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## COMMENTARY: THE GOP

THE YOUNG REPUBLICAN NATIONAL CONVENTION:  
THE REAGAN RALLY THAT WASN'T

If Ronald Reagan was serious about running for President, the Young Republican National Federation Convention in Indianapolis in early July should have been a Reagan rally. Ever since conservatives took over the organization in 1963 as a prelude to Sen. Barry Goldwater's presidential nomination a year later, the YRNF has been solidly in conservative hands. It still is—so the stage was set for an impressive demonstration of Reagan's popularity with the Republican troops. But the Reagan rally never materialized.

Part of the problem was Reagan himself. The only two mysteries of 1976 presidential politics so far have been whether Reagan will really end up running and whether Nelson Rockefeller will end up as Gerald Ford's running mate. Without these two questions on which to speculate, political columnists would have had a dull year. But in Indianapolis, Reagan declined to capitalize on his backing from the top YR leadership—or the "Team" as they are now known. The Reagan problem was summed up in the New York Times by new YR Vice Chairman Morton Blackwell of Virginia: "This is not a pro-Ford convention, but the opportunity for a Reagan candidacy to benefit from this convention was lost—deliberately, I think—by the Reagan forces. The Team leadership here was prepared to do overt things on behalf of Reagan, but Reagan's people said all they wanted was an open convention resolution. People are deciding—the way Strom Thurmond did when he went with Nixon in 1968—that there's not going to be a Reagan candidacy. People are drifting away. The question in my mind is: 'When Reagan decides to run, will it be too late?'"

Although Reagan had himself to blame for his Indianapolis showing, the Team leadership (which superseded the old "Syndicate") did its own bit. They had to battle the Indiana hosts for the convention since a tactical error on their part brought the convention into a moderate state. An effort to invite Reagan to the "presidential" banquet was rejected by the Indiana hosts, who insisted on inviting Ford. When the Indiana hosts published a brochure which contained a picture of Vice President Rockefeller and a two-page spread on President Ford, the Team had a coronary. The YRNF office strongly objected to the program, ordered Indiana to print a new program and finally printed their own brochure which had one page for Ford, no picture of Rockefeller, and very unflattering pictures of Republican National Chairman Mary Louise Smith and Indianapolis Mayor Richard Lugar. In the end, both brochures were distributed. But the complexion of the YR leadership—outgoing Chairman Phyllis McGrath is a Reagan backer and incoming Chairman Jack Mueller of Wyoming was a 1968 Reagan delegate to the Republican National Convention—did not go unnoticed at the Republican National Committee or the White House. Ford declined to make an appearance and RNC Chairman Smith (along with National Republican Women's Federation president Connie Armitage) cancelled her appearance. Team leaders were reportedly annoyed by these events. The Team had lost yardage both ways. Reagan punted and Ford refused to dress for the occasion.

The only Ford representative who attended the conference was outgoing Army Secretary Howard "Bo" Callaway. He was a guest at the Saturday evening banquet at which former Treasury Secretary John Connally spoke. A picture of President Ford—placed on the podium by moderates—was removed by over-zealous conservatives. McGrath insisted that it be replaced and it was. In order to counter the Reagan slant to the organization, moderates from Michigan and New York planned a Ford demonstration. The YRNF leadership begged with the organizers for the demonstration to be cancelled. They had apparently indicated to Callaway that Ford was without friends among the YRs. The demonstration proved otherwise. Efforts to squelch the demonstration only made the delegates yell louder. "I met with your leadership earlier—if you have any," said Callaway in his opening remarks.

Moderate ability to undermine the Team was also demonstrated in the resolutions fights where a number of the more offensive items were defeated. One delegate said he expected a "repeat of Atlanta," the 1973 YRNF convention where a spate of ultraconservative resolutions were passed. Instead, the tone of the 1975 YR resolutions was moderate-conservative and libertarian. One strenuous fight came over a resolution calling for congressional action on a balanced budget. When the resolu-

tion came to the floor, it was amended to include some anti-Ford language. Moderates were rallied and were defeating the amendment by 40 votes when the Team swung into action. Arms were twisted, deals were made, and the announcement of the vote delayed over 10 minutes. When the vote was announced, the amendment had been defeated by one vote. At that point, Dick Muse of Ohio, who later was appointed to the YRNF executive committee, moved to reconsider the vote; the right wing finally won after threatening appointments and trying to buy Michigan and New York with a promise not to bring an anti-Rockefeller resolution to the floor. The two delegations would make no deals.

