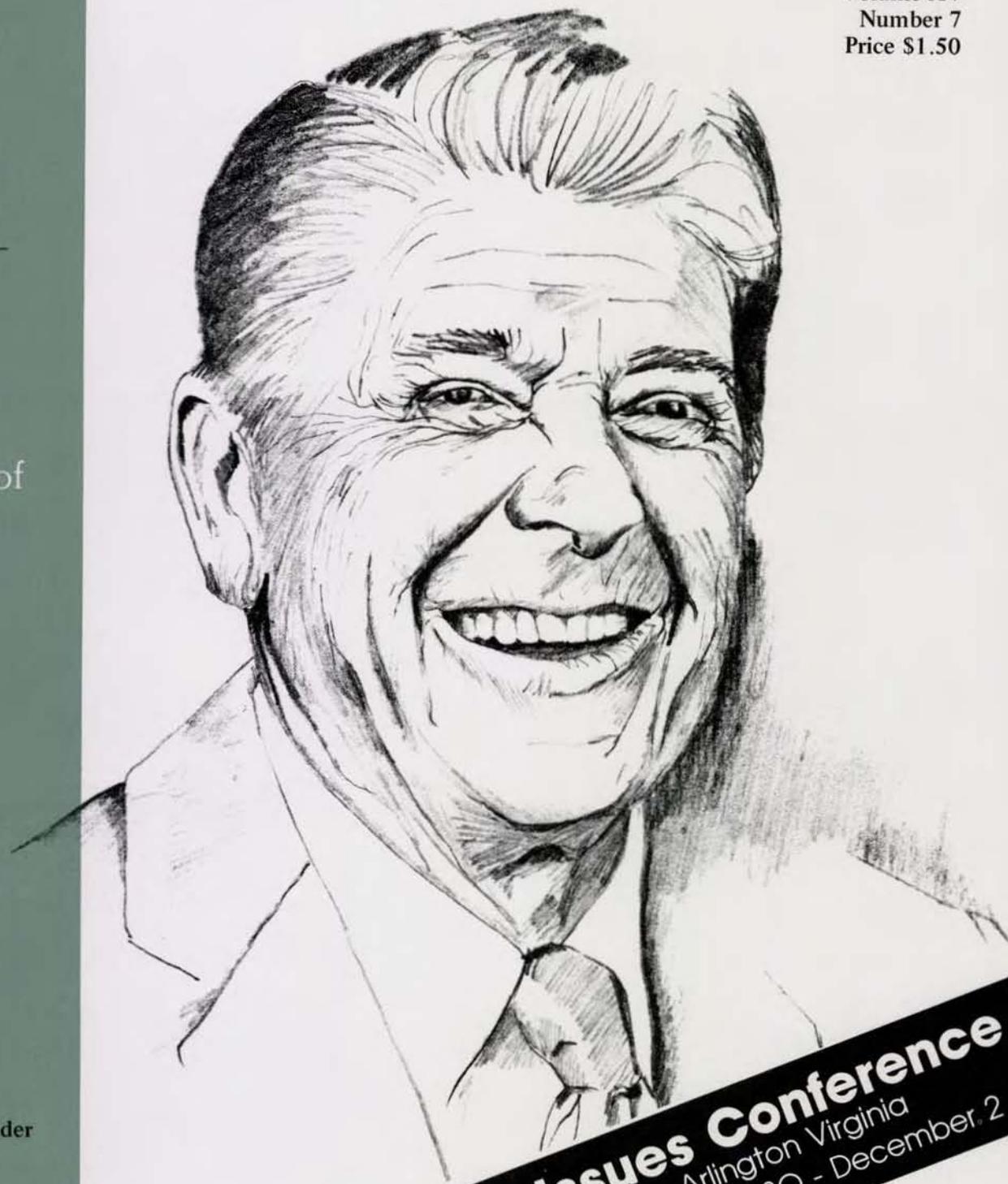


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RIPON FORUM

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On the Cover—
Ronald Reagan
Leading Man
or Final Act?

Commentary

Energy Policy:
We Need a Churchill
and What Do We Have —
Chamberlain?

The Alchemy of
Big Oil:

Turning Blunders
into Dollars

The Politics
of Justice

Political
Potpourri

Kearney's Most Fatal Blunder
and more

Issues Conference
Arlington Virginia
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RIPON FORUM

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COMMENTARY

Energy Leadership: We Need a Churchill and What Do We Have— a Chamberlain?

After a week and a half in the Catoctin mountains meeting with scores of American leaders President Carter would, we hoped, show the courage and vision to lead this nation out of the national malaise brought on by his inept and vacillating leadership. Yet instead of a clear-sighted attack on our nation's mounting energy and inflation problems President Carter has given us a largely politically contrived energy program designed primarily to revive his failing Presidency.

The continued deterioration of the dollar on the international money markets indicates that foreign observers view the Camp David Summit and its aftermath as more an act of political theater than of national resolution. The cast of characters at all the key Camp David deliberations—Hamilton Jordan, Jody Powell, Patrick Caddell, Gerald Rafshoon, Rosalynn Carter, Walter Mondale and Stuart Eizenstat are the Administration's political honchos. None except Stuart Eizenstat can make a claim to more than passing familiarity with energy issues. Eizenstat's interest in the merits rather than the politics of the issue are belied by his June 27th memo to Carter recommending that the President use OPEC as a scapegoat for the nation's troubled economic state.

As an act of oratory Carter's address to the nation of July 15th was his best since his acceptance speech three years earlier. It was, however, far more an act of political legerdemain than of high statesmanship. By equating the gnawing public doubts about his leadership capacity with a general crisis of confidence in ourselves Carter has tried to exchange the role of Chief Executive for that of Chief Moral Critic. In his speech to the National Association of Counties and later venture to Bardstown Carter revealed the outlines of his new political approach. Jimmy Carter, the same man who

has presided over the government in Washington the past two and a half years intends to run against Washington and its bureaucracy.

