

White House transition

The fight for policy control

by Kathleen Murphy

There are three principal groupings now bitterly contending for power over the Reagan government:

- **The Eastern Establishment** wing of the Republican Party. This faction is represented by Henry Kissinger; former Treasury and Labor Secretary George Schultz, now at the Bechtel Corporation; ex-HEW head Caspar Weinberger, who also served in Reagan's California administration; former NATO Supreme Commander Alexander Haig, a protégé of both Kissinger and ex-Secretary of State Cyrus Vance; Bill Simon, another former Treasury Secretary; Alan Greenspan, one-time chairman of the Council on Economic Advisers; and former Federal Reserve chairman Arthur Burns. Members of the New York Council on Foreign Relations and/or the Trilateral Commission, this group's overall policy orientation is summarized in the CFR's mammoth "Project 1980s," which identified the world economic situation as a fight against liberalism and dirigism, and called for "the controlled disintegration of the world economy" as the only alternative to Western European and Japanese ascendancy.

When it became obvious early last spring that none of Reagan's opponents for the Republican nomination had a stab at winning, this faction heaved a sigh, resigned itself that the former California Governor would become the GOP candidate, and then moved to ensure top-down control over the Reagan camp. Although they were unable to consolidate full control, they did force Reagan—over the objections of his conservative advisers—to name George Bush as his vice-presidential running mate. Nominally a Texas oil entrepreneur, Bush hails from an old patrician New England family and belongs both to the CFR and the Trilateral Commission.

This Eastern Establishment faction is heavily represented on Reagan's foreign policy transition team, whose members include Alexander Haig, Henry Kissinger, Howard Baker, Gerald Ford, and John J. McCloy, as well as Democrats Eugene Rostow, Jeanne Kirkpatrick, and Henry Jackson. The vice-chairman of the overall transition team, Anne Armstrong, is a former ambassador to the Court of St. James, a member of the Council on Foreign Relations, and a member of the ultra-Anglo-

phile Ditchley Foundation. Transition team chairman Bill Casey is also a Council on Foreign Relations activist.

- **The nationalist faction** that includes old-line supporters of Barry Goldwater, Eastern Democrats fed up with the failures of their party, and Western populists. One of the power centers of this faction is the so-called "California Mafia," consisting of long-time Reagan operatives. They include Edward Meese, who will direct Reagan's transition team and will probably become his White House chief of staff; Lyn Nofziger, in line for White House press spokesman; and the public relations team of Michael Deaver and Peter Hannaford. There is also a group of California businessmen who formed the "Friends of Ronald Reagan" in 1965 to back Reagan's successful bid for the governorship of California.

Many of these individuals built financial empires from scratch. They favor a political climate encouraging industrial growth. In foreign policy, they are generally hard-liners, but tend to make practical judgments beyond right/left categorizations.

- **The right-wing ideologues** headed by Reagan foreign-policy coordinator Richard V. Allen. This group includes Reagan Mideast advisers Joseph Churba, retired generals Daniel Graham and George Keegan and University of Southern California professor William van Cleave. Stanford University's Hoover Institution on War, Revolution and Peace is one of their major academic bases. They generally take a studiedly extreme pro-Israel position, coupled with an anti-Communism that the Eastern Establishment faction finds objectionable because it leaves no room for temporary policy modifications such as a new arms control initiative toward the Soviet Union.

Which of these factions controls the composition of the cabinet is a particularly important issue because of Reagan's well-known tendency to leave many important decisions to his advisers. Reagan announced in a last-minute pre-election national television advertisement Nov. 2 that he plans to change the way the executive branch works, and enhance the power of the cabinet. The Kissinger faction is pushing for such an "Executive Cabinet" concept. Reagan will soon announce a detailed

proposal for reorganizing the executive branch.