The Team dominated the election of officers without trouble. Only one contest was held for assistant secretary where moderate Nancy Wilbur of Indiana was defeated. The new co-chairman is Clyda A. McLean of Oregon—who worked for Reagan's nomination in 1968. Behind the scenes, the Team's "Richilieu" seems to have changed. Former Buckley staffer David Jones, now executive director of the Tennessee Republican Party, has been succeeded in that role by Jesse Helms staffer Charles Black, a veteran of Young Americans for Freedom. ■

## POLITICS: PRESIDENCY

President Ford has already received an endorsement from the Ohio Republican State Central Committee and assurances of support from a meeting of top Illinois Republican leaders. Ford has a problem, however, when it comes to the vice presidential nomination. Even as Ronald Reagan's support has been drying up in the South, Campaign Manager Howard "Bo" Callaway has been courting potential allies with the temptation of a Rockefeller sacrifice. Since many conservatives would like to see Rockefeller twist quickly in the wind, Callaway's rhetoric has a certain simple appeal. Unfortunately, it is at variance with the President's public statements and tends to make the President look deceitful, devious, or indecisive. "Torturing Vice Presidents is a legal sport," columnist Mary McGrory has observed, "but considered unworthy of Presidents, who know they should not engage in it, but almost always do." In Ford's case, she concludes, the Rockefeller debate undermines the whole premise of Ford's candidacy—decency. It seems certain to annoy moderates—whether or not they love Rocky. Reagan support has not died, meanwhile, but without a general, the captains and majors have been reluctant to raise any banners much less lead any charges. A few recent observations on the status of the Republican presidential nomination follow:

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● "The Silent GOP," by William V. Shannon. New York Times, July 13, 1975. "Despite their impressive track record, progressive Republicans watch on the sidelines as President Ford rejects their opinions on legislation and turns for political counsel to Dean Burch, the manager of the Goldwater campaign. Progressives also see their talented people ignored...Elliot Richardson...William Ruckelshaus...Charles Goodell...Tom McCall...Frank Sargent...Progressive Republicans senators and their supporters know that Mr. Ford is severely handicapping himself by proceeding on the comfortable assumption that old-fashioned, stodgy, Chamber-of-Commerce conservatism can still carry the day. But Sen. [Charles] Percy, who would like to run, is reluctant to take the risks. Others are immobilized by their past loyalties to Mr. Rockefeller, who is at the President's side. Dispirited by past defeats in national conventions, the progressive Republicans watch in silence as Mr. Ford and his coterie of intimate lead the party down a narrowing road into the past."

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● "Campaign Assessment: Despite Strength in Polls, Ford Faces Some Obstacles in 1976 Presidential Bid," by R.W. Apple, Jr., New York Times, July 9, 1975. "Whatever Mr. Reagan Decides, many Republicans—conservatives as well as moderates—have concluded that his delay has already damaged whatever chances he had. One prominent conservative said today that Mr. Reagan 'still has the true believers, but Ford has gotten back the people who are Republicans first and conservatives second.' The Californian's only chance would appear to be victories or near-misses in the early primaries in New Hampshire and Florida, which would be difficult indeed."

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● "Ford Cuts Ground From Under GOP Right Wing," by William F. Buckley, Jr. Washington Star, July 16, 1975. "Gerald Ford is moving very quickly and effectively to paralyze a challenge from the right, which up until now has meant a challenge from Ronald Reagan. There is, for one thing, the early announcement of his candidacy—done amiably, rather matter-of-factly, and lacking therefore in that off-putting smell of a hunger for power that is associated with men of a different temperament." Buckley also points to the appointments of Howard Callaway, Dean Burch and David Packward as wise moves for Ford. Buckley makes the almost-universal point that Reagan is losing valuable time if he indeed expects to challenge Ford. "The Reagan forces have meanwhile reached a point somewhere between restlessness and desertion, and some of them are beginning to look coyly in the direction of John Connally, who would very much like to be President, and who makes powerful friends with great ease."

