

support from a wider base than the tax-cut theorists in his own camp, including conservative Democrats and foreign leaders like German Chancellor Schmidt and French President Giscard. The supply-siders will continue to provide an aggressive counterpoint to the "austerity crowd" that has most of the leading positions in Reagan's transition team at the moment, but will probably not see the insides of the offices from which policy is made.

### Alternative Treasury policies

The supply-siders' candidate for treasury secretary, or at least undersecretary for monetary affairs, is drug-store entrepreneur Lewis Lehrman. A friend of the late French economist Jacques Rueff, Lehrman created something of an "under 40" version of the Council on Foreign Relations a few doors down from the CFR's New York headquarters, modestly titled the Lehrman Institute. Lehrman gained public prominence last May when Morgan, Stanley, a leading investment bank, published a proposal he authored for revising Federal Reserve monetary policy.

The plan notes that the Fed has had no success in controlling monetary aggregates, and is incapable of doing so, contrary to the pretensions of Fed Chairman Paul Volcker. The Federal Reserve should give up and permit banks and their customers to determine the rate of credit growth, Lehrman argues, through the discount window rather than through open-market operations. The Fed should simply ensure that the discount rate hovers above market interest rates so that banks will only use it when other sources of funds are not available, that is, when there is a legitimate need.

Lehrman's plan has great merit compared to the botch-job the Federal Reserve has done over the past year, but it suffers from the same potentially inflationary defect that the Laffer tax plan reveals. If banks lend for secondary real-estate market or stock speculation, rather than for improving the productivity of the nation's industrial base, inflation will still result under this program. A similar plan with a crucial difference was published last week by the National Democratic Policy Committee, insisting that the Fed should make discount window facilities available only for loans made to further production and transportation of tangible goods (industry, agriculture, utilities, mining).

What will be the outcome of the fight inside the Reagan camp? "It's murky," Jude Wanniski says. "No decisions have really been made. People talk about so-and-so being sure for this or that cabinet post, but nothing is pinned down." The point, evidently, is that President-elect Reagan needs people in his administration who can put the economy on a growth track, but will turn to the proven losers of the Nixon-Ford period if he has to.

## III. THE ADVISORY QUESTION

# Appointments and a new kind of structure

by Kathleen Murphy



Photo: AP

President-elect Ronald Reagan made his first official appointments to his White House staff Nov. 14. Reagan's Washington transition headquarters announced that James Baker, formerly campaign manager to Vice-President-elect George Bush, will become the White House chief of staff, and Edwin Meese, Reagan's principal campaign strategist, will assume the duties of counselor to the President with cabinet rank. Both Baker and Meese will also serve on the President's National Security Council.

### **Balancing effort**

The two appointments encapsulate the precarious balancing act Reagan is now performing between the various political factions vying for control over his incoming government. While Meese is a long-time Reagan loyalist who reflects the President-elect's Western conservative base, Baker hails from the Rockefeller-Ford wing of the party and has collaborated with Bush politically since the mid-1950s.

It is clear that Reagan has entrusted Meese with responsibilities far exceeding those of Baker, even though the chief of staff has traditionally enjoyed significant political influence partly due to his control over which people and what proposals get into the Oval Office.

In a sharp break with past practice, Meese has not only been given cabinet rank, but will also oversee both the national security and domestic policy White House staffs. An official press release from the office of the President-elect describes Meese's duties as follows: "Reagan stated that Meese will have responsibility for cabinet administration, the Domestic Policy Staff of the Executive Office of the President and the staff operations of the National Security Council, in keeping with the desire of the President-elect for greater involvement of the cabinet in policy formation. In addition to serving on the cabinet, Meese will be a presidentially designated member of the National Security Council."

The President's national security adviser, a post successive holders such as Henry Kissinger and Zbigniew Brzezinski have turned into a policy-making center rivaling that of secretary of state, will now report to the President *through* Mr. Meese.

In addition, Meese reportedly will mediate the President's relations with cabinet members, an especially important function given Reagan's stated intention to use his cabinet as a corporate board chairman would use his board of directors.

It is believed that Reagan has given Meese such powers as a counter to the influence of whatever Eastern Establishment appointees he may be forced to name in a misguided attempt to ensure "party unity."

At a Nov. 21 press conference in Washington, D.C., Meese refused to comment on whether Mr. Reagan

thinks Federal Reserve Chairman Paul Volcker has done a good job, or whether Volcker will be asked to serve out his term.

### **Profile: Ed Meese**

Meese has long been Reagan's most trusted adviser. Early in the 1980 campaign, Reagan was asked whom he would turn to in office if he had a particularly difficult problem to face. He replied unhesitatingly: "Ed Meese."

Born in Oakland 48 years ago, Meese attended Yale and the University of California (Berkeley) Law School. He was functioning as assistant district attorney of Alameda County near San Francisco when Reagan became governor of California in 1967. Introduced to the new governor by a state judge, Bill Clark, Meese was recruited as Reagan's legal secretary, and shortly elevated to chief of staff.

State House observers mark Meese's accession to that post as a turning point in the Reagan administration. "Reagan was on a direct confrontation course with his Democratic legislature," says one source, "until Meese came in." At that point, according to a former state legislator, "When the players changed [in Reagan's Sacramento office], Ed Meese became one of the primary and constructive players," breaking up the legislative logjam that had begun to afflict Reagan's government.