Such liberal political commentators as the *Washington Post's* Joseph Kraft and James Reston of the *New York Times* have consistently pressed the theme that Reagan might be acceptable to the Council on Foreign Relations and Trilateral Commission if he peopled his cabinet with "responsible middle-of-the-roaders." Typical of this bent was the pseudoconservative *New York Daily News*. The nation's largest-circulation regional paper finally endorsed Reagan, not because of his own qualities, however, but because "despite his limitations" Reagan "promises to rely on the advice of formidably experienced men like former Treasury Secretary George Shultz and, directly or indirectly, Henry Kissinger. . . ."

The major U.S. media say that a large contingent of Nixon-Ford administration holdovers will take the key positions in the new cabinet. The British wire service Reuters reported Nov. 5 that according to members of Reagan's staff, the President-elect will seek "to broaden his base of support by recalling officials of past Republican administrations and dipping into moderate ranks to fill top-level posts." The cabinet front-runners are said to be:

Secretary of State or Defense Secretary: George Shultz, former NATO Supreme Commander Alexander

Haig, former Treasury Secretary William Simon, former deputy defense secretary David Packard, or a conservative Democrat like Paul Nitze or Scoop Jackson. There is little chance that Kissinger will get a cabinet position; but these individuals generally reflect his views.

Secretary of the Treasury, Director of the Office of Management and Budget, and chairman of the Council of Economic Advisers: former budget directors James Lynn and Caspar Weinberger; ex-Treasury undersecretary Charles Walker; William Simon; one-time CEA head Alan Greenspan; Walter Wriston of Citicorp; and Chase Manhattan's David Rockefeller.

Should Reagan decide to choose most of his cabinet members from among this group, a battle will continue. In the crucial arena of economic policy, the Shultz-Greenspan-Simon crew represent a direct continuation of the high-interest-rate, deflationary gameplan pursued by President Carter's Federal Reserve chairman Paul "Ayatollah" Volcker.

A significant faction among Reagan's conservative backers are organizing active opposition to the Shultz-Kissinger grouping. "We don't like a repeat of the Ford administration, of the bureaucrats like Simon and Greenspan," confided one Reagan conservative on Capitol Hill. "Simon and Garfunkel, we call them [referring

George Shultz's curriculum vitae



One of the candidates for a top economic spot in the new Reagan administration is George Shultz. The former secretary of the Treasury and the Labor Department typifies the outlook held by the economists who will run U.S. economic policy if the Eastern Establishment secures control over the Reagan cabinet.

Shultz is a personal protégé of Milton Friedman and a close friend of Henry Kissinger, whom he is touting for secretary of state. Shultz vigorously defended Fed chairman Paul Volcker's high-interest rate policy when President Carter, in a last-ditch bid for political support, criticized it three weeks ago.

George Pratt Shultz, the president of San Francis-

co's Bechtel Corporation, is widely believed to currently dominate economic thinking in the shadow Reagan cabinet. Shultz bears significant responsibility for the Nixon administration's economic record.

Mr. Shultz comes from a line of Princeton University-trained liberal economists. His father, Birl Shultz, was a Princeton economics professor who coauthored a history of the progressive Republican movement with liberal historian Charles Beard.

After graduation from Connecticut's exclusive Loomis School, George Shultz received his B.A. in Economics from Princeton. He went on to a Ph.D. in Industrial Economics and Labor Relations at MIT during the 1942-49 period when psychologist Kurt Lewin dominated MIT's labor relations school. Shultz's specialty was the retraining and relocation of displaced workers. He coauthored two books entitled *Management Organization and the Computer* and *Strategies for the Displaced Worker*.

In 1957, Mr. Shultz became a professor of labor relations at the University of Chicago, where he worked closely with economist Milton Friedman and Friedman's teacher, Arthur Burns. In 1962 Mr. Shultz was appointed dean of the Chicago Business School.

to a folk-rock duet of the 1960s]. . . . We need new ideas, not this Simonesque bureaucrat managing of the situation, but someone who can get the economy moving. Shultz is one of them, too. He's bright, but his economics isn't in the growth mode. This is a crucial watershed for this administration. . . . Reagan is having an inner debate right now in his head. He's torn. He may lean toward the supply side group around [Congressman Jack] Kemp and [economist] Laffer. But they don't have the stature of the older men."