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● "First Roadblock: Conservatives," by Ted Knap. Knoxville News-Sentinel, July 13, 1975. According to columnist Knap, "Except for the Rockefeller problem, Ford has probably gone as far as he can to

appease the right. If he goes any further, he risks losing support among the majority who are neither conservatives nor liberals, but will judge Ford on his handling of the economy."

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● "Ford Moves Right(Sort Of)." National Review, August 1, 1975. "President Ford and his advisors recognize that the most serious threat to his current political fortunes comes from the Right. It is not clear, however, that they have correctly analyzed that threat, or that they recognize its implications for the future of the Republican Party," according to this National Review editorial note. Despite moves to appease conservatives, however, National Review sees the ghost of Melvin Laird lurking in Ford's background and is not pleased. "At the present time, the Ford Administration is sending out its Old Right signals under pressure from Reagan. But the Laird amalgam is present just beneath the surface, and it tends to percolate up when elections are not impending. And the Laird amalgam, even when combined with economic orthodoxy and a strong national defense, most certainly does not respond to the opportunities presented by the blue-collar and middle-class issues that have arisen during the years of simultaneous Republican and Democratic decline."

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● "Only Continued Challenge Will Keep Ford To The Right," by M. Stanton Evans. Human Events, July 12, 1975. Human Events and its contributors are heartened---but not overwhelmed---but Ford's turn to the right. They are convinced that the President has only responded to conservative pressure and is not acting from any true conservative convictions. In this article, American Conservative Union leader Evans writes:"While conservative policy stands are welcome whatever their motivation, this scenarios is not of the type to inspire enduring confidence in the Ford regime. Quite the contrary. If the Administration moves marginally to the right only under conservative pressure, the obvious lesson for conservatives is not to relax that pressure but to increase it. On past performance, the minute that conservative leverage is gone, continued 'pragmatic' drifting by the GOP is readily predictable."

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● "Reagan: Will He Or Won't He," by Martin Smith. Sacramento Bee, June 22, 1975. "One of Reagan's goals on his national barnstorming tours is to push Ford Administration policies to the right. Plainly, Reagan---or somebody---has succeeded in doing that." But, points out Smith, that success "has reduced anti-Ford feelings on the right, making it tougher to challenge him within his own party. So to the degree that Reagan has been successful in his ideological crusade, he has weakened himself politically."

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● "Ford Far Ahead of Reagan In GOP Stronghold," by Rowland Evans and Robert Novak. Boston Globe, July 23, 1975. "In just three months, Gerald R. Ford has transformed himself from a 'nice guy' who simply did not belong in the White House into a forceful leader both of his country and his party, who now runs far ahead of Ronald Reagan. That transformation in this rock-ribbed Republican town (pop.4235) 65 miles from Chicago would have seemed impossible when we came here last April and found Reagan pressing hard on the heels of an appointed President without a constituency." Reagan sentiment hasn't disappeared. It has simply deferred to a presidential performance.

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● "Open Up GOP Convention," by Patrick Buchanan. Chicago Tribune, June 29, 1975. Buchanan seconds the assertion by Sen. James Buckley(Cons.-N.Y.) that the GOP should hold an "open" convention in 1976...despite Ford's moves to appease conservatives. "Only since Republicans started talking publicly of bolting to Ronald Reagan has the President begun vetoing Democratic legislation again and again, with accompanying messages that read as though they had been ghosted in the offices of Sen. Barry Goldwater(R-Ariz.). For Republican conservatives to pronounce themselves satisfied, to drop the challenge now, to fall in step behind the President, is to forfeit all leverage upon administration policy, party platform, and the Vice Presidential nomination.

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● "Ronald Reagan's Decision Not Easy," by Reg Murphy. Atlanta Constitution, July 10, 1975. According to Constitution Editor Murphy,"...Reagan has more problems than opportunities in challenging Ford now. [Howard] Callaway will be effective with the reluctant Southern chairmen, Ford's own quiet campaign will be effective with the moderate Republicans, and the American public itself may not be all that enthusiastic about a more conservative President."