Somehow we doubt that this will play in Peoria, Portland or Pittsburgh. Three years ago our present Chief Executive promised that he would never lie to us, that he would give us a government as good as ourselves and that he would reorganize government to slash the powers of an overmeddlesome Federal bureaucracy. The most tangible product of Carter's reorganization thrust is the Department of Energy, a modern day Frankenstein's monster. While pruned of a few advisory councils, the bureaucracy under Carter's direction has mushroomed to include one and soon two new Cabinet Departments. The Carter commitment to a Department of Energy and a Department of Education was less a function of strategic conception than of political symbolism or horse-trading.

The same cosmetic element seems to dominate Carter's Newest Energy Policy. Seemingly masterminded by the President's two leading energy advisors, Pat Caddell and Gerald Rafshoon, Carter's energy stance threatens to make Jerry Brown look like a relative pillar of substance. A grab bag of contradictory and sometimes counterproductive nostrums, the Carter energy crusade seems designed primarily to create an image of activism and leadership. It offers a curious blend of rhetoric of sacrifice, dramatic long term goals to be achieved long after Carter has left office, and a minimum of personal sacrifice until after the 1980 elections.

Except for its strongly rhetorical flavor the Carter energy program is a pudding without a theme. It does virtually nothing

in the market place. As Frederic Kellogg's article in the current *Forum* indicates, the recent petroleum crisis was due in no small degree to an excess drawing down of inventories last year by the major oil companies. In a highly competitive industry such a miscalculation would have proved economically damaging; in the peculiar circumstances of our oil industry it seems to have redounded considerably to the benefit of Big Oil.

Although the capital intensive nature of most fossil fuel energy extraction methods necessitates sophisticated and often huge industrial combines, government policies should hardly exacerbate the tendency toward oligopoly. Yet under the crazy quilt regulatory and allocation system now in effect, many small refineries, independent oil distributors and service station operators have fared less well than they would have in a completely deregulated market.

Not only has Carter failed to alleviate the regulatory pressures toward oligopoly, the President seems on the verge of introducing similar concentration to the emerging soon to be heavily state subsidized, synthetic fuel industry. To the extent that it is possible to glean a tilt to Carter's synthetic and alternative fuel thrusts, there seems a distinct bias toward massive scale projects presumably run by existing corporate giants. Moreover, a strong case can be made that some of the most startling innovations in energy technology—breakthroughs in automobile engine mileage, advanced fuel fusion, etc.—are most likely to come through the efforts of relatively thinly funded companies or maverick inventors. The Carter energy production program seems at first glance to put most of its eggs into the hardly empty baskets of major energy companies. In the name of energy security the

“Seemingly masterminded by the President's two leading energy advisors, Pat Caddell and Gerald Rafshoon, Carter's energy stance threatens to make Jerry Brown look like a relative pillar of substance. A grab bag of contradictory and sometimes counterproductive nostrums, the Carter energy crusade seems designed primarily to create an image of activism and leadership. It offers a curious blend of rhetoric of sacrifice, dramatic long term goals to be achieved long after Carter has left office, and a minimum of personal sacrifice until after the 1980 election.”

ing in the near term to counter the ascendant economic and political power of OPEC. It leaves in effect the Kafkaesque regulatory apparatus that has given us simultaneous long gas lines in urban areas, ample gasoline but little diesel fuel in rural areas, and an atmosphere of energy paranoia all across the country. In its multi-billion dollar gestures to develop alternative sources of energy Carter's Newest Energy Policy does nothing to redress the absence of competition from the U.S. energy industry.

Since the OPEC cartel's huge price hikes in 1973 the biggest U.S. based oil multinationals have become even more dominant in the U. S. market. The increasingly oligopolistic structure of much of the petroleum industry has further insulated the large oil companies from many of the vicissitudes of the

nation may be committed to numerous non-price competitive multi-billion dollar processing facilities. A far more promising mix of Federal energy dollars would have involved commitment of a greater portion of such funds to research to encourage radical breakthroughs that will produce immediately price competitive energy technologies.

The President has sought with some political success to wrap his latest energy proposals in an aura of patriotism. They are, we are told, a test of national will; if we have confidence in ourselves as a nation we will rally around them. Yet on the most critical indication of national will, the price of gasoline, the Administration has flown the white flag. The price of gasoline in the U.S. is well below half the gas price in most industrial nations of the world. As a result Americans are

wasting a precious and soon to be exhausted domestic asset at a rate far greater than their foreign counterparts. The French and other Europeans hardly quit driving when gas prices shot to two to three dollars per gallon, but they certainly bought smaller and more energy efficient cars. Carter's insistence on subsidizing gasoline consumption by maintaining artificially low gasoline prices has already produced a summer of gas lines in many American cities and has wasted billions of dollars in the value of motorists' waiting time.

By failing either to propose immediate energy price decontrol or to recommend a huge increase in Federal gasoline excise taxes Carter is playing the patsy for the OPEC cartel. Present domestic oil and gas policies have a doubly troubling effect. By encouraging greater consumption than would occur if American consumers were paying world market prices, they dramatically strengthen the whip hand of OPEC. The rapid explosion of OPEC price levels is grounded to a significant extent in the thirst of the American motorist for the gasoline he needs to maintain his standard of driving. Ironically the effects of our two tiered fuel policy may be more expensive to the American consumer in the medium term than a policy of total decontrol. The strength of the OPEC cartel and its effective price level is a function of our thirst for each incremental barrel of oil. An extra ten percent in U.S. gasoline consumption may ultimately support an OPEC price increase of huge proportion.

