic concessions from the President. 3) Finally, any potential for an independent Reagan initiative toward the Soviet leadership, according to this perspective will by mid-1983 have been eliminated through the consolidation of Andropov policies centered about building the peace movement.

The Baker option has surfaced amidst enormous behind-the-scenes activity generated between the White House and Capitol Hill following the November elections. Negotiations involving the Hill Democratic and Republican leaderships and White House representatives have been continuous on the conduct and parameters of the 1982 lame-duck session and the fiscal 1984 budget. The net result of these smoke-filled sessions was stated bluntly by Baker himself on national television on Nov. 28. "We are never going to save our way out of the recession. . . . There is no prospect of significance savings from defense, domestic appropriations, or benefit entitlement programs, at least for the near future . . . so we are going to be locked into high deficits at least for the time being, unless we can increase the level of economic activity of the country, and that is dependent to a remarkable extent on the level of interest costs." Baker urged "higher level of cooperation and coordination among the White House, Congress and the Federal Reserve," stipulating that "all bets are off if interest rates start going back up."

What Baker was reflecting was the fact that after three weeks of negotiations, there was no consensus on Capitol Hill to accept greater cuts in the "social safety net" of domestic programs and entitlement programs—cuts supported by some prominent Reagan administration members. In addition, the President demonstrated that he was unprepared to accept any substantial cuts in the defense budget.

Presidential advisers had convinced Reagan that he could seize the initiative during the lame-duck session within the context of this budget deadlock by promoting a six-month acceleration of the third year of his tax cut; but only two days after Baker's television appearance, the President could find no support within the Republican Hill leadership and the day before to the President's sudden abandonment of the tax-cut acceleration ploy. O'Neill, flanked by House Majority Leader Jim Wright, had already effectively seized the lame-duck initiative by announcing a \$5 billion jobs program for the restoration of federal buildings and federal housing projects.

On the same day, the Democratic leadership announced an all-out attempt to defeat the MX missile in the lame-duck session. Rep. Joseph Ababbo (D-N.Y.), chairman of the

important Defense Appropriations Subcommittee, in concert with full committee Chairman Jamie Whitten, indicated that they would attempt to eliminate the \$998 million required for the first five MX missiles—thereby killing the program. O'Neill quickly sanctioned the moves. On the Senate side, Ernest Hollings, (D-S.C.) ranking minority member of the Budget Committee, claimed on the same day that he now had enough Senate votes to kill MX funding. Disarmed by the Republican leadership's failure to support the tax acceleration ploy, the President now faces Democratic momentum on both the "jobs" and "defense cut" questions.

Speaking on national television on Nov. 18, Baker hinted at the role he would play in bargaining the White House into larger "makework" jobs programs in 1983. He ruled out anything more than the limited highway jobs program that he, the President, and O'Neill endorsed for action in the lame-duck session, but left the door open for next year. Baker has also told the President that he will do everything in his power to postpone a final decision on the MX until next year. However, the President will have to be "more flexible" on arms control and the defense budget. Finally, the Senate majority leader with the help of Jim Baker, has told the President that if he buys this package, a deal may be possible with the Fed to lower interest rates.

Such "conservative" think tanks as the Heritage Foundation and the Hoover Institution, who retain significant influence in White House and Pentagon circles, were badly discredited only two days prior to Baker's television appearance. According to sources close to the White House, economic position papers were leaked to the media by elements close to Jim Baker. These position papers were said to be the responsibility of White House presidential counselor Edwin Meese, and reportedly urged a series of harsh austerity initiatives, including a tax on unemployment checks and lowered minimum wage for youth to "increase employment."

Sources close to the White House report that the President in no way sees himself as having compromised his principles on U.S. defenses and national security and on his opposition to the programs of permanent depression. In fact, in private negotiations preceding the lame-duck session, the President personally overruled suggested concessions from his chief negotiators in order to retain his commitments. Secondly, these sources stress that the President is still far more confident in the advice of his two old friends and advisers Meese and National Security Adviser William Clark. And finally, as the austerity remedies of the "New Right" and "conservative" think tanks have become discredited, sources report the influence of presidential confidant Dr. Edward Teller to have increased; the President is now said to be committed, at least in broad terms, to Teller's approach to the development of advanced directed energy defensive systems.

But perhaps most dangerous to the deal the BIS crowd are counting on is the persistent presence and increasing influence of LaRouche, whose economic recovery program could overturn all the current parameters.