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● "An Accidental Presidency," by Marquis Childs. Washington Post, July 15, 1975. "Ford and those around him are successfully de-fanging the right wing of his party...But if he has neutralized the conservative wing of his party, Ford has offered little to the left of center. His concessions have been almost all in the conservative direction," writes Childs, who sees Ford's "passive" leadership as a possible problem. "This is perhaps the weakness of Ford's position, however strong it may seem at the moment. It would take very little slippage in the present gradual economic upturn to accentuate the passivity and the restraints on any strong action to bring unemployment back to a more or less acceptable rate of 4 to 5 percent. And that would weaken his careful stance in the middle of the political spectrum."

## POLITICS: STATES

Former Nebraska State Sen. Terry Carpenter(D) is threatening to run for the Senate again. The political switch-hitter, who came close to unseating Sen.

Carl Curtis in 1972, is considering another independent Senate run if his fellow Democrats nominate Gov. John J. Exon(D) next year for Sen. Roman Hruska's seat and the GOP nominates U.S.Rep. John Y. McCollister. Carpenter, a 75-year-old former Republican, is a longtime foe of Exon. Meanwhile, a former speaker of the unicameral legislature, Richard Proud, has announced his Senate candidacy on the Republican side. The conservative Proud also threatens to make an independent run if he loses the GOP primary

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● "Kennedy Gets Set For '76 Senate Race—He'll Run Hardest Against Himself," by Stephen Wermiel. Boston Globe, July 13, 1975. "At 43, [Sen. Edward M.] Kennedy is taking his reelection bid next year very seriously, this despite the fact he has no declared opposition to date. Kennedy, his aides, and even some Bay State Republicans concede that the strongest opposition is likely to be Kennedy himself—his controversial stands on such issues as busing, abortion, and gun control." Kennedy is concerned that presidential speculation will tempt Republicans to field a stronger candidate for the Senate than might be the case if they believed he really intended to seek reelection. Chappaquiddick, possible anti-incumbent sentiment among the voters, and strong anti-busing feelings in Massachusetts all weigh against Kennedy. If Kennedy were not in the race, at least four strong Republican candidates might consider a campaign: former Govs. Francis Sargent and John Volpe, U.S.Ambassador to Great Britain Elliot Richardson, and Middlesex County Sheriff John Buckley. All are members of the party's moderate-progressive wing while two other possible candidates—Radio talk show host Avi Nelson and former GOP State Chairman William Barnstead—are conservatives.

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● "Demos Run Poor Second To Brock In Poll," by Tim Wyngaard. Memphis Press-Scimitar, July 1, 1975. A GOP poll shows that Sen. Bill Brock(R-Tenn.) is in a surprisingly favorable position for his 1976 reelection race, running 25 percentage points ahead of Democrat Jake Butcher, the closest opponent. Other Democrats fall far behind. Gov. Ray Blanton(D), who has denied any senatorial intentions and who still has to deal with a federal grand jury investigation into his 1972 Senate campaign, received favorable approval ratings from less than half the poll's respondents. Watergate Prosecutor James Neal barely had recognizable name recognition in the poll although he had been touted last year as a possible Democratic Senate nominee.

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● "Policy Decision Bearing Fruit," by Paul Pittman. Clarksdale Press-Register. July 11, 1975. "A policy decision made earlier this year by state Republican leaders apparently is bearing fruit, as evidenced by the fact that 153 GOP candidates will be on the ballot in the November general election. Hard on the heels of the national Watergate disaster, State Chairman Clarke Reed, GOP Finance Chairman Billy Mounger and other state functionaries concluded that the state GOP should turn to domestic efforts and hopefully avoid any taint of what had transpired in the Nixon Administration...And the state GOP, probably for the first time, went to work to seriously attract candidates to identify as Republicans and seek office in this year's election." The GOP strategy—to the consternation of some Democrats—does not include primaries. Republicans have only one in the entire state this year. Meanwhile, the GOP's gubernatorial candidate, Gil Carmichael, has recruited State Rep. Robert Clark(D) for his campaign. Clark is the state's lone black legislator.