Moreover, our readily accessible domestic petroleum supplies are certainly going to be depleted within one or two generations. A variety of technologies to convert or extract oil from coal, tar sands and shale will certainly permit us to maintain a partially gasoline based economy. The per gallon price of such fuel is likely to be very high and to be visited largely on our children and grandchildren. By encouraging depletion of domestic oil at well below world market rates Carter is in effect giving future generations a legacy of a lower standard of living. In his July 15th address the President spoke eloquently of our confidence in the future; unfortunately his energy policy will hardly build such a future.

American energy policy can be far more purposeful than that proposed by Carter. At a minimum a rational energy policy should involve the following elements: 1) equilibrium between U.S. energy prices and world market prices, 2) a credible program to moderate and counter the political and economic power of the OPEC cartel and thus to restrain the world market price of oil, 3) encouragement of competition at various levels of the energy industry and in areas of new energy technology and 4) research emphasis on energy technologies that have a reasonable prospect of being price competitive. The optimum means of implementing each of these elements is subject to debate and domestic political realities would undoubtedly reshape any program, even one which most economists and international financial analysts might consider ideal. A rational energy policy should:

1) *Establish equilibrium between U.S. domestic energy prices and world market prices.* This might be accomplished by immediate and total energy decontrol, a much higher gasoline excise tax or a combination of the two. The proceeds of a gasoline excise tax could be used to provide for

dollar per dollar reductions in payroll taxes. Commercial vehicles—trucks, taxis, etc., could conceivably be exempted from such a tax.

Such a tax could discourage gasoline consumption without simultaneously fueling inflation. Immediate oil decontrol would also raise price levels and discourage gasoline consumption. Domestic oil producers would benefit from such a move, whether their gain would be "a windfall" is a matter of one's perspective. If a substantial windfall profits tax is to be exacted to appease a petrophobic public opinion or to mitigate hardships, some of the proceeds could be used to reduce the heating fuel burden to households particularly in the Northern states. Heating cost rebates could be made to American families based on a formula of degree days in their area over the previous year, i.e., the sum over a year of the degrees each day that the mean temperature falls below a certain temperature, for instance 45°F. Such a formula would allow people in the coldest climates some cushion against skyrocketing heating oil costs while in no way reducing their incentives to conserve fuel. The present de facto subsidies to heating oil reduce modestly the impetus toward fuel conservation. Any heating oil rebate should last for no more than a two or three transitional period in which families would have plenty of time to insulate or thermopane their homes.

2) *Develop a credible program to counter the economic and political power of the OPEC cartel.* To break or counter the power of a producers' cartel the classic approach in economy theory is to organize a purchasers' cartel. This reduces the possibility of individual consumers bidding up the marginal price of a product to extortionate levels. Ideally under such an approach the major oil importing nations of the United States, Japan and the Common Market countries would agree to a supranational authority with exclusive oil purchasing power. This authority would allocate its purchases to participating countries according to a perarranged market share. Each participating member government could auction off its share to energy purchasers, e.g., major oil companies, individual refineries, etc., in its own country.

There are enormous practical and political problems in forging such a counter cartel. The effort, if successful, might yield some very definite economic and political benefits. The counter cartel would protect individual oil importing countries from a threat of an oil cutoff on political grounds. In recent months Nigeria and several Middle Eastern nations have threatened the U.S. with such action or have hinted that they might resort to an embargo if U.S. foreign policy proved displeasing. It is very unlikely that the OPEC countries could sustain an embargo against all the industrialized nations of the Free World. If successful, the oil importing cartel might exert a downward pressure on OPEC prices.

While the United States might, as many members of the House of Representatives have proposed, set up an American version of this counter cartel with the U.S. government purchasing and reselling all oil imports, a supranational authority may be just as attainable and far more efficacious. Once and if the OPEC cartel is broken, the counter cartel could be dismantled.

Even if it does not construct a counter cartel the United

States should recognize that foreign policy leverage is a two way street. We can use it on our "allies" as well as playing their patsy. While moving for fundamental breakthroughs within a decade in auto engine design, fusion or solar technology, etc., we should exert maximum leverage on the

a similar phenomenon in operation. Increased employment, economic deconcentration, enhanced competition, increased productivity, etc., that would result from the formation of a new small business sector might well end the current economic stagnation.

"By failing either to propose immediate energy price decontrol or to recommend a huge increase in Federal gasoline excise taxes Carter is playing the patsy for the OPEC cartel. Present domestic oil and gas policies have a doubly troubling effect. By encouraging greater consumption than would occur if American consumers were paying world market prices, they dramatically strengthen the whip hand of OPEC."

Saudis and the Persian Gulf sheikhdoms to maintain a tolerable pricing structure. We should make it clear that we can meet rapacious price increases by cutting off military and industrial development aid. This is hardly likely to drive these feudal oligarchies into the Communist camp.

3) *Foster competition in the energy industry.* The policies of the Department of Energy have to date operated to lessen competition in the energy industry. Regulations allocating petroleum supplies to refiners tend to drive jobbers, brokers, and independent refiners without long-term supply contracts out of business by reducing the supplies reaching the spot market. This portion of the oil market was essentially free and tended to stabilize the world price, but its operation is further restricted by the lack of supplies to trade. Price-setting by the OPEC cartel is reinforced by continued control of domestic prices. These factors make it even more difficult for small and independent firms that need to develop new domestic sources to compete against the major companies.

The same tilt toward large, established companies will emerge in any Federally directed research effort, such as Carter's proposed Energy Security Administration. Funds will go to "responsible" contractors, multinational firms with in-house engineering and construction capacities (and Washington representation). A certain percentage of funds will go to "small" firms, most likely distributed according to strictly political criteria. This process usually means a number of "research and demonstration" projects scattered around the country utilizing already proven technologies. Because of prohibitions commonly found in Federal grants and contracts against providing capital assets to profit-making firms, these projects, in spite of their characterization as "capacity building", cannot evolve into successful businesses.