The 'congressional cabinet'

In addition to his formal cabinet, and his informal "kitchen cabinet" of advisers, the incoming President Reagan is likely to continue to turn to a block of conservative senators for substantial policy inputs. Led by long-time Reagan intimate Senator Paul Laxalt of Nevada, this "congressional kitchen cabinet" has the potential to be a clear, conservative outside influence in a White House which will undoubtedly be subjected to continued influences by the Henry Kissinger-Milton Friedman wing of the party. While this Senate bloc reflects all the ideological pitfalls of the hard-line, conservative wing of the party, for example on social issues and on relations with the Soviet Union, it is also

the closest approximation that the Reagan administration will have to the nationalist mood of the country. Reagan's appointment of Laxalt to head a transitional congressional advisory committee indicates how this group will function as a unique transmission belt into Reagan. Probable active participants in the "congressional cabinet" include:

- Senator Paul Laxalt: As governor of Nevada in 1966, Laxalt became very close to fellow governor Reagan, sharing most of his conservative views. Two years earlier, Laxalt had been an early supporter of Barry Goldwater's presidential bid. Since his election to the Senate in 1974, Laxalt has been a low-key legislator, following the lead of other western conservatives on various policies, and maintaining his close ties with Reagan, as campaign manager for both of Reagan's 1976 and 1980 bids.

- Senator John Tower: Elected in 1972, straight out of a college history professorship, Tower has gained a reputation as a savvy supporter of strengthening American military forces. Campaigning for Reagan in Texas this year, Tower (who will be the new Armed Services Committee chairman) stressed the fact that four more years of Jimmy Carter could spell the virtual demise of American military and technological capabilities.

- Senator Jesse Helms: North Carolina's Helms is one of the few longstanding Eastern conservatives in the Senate, and has access to Reagan. Helms enjoys his own independent political base, built up since his election in 1972, and is outspoken in his opposition to the "Trilateral Commission influence" in American politics. Helms is slated to head the Senate Agriculture Committee.

- Senator Jake Garn: The new chairman of the Senate Banking Committee is also a heavy-weight on military policy. A popular former mayor of Salt Lake City, Garn was elected to the Senate in 1974. He is currently stressing that he will use the banking committee to strengthen the Export-Import Bank and develop an aggressive U.S. export policy.

The international tug-of-war

Finally, during the transition period America's allies will be angling for influence over Reagan administration policy. Prime Minister Margaret Thatcher of Britain is emphasizing an apparent convergence of views between herself and Reagan, although Conservative Party leader Edward Heath has already warned against a Friedman-style economic policy that, he says, would do to U.S. industry what Thatcher has done to Britain's. West German chancellor Helmut Schmidt will visit the U.S. this month as the first foreign head of state to consult with Reagan. Schmidt's visit will be preceded by a Franco-German summit.

While a fellow at the Palo Alto Center for the Advanced Study of Behavioral Science, Mr. Shultz was tapped by Richard Nixon's confidant Arthur Burns for the post of secretary of labor in the incoming Nixon administration in 1969.

In July 1970, President Nixon granted Mr. Shultz sweeping powers to reorganize the cabinet, appointing him the first director of the Office of Management and the Budget (OMB). Mr. Shultz's administrative reforms, hailed as a "victory for the liberals" by the *New York Times*, included centralizing control over economic policy in the OMB, overshadowing Treasury Secretary David Kennedy. The *Times* characterized Mr. Shultz's reforms as the counterpart to Henry Kissinger's centralization of foreign policy in the new National Security Council.

Following the removal of the dollar from the gold standard on Aug. 15, 1971, Mr. Shultz became secretary of the Treasury in April of 1972 and continued John Connally's tough bargaining stance toward Europe.

Mr. Shultz resigned from the Treasury in May 1974 to accept a top financial post at Bechtel. He is director of Stanford University in Palo Alto.