Described by friends as "a family man with a strong stand on moral issues," Meese took a firm line during his district attorney days against student demonstrators in the "Free Speech" movement at Berkeley. He's also a committed opponent of marijuana and similar mind-altering substances and, unlike some of the President-elect's other advisers, such as Martin Anderson and Milton Friedman, opposes decriminalization. According to the *Los Angeles Times*, Meese is "not sympathetic to the libertarian brand of conservatism, with its emphasis on near total freedom for the individual." In an interview with the newspaper, Meese charged that "the libertarians carry it to extremes," and asserted "My own view is that there are valid reasons against using marijuana and most dangerous drugs and narcotics, and I think there is a societal interest in that—that to me would overcome the individual freedom in that particular area."

On other issues, an individual on Reagan's transition team who has worked closely with Meese for years told *EIR* that "Ed is a partisan of Kemp-Roth [the tax-cut bill endorsed by Reagan—ed.] and is very much for nuclear power development." The source also said that Meese "believes in a positive program of economic growth, including lowering interest rates. He doesn't think austerity is a solution to anything."

Meese played the pivotal role in the ouster of

Reagan's key campaign aide, John Sears, last February. Disliked by most of Reagan's old guard for his close links to Henry Kissinger, Sears had nevertheless managed to get rid of most of Reagan's senior advisers, including press spokesman Lyn Nofziger and Mike Deaver, during the early part of the 1980 campaign. Sears was about to axe Meese when Reagan personally intervened—and forced Sears to resign the night of the New Hampshire primary, Feb. 26. Although William Casey was named to replace Sears, Meese effectively took control over campaign strategy from that point onward.

After Reagan left Sacramento, Meese became a vice-president for management at the Rohr Corporation, a California aerospace manufacturer. He left in 1976 to become a professor at the University of San Diego Law School and to set up the Center for Criminal Justice Policy, which he heads. Meese recently retired as a lieutenant colonel in the military intelligence division of the U.S. Army Reserve. One of his sons attends West Point.

### **Profile: James Baker**

Though he comes from Houston, Reagan's new White House chief of staff is a member in good standing of the Eastern Establishment wing of the Republican Party. Baker comes from a family considered to be among Houston's "Little Aristocracy" which has a decidedly anglophile bias.

His great-grandfather founded the prestigious Houston law firm of Baker & Botts. Baker went to Princeton, but earned a J.D. degree at the University of Texas Law School. He joined the Houston firm of Andrews, Kurth, Campbell & Jones, where he practiced until 1975.

During the 1950s, Baker and his wife became close friends of George Bush, who also lived in Houston. Baker's first wife helped run a number of Bush's political campaigns, and when she died, Baker became politically active, serving as Harris County chairman of his friend's unsuccessful 1970 Senate campaign. In the summer of 1975, through Mr. Bush's good offices, Baker was named undersecretary of commerce under Rogers C. B. Morton. When Morton left the Commerce Department to head up President Ford's campaign, he took Baker with him as chief of delegate operations. Three months later, Baker became overall chairman of the campaign.

When George Bush decided to run for the GOP presidential nomination last year, he asked Baker to serve as his chairman. After Bush finally withdrew from the race, Baker joined the Reagan campaign as a senior adviser.

Though Baker doesn't usually express himself pub-

licly on policy, sources say that he holds the same views as Bush, a former member of the Trilateral Commission and trustee of the New York Council on Foreign Relations, on key issues.

### **Other appointments**

The President-elect has made several other appointments to his transition team that are worthy of note.

Last week, Reagan announced the creation of the Office of Executive Branch Management to coordinate the transition between the Carter and Reagan administrations. Headed by William Timmons, the group is divided into five "issues clusters," broken down among Economic Affairs, Resource and Development, Human Services, Legal and Administrative agencies, and National Security.

The heads of these subdivisions also illustrate in outline the factional warfare now going on in the transition period.

Leading the National Security issues cluster is David Abshire, a close associate of Henry Kissinger. His appointment is reportedly part of Kissinger's plan to place his colleagues in key second-level government posts.

A member of the Trilateral Commission, the Council on Foreign Relations, and the London-based International Institute of Strategic Studies, Abshire helped found Georgetown University's Center for Strategic and International Studies in 1962. CSIS has functioned as a highly influential center for the transmission of British geopolitical thinking into Congress and the executive branch of the U.S. government. Abshire served as assistant secretary of state for congressional relations during 1970-73, and was also a member of the Committee on the Organization of Government for the Conduct of Foreign Policy, which advocated sweeping changes in the U.S. constitutional system of government. He is reportedly angling for a top State Department post.

On the other hand, the natural resources section is being headed by Richard Fairbanks, a partner in the Washington law firm of Beveridge, Fairbanks and Diamond.

Fairbanks served three years on the White House Domestic Council, where he was associate director for natural resources, energy and environment, and acquired a reputation of being committed to the full development of America's energy resources, especially nuclear fission and fusion power. Fairbanks's views on energy development conflict with those of the Kissinger faction, which wants to use an artificially provoked energy shortage to force through the Council on Foreign Relations' stated goal of the "controlled disintegration of the world economy."