A properly focused energy policy should not increase the complexity of the regulatory process even further, which is just what gasoline allocation and rationing plans entail. Nor should a rational policy maintain or increase current economic concentrations. A fundamental restructuring of the economy, with radical shifts in manufacturing processes, transportation and other patterns of energy usage would offer considerable opportunities to foster new businesses. In the boom of the 1960's which was marked by an explosive growth in small, technologically oriented firms, we witnessed

Instead of substituting Federally-run enterprises for the market, the Federal government should support the market as the most efficient means for restructuring the economy. A major barrier to the operation of the market is the structure of existing programs to assist small and innovative businesses. The Solar Bank concept should be expanded to provide financing to *all* types of alternative energy sources, including devices or techniques which are energy *conserving* rather than energy producing. The existing technological structure requires that petroleum be husbanded for use in automobiles, plastics and pharmaceuticals. But "fixed" energy uses such as heating, generation of electricity or steam, etc., can be met by coal, solar, or other energy sources. Cross-elasticity, i.e., substitution of energy source based solely on price, will be limited by these constraints. But if the concept of net energy cost is introduced, the trade off becomes increased operating efficiency versus price, the conservation option. The statutory provisions of the Energy Conservation Tax Act of 1978 do not expressly make the full range of energy saving technologies eligible for tax benefits. The IRS has been negligent in not issuing implementing regulations for this legislation which could be a major stimulus for innovation.

The lack of Federal support for scientific research and technical research and technical innovation has placed U.S. firms at a competitive disadvantage. The Japanese and European governments expend substantially greater sums on such efforts and do not rely on private, corporate research to renew industrial capacity. Diseconomies of scale, including costs of product development, retooling, advertising, parts inventory, may preclude a major corporation from exploiting a product that would prove profitable for a smaller, less-structured firm. Federally developed innovations could be licensed to smaller, more appropriately sized firms.

A sweeping review of Federal patent policy and related licensing practices should be initiated to locate regulatory barriers to the application and commercialization of technical innovations. Appropriate corrective legislation should be enacted by Congress.

Federal business assistance programs should be restructured to provide technical assistance tailored to meet the needs of energy and other technological firms. Procedures for obtaining patents, financing, and public contracts should be stand-

ardized to reduce the incredible regulatory burden imposed by the current crazy-quilt division of responsibilities among Federal agencies.

4) *Emphasize technologies that are price competitive.* One of the hottest topics on the financial pages in recent months has been synfuels. The production of synthetic liquid fuels from coal, oil shale, and tars has been technologically feasible for years, but the economic and environmental costs have kept private enterprise from entering the field. These same constraints, which were cited in opposition to Project Independence several years ago, are equally applicable today. The bottom line is that these technologies are not now profitable without Federal guarantees of financing and long-term purchase contracts.

Carter's proposed Federal investment of \$88 billion (which Congress is justifiably reluctant to appropriate) to produce 2.5 million barrels of synfuel by 1990 is premised on a continuing increase in world oil prices. Assuming all the technical, engineering and construction problems can be resolved on time with no cost overruns (and that pigs have wings), a barrel of synfuel will cost \$30 in current dollars, 50 percent more than the world price for petroleum. The price of crude oil has been raised to an artificially high level by OPEC in order to maintain the real terms of trade between the producing countries and the rapidly inflating American economy. In July, the Secretary General of OPEC stated that the price of oil would be adjusted every time the value of the dollar declined five percent.

The current inflation rate was worsened by Carter administration policies. In 1977, increases in transfer payments, the minimum wage, Social Security taxes, and expansionary Federal spending were legislated that exacerbated the underlying rate of inflation. At the same time, domestic price control effectively promotes consumption by insulating the American economy from true energy costs and postponing inevitable economic adjustments.

In this light, the economic policies of the United States have been irresponsible and perhaps even more adverse than those of OPEC to the best interests of consuming nations. OPEC wants a healthy return, both today and in future years, for its diminishing oil resources. Most of these countries are dependent on oil revenues for their own long-term economic development. Decontrol and conservation in the United States would marginally increase supplies and substantially reduce consumption, thereby guaranteeing that world oil reserves would last into the next century. If world market equilibrium was established and the devaluation of the dollar halted, the price of oil would stabilize at a level below the anticipated cost of synfuel.

The enormous environmental questions raised by synfuel have still not been answered. Strip mining on such a scale has never been attempted. Such activities introduce acid and other poisons into ground water. Public lands in the west, which would be a prime target for mining, are already afflicted with desertification from over grazing. Any available water would be required for the actual manufacture of synfuel. Assuming the land could be rehabilitated after mining, the costs could be staggering. Breakthroughs in extraction or processing techniques may ultimately mitigate these environ-

mental concerns and make some forms of synthetic fuel price competitive. Yet Carter's newest Energy Policy seems geared to building a host of multi-billion dollar "state of the art" synfuel plants, i.e., those that will be both environmentally destructive and non-price competitive.

Much greater use of coal for electric power generation is a far more sensible option for the United States. Not only would such an effort mean increased employment in many older, declining industrial regions, it would also involve the location of huge power generating facilities in sparsely populated western states. Rather than shipping coal, electric utilities could transmit power many hundreds of miles to distant population centers. The enormous sums proposed for synfuel, if committed, would materially restrict the availability of funds for development of coal and other energy resources as well as more efficient energy distribution systems.

Substantial progress has been made in cleaning up coal combustion in recent years, especially in the elimination of particular sulphur compounds. In a favorable investment climate, proven antipollution techniques could be implemented as part of the general process of modernizing manufacturing and generating processes. Corporations could be allowed to take long-term tax credits for both energy and environmental investment tax credits.