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● "State GOP Chooses Hutchison As Its Leader," by Carolyn Barta. Dallas Morning News, June 30, 1975. "Dallas State Rep. Ray Hutchison became state Republican chairman Sunday, vowing that by 1980, Republicans will elect a 'working majority' in the Texas House. Hutchison, who defeated Midland Mayor Ernest Angelo for the top state party job, said his goal is to elect 30-40 members to the 150-member House so that Republicans will hold the 'swing vote' or balance of power." Hutchison's 38-25 victory was interpreted as a plus for Sen. John Tower, who is allied with President Ford. The Angelo faction wanted the state to go uncommitted into the 1976 convention or be open to a Reagan presidential run. Hutchison almost ran for governor in 1974 and is considered a contender for a future statewide nomination, although he is not expected to seek reelection to the legislature.

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● "Republicans Hunt Candidate To Sacrifice Against Burdick," by Dick Dobson. Minot (North Dakota) Daily News, July 19, 1975. "Republican officials have not had any success to date in their efforts to find a 'sacrificial lamb' to run against Sen. Quentin N. Burdick(D-N.D.) in next year's election. Party officials began the search after considering, but then rejecting, the possibility of putting no candidate in the 1976 senatorial race, thus giving Burdick a free ticket for another six-year term," writes Dobson. "One good reason for GOP officials to find a candidate is that they can't control the party nomination. For instance, even if the Republican state convention decided to bypass a senatorial endorsement, that would not prevent anyone from filing in the primary election. The party could then be stuck with a renegade or an incompetent on its ticket." National Committeewoman Gerridee Wheeler has suggested that the GOP nominate a woman and Wheeler in turn has been suggested as that woman—along with State Rep. Aloha Eagles(R-Fargo) and Mary Jo Shide, a national officer of the General Federation of Women's Clubs.

# COMMENTARY: THE CITY

NEW YORK CITY, BIG MAC, AND URBAN NUTRITION

by Ralph E. Thayer

Writing a commentary on cities today without referencing the fiscal plight of New York City is akin to ignoring an imminent hurricane. My vantage point in Louisiana does not give me access to much inside information to embellish further the gory details of "Big Mac" (the new state-authorized borrowing authority) galloping to the rescue of Marshal Abe Beame and the New York City Profligates. It is worth noting, however, that the general comment of many people is that New York was long overdue for such a collapse, and no great regret is expressed. Having just returned from a long trip north, I can safely say that these are not solely southern opinions.

Perhaps some good can come out of New York's woes if we divine some more rational economic base for the urban future. One reason New York fell prey to the finance sharks was the use of very "innovative" financial gimmicks to postpone the day of reckoning. In effect, some of the best legal and financial minds in the country cut their eye teeth on the intricacies of urban finance by conjuring municipal band aids. Now that those temporary measures are coming apart, the blame is accumulating almost as rapidly as overdue interest payments. Where do we go from here?

No one knows what a city or suburb is supposed to do---except grow. In the city, the number of trapped poor grows; the suburbs see overly dense subdivisions march into the few remaining vacant areas. Result: moves to "no growth" policies in both areas. The outer suburbs are putting a cap on their growth; the cities are rotting from within; the inner suburbs are extremely vulnerable. This is the era of the corrective gimmick. As the dynamics of change accelerate in force and complexity, there is an increasing reliance on tricky gimmicks to postpone or otherwise defer rational decisions. The city of Ramapo, N.Y., publishes a point schedule for controlled development. Yonkers, N.Y., has to invent a gimmick to cope with its residents whose housing options are now more limited. It is easy to blame Yonkers for fiscal irresponsibility, but it is neither fair nor helpful. Nor can the blame be dropped on Ramapo, which is calculating the capacity of its area to absorb development in terms that are valid when a quality of life index is employed.

The "no fault" gimmick is the epitome of success today. At least New York has the tax base and trained management to survive the uncovering of gimmicks; whether Detroit, Gary, Newark, St. Louis, New Orleans, Buffalo, Boston or Seattle will be so fortunate is axiomatic. Those who read the city and suburban papers will be learning a lot about brinkmanship finance in the very near future.