The Federal government should continue to support research on high technology solutions such as synfuels, fusion and photo-voltaic solar, but much more on a multinational level. The rhetorical statements of recent years about the need for international cooperation must be translated into an institutional framework. Ad hoc scientific cooperation is already widespread. The developed countries, already organized into the Organization for Economic Cooperation and Development (OECD), should jointly sponsor research through the International Energy Agency, the International Atomic Energy Agency and other entities. A proto-typical, cost-effective coal gasification plant or a net energy-producing, non-polluting fusion reactor may be quite expensive to develop. Canada's experience with its shale conversion plant demonstrates the advantage of sharing development costs multilaterally. Once developed, new technologies could then be shared with all participating countries for either public or private development depending on the structures of their respective political economies.

The energy crisis provides a real opportunity for international cooperation. Trade liberalization, economic interdependence and social integration would all be furthered by the development of common solutions to the common crisis of the advanced industrial democracies. National institutions are no longer sufficient to manage the world energy market.

Failing to recognize that the fundamental nature of the American economy is entrepreneurial, Jimmy Carter has floated a jerry built solution that is foredoomed to failure. If Carter's energy policies can still be charitably described as the moral equivalent of war, then he is asking us to march under a banner of abject appeasement. The future of our children and indeed the economic and environmental health of our planet depend on our willingness to show the courage lacked by our elected Chief Executive. ■

The Lessons of Deficiency: Regulation, Competition and the 1979 Oil Crisis

by Frederic R. Kellogg

The most striking and least understood fact about the 1979 fuel shortages is that their primary causes are not foreign, but domestic. They have resulted not from cutoffs at the source but from failure to plan for contingencies. Petroleum products on which we rely do not flow in a continuous pipe from the ground to the combustion chamber. Such is the nature of the industry that from its beginnings over a century ago, unpredictable gluts and shortages in production, in the absence of reserve inventories, have carried prices on a wild roller coaster, making the need for stability the industry's dominant force. During this century stability has been achieved by a combination of storage and planned production. The industry is no longer a floating crap game, intolerable for any permanent business enterprise, only because it has become an industry of planned inventories, with excess oil kept below ground.

The current shortages stem not so much from the Iranian revolution and last spring's OPEC cutbacks but from low domestic inventories. These inventories were drawn down during periods well in advance of Iran/OPEC, at times when there was no difficulty in obtaining crude oil. For example, distillate #2 oil, which is both home heating oil and diesel fuel, must be at a level of at least 230 million barrels by the early fall to carry this country safely through the winter. Inventories are normally accumulated from early in the preceding spring. American Petroleum Institute statistics¹ show that, although we had an ample 232 million barrels in September 1977, inventories were down to 200 million barrels by September of 1978, a level which explains the fact that current inventories are substantially lower than they were at

this time the previous year. The danger was obvious early last spring, when we were down to just over 104 million barrels in April; this was nearly 21 million barrels less than we had at the same time in the previous year. In short, the current shortage had its origins well before the Iran/OPEC complications.

A similar analysis, although it is more complex, applies to gasoline. Long lines at gas stations have had little to do with the upheavals abroad. Indeed foreign developments did not even create a significant shortage of crude oil at all. This startling fact was reported to the House of Representatives last June by Alfred F. Dougherty, Jr., Director of the Bureau of Competition in the Federal Trade Commission: not only was crude oil *not* in short supply here as a result of cutbacks in Iranian production, but while ample crude oil was being imported, domestic refinery utilization was dropping to 84% of capacity. Thus, said Dougherty last June, "Domestic refiners do not appear to have been straining to satisfy the demands of the consumer." Stressing the inadequacy of public information about the oil industry, he asked:

If crude oil imports continued at near-normal levels, but refineries were not being utilized at maximum rates, where did the crude oil go?

It turned out that no one, including Energy Secretary Schlesinger, knew the answer. But whether it was miscalculation, conspiracy, greed, or something altogether innocent, does not matter. What the events of 1979 demonstrate is that we are caught in a Catch-22. Deregulation of the oil industry by itself would not prevent such developments

¹For the purposes of this discussion, figures for Districts I-IV (the U.S. excluding the West Coast) are used, as the West Coast is controlled by special factors not affecting this analysis. Original credit for this analysis belongs to Dr. Joseph Lerner of Energy Economics Associates.

Frederic Kellogg is a Washington, D.C. attorney who has worked in the energy field.

from happening again, and yet regulation has not only failed to prevent them but has in many ways made matters worse. We know from the past four years that we cannot rely on the perceptions, or the pronouncements, of either the industry or the government. We cannot bring competition and price control to the oil industry without deregulation, but flat deregulation by itself will not enhance competition either.

The current debate concerning the petroleum industry is wholly distorted by oversimple use of the notions of regulation and competition. Competition is the only force that can effectively control prices, but prices will climb dramatically if the government removes controls. Meanwhile the basic facts of 1979 should remind us that the situation is not entirely subject to foreign events and out of our control. Given the fact that petroleum is an industry of planning and inventories caused our current crisis, and that not only was it preventable but refineries were being underutilized even after the events of Iran/OPEC had occurred, what are we to conclude?

The ultimate conclusion is that there is a need for more, smaller, stable, independent entities in the petroleum industry. The gross miscalculations leading to 1979 can only have been made with decision-making committed, as it has been, to too few. With only a few large entities involved there has been no economic penalty for error; indeed, the skyrocketing prices of oil products have made the miscalculations so profitable that no practicable windfall tax is likely to redress them. Were the industry sufficiently fragmented the opposite condition would arise. No smaller company could afford failure to maintain a proportionate share of sufficient reserves for those with more prescience would gain enormous advantage².

The oil crisis of 1979 is essentially a result of failure by the industry to plan in advance. The problem with the current system is that the relatively few entities responsible for the blunder are not paying for it, but are instead profiting enormously due to increased customer prices. If a sufficient number of independent competitors had existed during the period in which the blunder was committed, inventories could have been reduced only at the peril of being placed in a dangerous competitive disadvantage.

What governmental policy is suggested by this? There are innumerable small and independent sources of competition in the oil industry, and current regulatory power is sufficient to encourage their growth. The major difficulty stems from the fact that they lack access to scarce crude oil at a price competitive with the major companies, who already own and produce it. Present policy under the entitlements program has failed to compensate for this in a manner which will fully stimulate competition. The overriding fact remains, however, that fierce competition will arise at any and every stage of production, refining and marketing if given half a chance, and it is only through widespread competition that prices will be controlled. The cost of removing a barrel of oil from the ground is disproportionately low in comparison with

² This assumes, and also brings out the importance of, adequate public reporting of reserves.

current prices, and price reduction can only be achieved through competition.

While the entitlements program is far from perfect, it is ironic that the Department of Energy, at the very time when the lines were lengthening at the gas pump, was taking steps to remove the entitlements incentive for new entrants into the refining industry. The irony was heightened by the revelation, shortly thereafter, that indeed more crude oil was being imported into the country than was being refined, suggesting that the integrated oil companies were purposely underutilizing their refining capacity at a time of shortage. Secretary Schlesinger himself responded by criticizing the industry for stockpiling crude oil instead of refining it. A more effective response would have been a policy designed to encourage the growth of competitive, independent refiners and reallocate available oil to them. No one who is aware of the plight of independent refiners can doubt that they would have refined every drop of available crude oil they could get.

The lessons of deficiency are that deregulation alone, without assuring the growth of more stable independent entities, will not bring about adequate competition or cure the problems of the oil industry. Customer prices will rise even higher, stimulated by the critical shortage which was itself the result of an insufficient competitive counterforce to penalize the miscalculations which brought it about.

Yet deregulation is ultimately the only way to remedy the fundamental problems of the oil industry. Deregulation must, however, be accompanied by strongly pro-competitive policies designed to reduce barriers to entry and access to supplies in the energy industry. ■

Feedback: Letters and Brickbats

To the Editors:

The Commentary in the May 1979 Forum (National Energy Policy in the Wake of Three Mile Island) is in error on one very important point. There is another important source of energy besides coal, shale and fusion. The recent symposium on tar sands, held in Alberta, estimated reserves of the viscous oils and tar sands in the U.S. at a possible half trillion barrels.

*Those types of reserves have not been actively sought in the U.S. and apparently information is scanty. Nevertheless, if the estimate is anywhere near correct, we have a time cushion before we have to switch to the renewable fuels, provided we want to pay the price. The present rise of OPEC prices is going to make the tar sands an economic venture—judging by Canadian costs. Shale is at present going to cost more unless the *in situ* experiments are economically successful.*

*R. C. Wilmot
Denver, Colorado*

Mollenhoff and Rushford On the Politics of Justice

Authors' Note:

Republicans often complain and not without justification, that they don't get good press. Our August 16th article in the *Boston Herald American* which is reprinted below doesn't have much good to say about Republicans.

Yet we would not expect to make anybody's list of journalists who are naturally antagonistic to Republicans. Earlier this year, for instance, we wrote a nationally syndicated article which praised the efforts of Senators Mathias and Hatch to strengthen the historically lax Senate confirmation process for Federal judges. The fact remains that the best way to get good press treatment is to do something to deserve it.

Consider the career of former Delaware Republican Senator John Williams, who earned national and bipartisan respect as the conscience of the Senate. Williams' career is an excellent blueprint for anyone interested in Congressional oversight (or a study of integrity in politics). John Williams' lessons are deceptively simple: build a base for larger issues with painstaking detail work; don't forget to follow up; make your criticism tough but always fair-minded; avoid self-defeating ideological battles.

Who is going to pick up Williams' mantle? So far no one in the Senate has done so, although some of the detailed work being done by Senator Malcolm Wallop and a handful of others indicates the potential is there. The seamy bureaucratic politics of the Carter Justice Department, which have enormous implications for the welfare of all Americans, should be a field of golden opportunities for Republicans.

Everyone knows that The Ripon Society has some of the best brains in either party. (Pat Buchanan, are you listening?) Why not put them to work on a task force on Justice?

Republicans Miss Chance To Probe Justice Department

by Clark Mollenhoff and Greg Rushford

The recent confirmation of Benjamin R. Civiletti as U.S. Attorney General illustrates the growing leverage of Congress over the Executive Branch. At the same time, it was an opportunity missed by Judiciary Committee Republicans to investigate the record of the Democratic-controlled Justice Department.

Congressional oversight "is good for the Department of Justice," Civiletti conceded at one point during his confirmation hearing. Interestingly, that remark came during questioning by Ohio Senator Howard Metzenbaum, a Democrat.

Senator Metzenbaum has been investigating the Department's handling of a criminal investigation into the Gulf Oil corporation's participation in an international uranium cartel. The cartel was a sophisticated international price-fixing swindle that helped shoot the price of uranium from \$4.50 to \$44 per pound.

What Metzenbaum wants to find out is why Assistant Attorney General John H. Shenefield overruled department attorneys who wanted to bring a criminal indictment against Gulf and perhaps other companies. Instead, Shenefield allowed Gulf to plead no contest to a misdemeanor in

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federal court in Pittsburgh, and pay an inconsequential \$40,000 fine.

Shenefield has stonewalled the Senate investigators by refusing to turn over the relevant internal files, much as the Nixon administration used to do by citing questionable "executive privilege" arguments. But with the threat of a confirmation challenge from Metzenbaum, Civiletti agreed to cooperate with the investigation and give the Committee the documents it needs.

It was in this context that Civiletti agreed that outside criticism is good for the department.