The question of increased militancy of municipal and state employees obviously aggravates the urban dilemma. Recent statistics show that the overwhelming majority of the nation's citizens have no investment portfolio to supplement their salaries. Individually, these citizens are powerless to rectify the situation. But collectively, they can force the municipal money managers to get into the risky go-go fund format on their behalf. Victor Gotbaum's suggestion that New York City employees take pay raises in part through the form of six percent municipal bonds is an example of a proposal that is very similar in some respects to private investment in tax-exempt municipal bonds. Is it wrong for municipal employees to ask for this advantage? Is it a gimmick? Or, is it somewhat similar to profit-sharing wherein employees are encouraged to buy stock in the company at preferred rates. Undoubtedly, the plan will be labelled as an "irresponsible" act if it does not work. If it does work, it will be adopted by other unions and other cities. Whether municipal money managers are qualified or able---given the public nature of the operation---to come up with more such devices and guarantee that they will work is open to debate.

The problem of municipal pensions is equally serious. State legislatures have been most generous in awarding pension increases to favored groups and leaving municipalities to foot the bill. (This practice appears to be thankfully on the decline.) What is not on the decline is the spectre of pension systems sliding into insolvency. City employees have bought homes in city and suburban areas and will be forced to lobby for higher pension payments or face losing their homes to tax increases at retirement time. There is no problem if the retired employee wants to move and can get a buyer able to finance the asking price for the house and who is willing to pay the taxes assessed on it. If he/she is unable to recoup the housing investment, the retiring city employee is likely to be stranded and join neighbors in working against increases in municipal expenditures.

Many of those working against tax increases will be working against expenditures that are vital to the city's ability to fund pensions. A growing army of retiring city employees can supply the media with such tales of waste observed during their tenure as to diminish any chance

of the public agreeing to accept more taxes as anything less than a fiscal boondoggle. Meanwhile, capital funds will be diverted to cover operating expenditures and the financial fabric will continue to deteriorate. Who covers pension obligations if a city fund goes under is likely to be the next topic on page one. The retirees holding stock in New York's Con Ed who complain about the absence of dividends are in a similar situation to pensioners who watch the city crumble; their very survival seems to be threatened.

What many Republicans have failed to realize is that "application of business principles of sound management in urban problems" has about as much appeal in today's cities as the bubonic plague. To seriously entertain the thought that any private sector wizard could reorient the urban fiscal plight is to oversimplify the situation to an alarming degree. What we must ask is what is the collective responsibility for the deteriorating urban economy and how do we respond? Can we seriously take the advice of a businessman who has moved his plant to suburban New Jersey and left the city's troubles behind? What is the credibility of a business advisor if it is known that the bulk of his corporate activity is now in Taiwan where a wage rate of sixty cents an hour is possible?

Cities are not economically competitive today. They are the focal point for a plethora of social problems which undermine their economic function. So long as Republicans apply the classic economic location theory to the selection of new job sites, investments in older plants, and sources of personnel, the cities will continue to sag. Persons with no private sector backgrounds will be left at the fiscal controls of losing urban propositions. Once we realize that, perhaps progress can be made. In the interim, it might be noted that the original version of "Big Mac" is a convenience food and is not recommended as a healthy, long-term diet. ■

## COMMENTARY: BUSINESS

### THE EFFORT TO DISCREDIT OMBE

For the past year, the future of the federal minority enterprise program has been in serious doubt. The program's identification as a visible Republican initiative has made it fair game for some Democrats intent on bloodying it before 1976. Byzantine political maneuverings on several fronts have threatened to snuff out the Office of Minority Business Enterprise (OMBE), the Commerce Department agency created six years ago to spearhead this effort.

Involved in these maneuverings have been a diverse group of actors including Democratic National Chairman Robert Strauss, the National Association of Black Manufacturers, the Investigative Staff of the House Appropriations Committee, and a North Carolina newspaper. These openings were provided by some bobbling by the Office of Management and Budget (OMB), which for over two years has been conducting a spasmodic study of the minority enterprise program.