If anyone doubts that, Senator Max Baucus, a Montana Democrat, has a case in point. After a struggle with the Justice Department this year Baucus obtained access to documents on several fronts, including its dismal record prosecuting companies for illegally disposing toxic wastes that endanger human life, such as happened to New York's Love Canal. The department's lands division had only one attorney responsible for prosecuting environmental crimes nationwide, including waste-dumping cases apparently involving organized crime.

Another Democrat, Senator Dennis DeConcini of Arizona, a former prosecutor who has developed into one of the most effective interrogators in the Senate, used Civiletti's confirmation hearings to examine the department's civil

"The seamy bureaucratic politics of the Carter Justice Department, which have enormous implications for the welfare of all Americans, should be a field of golden opportunities for Republicans."

rights record. DeConcini persuaded Civiletti to turn over to the Committee documents concerning the nonprosecution of an alleged police murder last year of a 27-year-old Mexican-American found dead in a Texas jail.

The most important Judiciary Committee Democrat, of course, is its new chairman, Senator Edward Kennedy, who replaced Mississippi's James O. Eastland in January, and has ergized a long-moribund committee. Kennedy has fought aggravating closed-door policies at Justice since the John Mitchell era. The efforts of Metzenbaum, Baucus, and DeConcini have been successful mainly because the chairman and his staff have applied pressure, much of it quietly, to secure the administration's cooperation. As one sign that Kennedy means business, the Committee has taken the unusual step of going to court to obtain the documents it sought on the uranium conspiracy.

But it is the Democrats, not the Republicans, on the committee who are doing the most reviewing of the Justice Department. Aggressive, even partisan probing of the opposite

party's administration can be a valuable public service in that it reveals government's shortcomings.

Democrats demonstrated that with glee during the Nixon-Ford years. But what have Judiciary Committee Republicans been doing to examine the Democratic justice department? Not much.

At Civiletti's confirmation hearings Senator Strom Thurmond, the senior Republican, announced he was supporting the nomination before asking any questions. Most of the South Carolina Republican's questioning was devoted to ideological exhortations for the Department to recognize the international aspirations of our domestic radical groups like the Weathermen. Civiletti was able to handle many of Thurmond's questions with curt "Yes, sirs," and "No sirs."

Senator Malcolm Wallop, who spearheaded an intensive 17 days of hearings in early 1978 when Civiletti was nominated to be Griffin Bell's deputy, is no longer on the Judiciary Committee. During the confirmation hearings Wallop, along with another Judiciary Committee Republican, Sen. Robert Dole, was at the Finance Committee absorbed in the oil windfall profits tax debate, although he kept his interest alive by sending Civiletti a list of written questions.

Also absent on other committee business was Utah's aggressive conservative, Senator Orrin Hatch.

Senator Paul Laxalt, a Nevada Republican, was present. His questions expressed concern for possible Justice Department "flyspecking to death," as he put it, of the business community with the new emphasis to enforce the criminal environmental laws. But Laxalt probed for no abuses.

The toughest question posed by Senator Alan Simpson, a mild-mannered freshman from Wyoming was rather inoffensive: Could Civiletti define white collar crime?

There is more to this than the lapse of one opportunity to question a new Attorney General.

Senate Republicans grumble about the Carter administration's handling of politically sensitive cases. Last year's furor over the firing of Philadelphia's U.S. Attorney, David Marston, is a case in point. The Lance, Carter peanut warehouse, and GSA investigations are others. Carter's record is clearly a ripe subject for debate.

The Civiletti confirmation, like all confirmations, was a rare opportunity for unlimited questioning on the real workings of Justice. Why didn't the Republicans seize it? Sen. Orrin Hatch of Utah cited lack of staff. Some members were preoccupied with other business. But there was also a degree of indifference, a lack of focus, and lack of political skill.

It's too bad that more detail work is not being done by Republicans in one of the best forums available, the Senate, to better analyze the Carter record on the issues of justice. That makes it more likely the Republicans will offer us platitudes instead of reasoned criticism in 1980.

Isn't it interesting that the best-informed critics of the Democratic Justice administration are Sen. Kennedy & Co.? ■

1979 Ripon Issues Conference

in Arlington Virginia November 30 - December 2

Highlights Energy and Inflation

The 1980 Presidential and Congressional campaigns seem likely to be dominated by the two overriding concerns of energy and inflation. Jimmy Carter's abject failure in coping with both issues has transformed him into a prematurely cooked lame duck. Republican hopes against Ted Kennedy or some other ultimate Democratic nominee may hinge on the credibility of the GOP approach on energy and inflation.

The industrialized nations of the Western World are facing a New Political Economy, one which is increasingly vulnerable to external, politically determined energy pricing decisions and one in which chronic high levels of inflation are transforming the politics of each country. The 1979 Ripon Issues Conference will seek to explore the international as well as domestic aspects of both energy and inflation.

The conference will start on a very informal note at 8 p.m. Friday night November 30 with a series of dinners for participants held in the homes of Ripon members in the Washington metropolitan area. There will be no charge to participants for such dinners.

Beginning with the 9:30 a.m. Saturday morning December 1 keynote address all subsequent events will be held at the Twin Bridges Marriott Hotel, US 1 and I-395, Arlington, Virginia. This location is accessible by subway and near Washington National Airport. Accommodations will be available at the Marriott for Friday and Saturday night at \$40 per night for a single and \$50 per night (\$25 per occupant) for a double (plus 9 per cent sales tax).

The speaker at the 12:30 p.m. Saturday luncheon will be Senator Harrison Schmitt of New Mexico. Best known perhaps as the Senate's only trained geologist and one of the few humans ever to set foot on the moon, Senator Schmitt has become a leader in Senate efforts to overhaul U.S. technology commercialization and research and development policy to make our nation more competitive in the international marketplace. Tickets to the Schmitt luncheon are available at \$8 each.