The object of all this plotting—the minority business program—is one of the few domestic initiatives of the last two decades to show encouraging signs of success. While the "War on Poverty" barely made a dent in the nation's poverty problem and public housing programs led to such wonders at St. Louis' Pruitt-Igoe project, the minority enterprise effort has on very modest funding registered steady gains in a generally sour economy. Minority firms have been growing much more rapidly than the general economy and are gradually closing the gap between minority and nonminority business.

A recent Census Bureau survey shows that the total receipts of minority businesses rose from \$10 billion in 1969 to \$16 billion in 1972. In the last six years, the deposit base of minority banks has more than tripled. Rapid gains are being made in the pivotal areas of transportation, manufacturing, and construction, all of which saw a virtual doubling of gross receipts by minority firms between 1969 and 1972. Cable television, where minority firms hold 30 franchises and are running five operating cable systems, is the first industry in American history to which minorities are breaking in at the takeoff point.

Despite these steady gains by a program enjoying a Republican identification among blacks, Hispanics, Asian Americans, and American Indians, two successive Republican Administrations have done relatively little to capitalize on this popularity. In fact, for over two years the Office of Management and Budget has been studying relations between OMBE and the Small Business Administration (SBA). The net cost to the Treasury of the federal minority business effort has remained relatively constant during this period—a little over \$100 million annually. About half of this amount consists of the OMBE budget devoted to program coordination, resource development, and funding of a national network of about 300 packaging and technical assistance organizations. Another \$20 million represents the Community Service Administration's community development corporation budget expended

on minority business development. Roughly \$30 million of SBA's budget is committed to primarily minority programs--the Section 8a preferential procurement program, the net cost of Economic Opportunity Loans, some technical assistance funds, and staff salaries.

Most of the \$700 million annually spent on federal procurement to minority firms occurs at little cost to the taxpayer. Over 60 percent of this represents non-8a procurements where the minority supplier is presumably the lowest suitable bidder. Even the \$300 million in procurements under Section 8a of the Small Business Act are generally negotiated at only slightly above the likely cost if such procurements were placed on competitive bid.

The incessant delays in the OMB study of these varied efforts have played into the hands of Administration critics who, in the summer of 1974, began to mount a major effort to discredit the minority business program. On June 24, 1974, two white investigators of the House Appropriations Committee were dispatched to give OMBE a thorough going-over. Meanwhile, the General Accounting Office was also requested to conduct an investigation of the minority business program. Subsequently, the Raleigh News and Observer, a staunch Democratic paper, launched a crusade against Soul City, a black "new town" in North Carolina conceived by civil rights leader Floyd McKissick and supported by OMBE. McKissick's principal sin apparently was being an avid Republican and ally of Gov. James Holshouser(R), not a Raleigh News and Observer favorite.

Despite the fact that Soul City is one of the few new towns in the country supported by the Department of Housing and Urban Development that is still making headway, the News and Observer sought to paint it as some sort of McKissick ripoff. Ultimately, these charges of wrongdoing were found to have no basis by fiscal investigators from the heavily-Democratic North Carolina legislature.

Finally, moving into this imbroglio was a small, OMBE-funded trade association, the National Association of Black Manufacturers (NABM). Claiming a membership of 250 of the more than 4,000 black manufacturing firms in the United States, NABM had, for several years, been maneuvering to dominate the minority enterprise program. The group had come within a hair's breadth in early 1973 of placing their choice, Norman Hodges, in the OMBE directorship. Outgoing Director John Jenkins succeeded in shooting down the Hodges candidacy, however, thus opening the way to a Mexican-American director, Alex Armendaris. NABM then launched an intensive and successful campaign to persuade the Nixon White House to select a NABM leader, John Grayson, as OMBE deputy director. After only a few months, Grayson had to resign in order that a California electronics firm in which he was a half-owner could conclude a \$2 million 8a contract with the Small Business Administration.

Frustrated in its efforts to dominate OMBE policy making, NABM apparently also concluded shortly after Gerald Ford's ascension to the Presidency that the Democrats were likely to capture the White House in 1976. Accordingly, they invited Democratic National Chairman Robert Strauss not normally regarded as an expert on minority enterprise, to be the keynote speaker at their March 28, 1975 convention in San Francisco. While there, Strauss met privately with the group's Executive Board. Shortly after this appearance, Strauss agreed to arrange a meeting for the NABM board with the Democratic congressional leadership. On May 7, 1975, eight Democratic legislators, including Senate Whip Robert Byrd and House Majority Leader Thomas P. O'Neill, Jr., were summoned by Strauss for a meeting with NABM board members. The National Association of Black Manufacturers presented a program requesting more government contracts for its members and urging replacement of OMBE by another agency.

Two weeks later, the report of the two staff investigators of the House Appropriations Committee was leaked to the Washington Post. The report was given front page coverage after Memorial Day. The staff documents was one of the shoddiest hatchet jobs produced on the Hill in many a year and contained some incredibly naive prescriptions. One was to eliminate the national network of minority business assistance organizations and replace them, if necessary, by federal civil servants.

There was an immediate and intense reaction among a host of minority economic development organizations. Some of these have scored gains of striking proportions. The Spanish-oriented National Economic Development Association (NEDA), for example, has secured over the last four years, over \$250 million in financing for minority businesses. Only 2.5 percent of these businesses have failed. Another OMBE-supported business development organization, the Colorado Economic Development Association (CEDA) has started hundreds of minority businesses in the Denver area--including 80 that are each doing in excess of \$1 million business annually. Cablecommunications Resource Center, an OMBE-funded group based in Washington, has played a role in virtually every cable TV franchise obtained by a minority firm.

The crudeness and extremity of the House Appropriations Committee investigative staff report immediately generated a counterreaction spanning the political spectrum. Conservative writer James J. Kilpatrick wrote a nationally-syndicated column vigorously defending OMBE. Carl Rowan found himself in essential agreement with Kilpatrick for the first time in recent memory. Pennsylvania Gov. Milton Shapp(D), U.S.Reps. Frederick Richmond(D-N.Y.) and Alan Steelman(R-Tex.), the National Urban League, and the U.S.Conference of Mayors sprung vigorously to the defense of OMBE. Liberal and conservative, Republican and Democratic lines were blurred as people rushed to defend a program which had made great headway in their localities.

Despite this groundswell of support for the program, the House Appropriations Committee cut the OMBE budget request \$2.8 million, a little over 5 percent, and asked the legislative and oversight committee to conduct detailed hearings into the OMBE program. These hearings had earlier been requested by Robert Strauss.

The SBA Oversight and Minority Enterprise Subcommittee of the House Small Business Committee convened hearings July 8-10 under the chairmanship of U.S.Rep. Joseph Addabbo(D-N.Y.). While the inquiry into the future of the minority enterprise program was far reaching, the tenor of the hearings was notably mild. Addabbo and other subcommittee Democrats approached the questioning in a fairly nonpartisan manner. Whatever might be the intentions of others, the subcommittee members did not seem eager to gut the agency entrusted with the minority enterprise program. This hesitancy was undoubtedly reinforced when SBA Administrator Thomas Kleppe testified before the subcommittee, unaccompanied by SBA's associate administrator for minority enterprise, Connie Mack Higgins. Virtually all serious discussion of dismantling OMBE has centered on its possible movement to SBA. Yet Kleppe displayed a distinct lack of enthusiasm for this possibility and seemed to underscore it by leaving Higgins at home.

Meanwhile, OMB, now under the able leadership of James Lynn, formerly active in the OMBE effort while general counsel and undersecretary of commerce, seemed ready to conclude its study. Calvin Collier, a Lynn protege now overseeing the study, informed the Addabbo subcommittee that OMB's recommendations would be ready in August. Collier indicated personal leanings against any sweeping reorganization of the program.

Thus OMBE, like Pauline, seemed likely to survive its multitudinous perils. Preparing to launch with major corporate support a campaign for a billion dollars in minority corporate purchasing, OMBE has already pioneered a technology transfer program capitalizing minority firms to produce space technology spinoff products. Having now demonstrated strong bipartisan support, the continued minority enterprise efforts would spur the movement of minority firms into the twenty-first century. Once restricted to "Mom" and "Pop" stores, minority business need no longer ride at the back of the bus. ■

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