Saturday dinner December 1, 1979 Representative John B. Anderson, candidate for the Presidency, will address the conference. Tickets for the Anderson dinner are available at \$10 each. On Sunday December 2, a nationally prominent speaker will address the group at the luncheon. Tickets will be available at \$8 each.

The five conference panels running consecutively are on the following subjects: 1) U.S. Domestic Energy Priorities: What Breakthrough Technologies Are Available? (Saturday morning); 2) An International Energy Strategy: How to Cope With OPEC (Early Saturday afternoon); 3) Looking Into the 1980 Crystal Ball (Late Saturday afternoon); 4) Cutting the Gordian Knot: Making the Bureaucracy More Responsive (Mid-morning Sunday); and 5) Inflation and the American Dream (Late-morning Sunday).

Panelists at this point include Congressman Jim Leach of Iowa, Congressman Joel Pritchard of Washington, nationally syndicated columnist David Broder, Susan McLane, Chairperson of the Republican Women's Task Force, Paul Weyrich, New Right activist, internationally known physicist Bogdan Maglich and Dr. Seymour C. Yuter, author of a book on how to break OPEC and an attorney in the recent Machinists suit against OPEC.

A more complete agenda will be published in the next issue of the *Forum*.

RESERVATION COUPON

- I would like ____ tickets to the Saturday luncheon at \$8 each.
- I would like ____ tickets to the Saturday dinner at \$10 each.
- I would like ____ tickets to the Sunday luncheon at \$8 each.
- I would like you to reserve me a single/double room at the Twin Bridges Marriott.
- I would appreciate it if you could locate lodging for me with a Ripon family in the Washington metropolitan area.

Please send checks or reservation forms to The Ripon Society, 800 Eighteenth Street, N.W., Washington, DC 20006. You may use the envelopes enclosed in this *Forum*. For further information call 202-347-6477.

RIPON RoundUp

Tennessee Ripon Resurgence Underway: 1980 Ripon Annual Meeting Tentatively Slated for Nashville April 25-27

The past year has been quite upbeat for Tennessee Republicans. The state's 39 year old Republican Governor Lamar Alexander has developed a strong standing with Tennessee voters and emerged as a likely Presidential or Vice Presidential contender in the 1980s. Bill Brock's successful helmsmanship of the Republican National Committee has drawn almost universal raves as the best party building effort since Ray Bliss' leadership in the mid sixties. Meanwhile Senator Howard Baker has surged in most opinion polls into a strong second position to Ronald Reagan.

At the same time Tennessee Democrats seem badly on the skids. This August they came within an eyelash of losing the mayoralty of Nashville, historically the strongest Democratic bastion in the state. Outspent nearly four to one by Mayor Richard Fulton, for nearly two decades "Mr. Democrat" of Middle Tennessee, a young engineer named Dan Power came within a handful of votes of toppling Fulton. Governor Alexander is directing a concerted Republican drive to capture control of the Tennessee legislature in 1980.

The advent of the Alexander administration has been marked by a resurgence in Ripon activity. Linda Miller who ably headed the Memphis Chapter for the past several years was a key gubernatorial appointee to the Tennessee Board of Pardons and Paroles, a center of controversy in the Ray Blanton Administration. Succeeding Linda as President of Memphis Ripon was Aaron Tatum who is also serving as a technical consultant to Governor Alexander's Greater Memphis Community Economic and Jobs Conference to be held in Tennessee's largest city on November 28 and 29.

Together with the Nashville Chapter Memphis Ripon is co-sponsoring the 1980 Ripon Annual Meeting for the weekend of April 25-27 in Nashville. Governor Alexander has agreed to host a gathering for Society members present for the Nashville meeting. A Ripon National Governing Board member and aide to Governor Alexander, Bill Gibbons is taking the lead in organizing the 1980 event. Long dormant, the Nashville Ripon Chapter is being revitalized with the infusion of Alexander Republicans newly arrived in Nashville.

Details of the 1980 Annual Meeting will be published in the *Forum* as soon as a firm agenda is available.

Ripon Receives Flurry of Press Attention

During the past several months The Ripon Society has received considerable and generally favorable press attention. Two articles in July in the *Trenton Times* by Harry Sayen, one of New Jersey's most respected political analysts, wrote of The Ripon Society's "comeback—a healthy sign for the suffering two party system".

After citing such Ripon issue themes as neighborhood

empowerment, consumer control over public service delivery and encouragement of risk-taking by small business and inventors, Sayen stated:

Ripon has always been a fountainhead of common sense and pragmatic, progressive plans for the Republican party. Because these ideas are rational, this group, though small, has had wide press acceptance. And, more often than not, these views have been implemented by a Republican administration. But in their quest for purity and putting together a conservative coalition supposedly unbeatable, many party regulars disowned Ripon. This was a manpower and intellectual loss that a party, already suffering from malnutrition of thought, could ill afford.

In his second article, after reviewing a Ripon presidential scenario on how to defeat a Kennedy presidential bid, Sayen concluded:

The two party system needs two healthy parties. As ingredients of health, the GOP needs:

A president who will build the party from the ground up in his self-interest and themes that will address the problems of the '80s. Only a moderate can satisfy the first criterion; Ripon can help meet the second.

Soon after the publication of the *Trenton Times* series, The Ripon Society attracted reams of press attention with its July-August *Forum* Commentary about the imminence of a Kennedy Presidential candidacy and its implications for the Republican Party. In addition to being carried nationwide on the wire services the Kennedy piece evoked a column by Al Polczynski in *The Wichita Eagle and Beacon* as well as an editorial in the *Detroit News*.

Perhaps the most surprising location of an article on Ripon was the conservative publication *National Review* in its September 14 issue. Alan Crawford, a journalist who is now writing a book on the New Right, wrote a two page article entitled "Ripon Agonistes: A Mid-Life Crisis".

Crawford traces an evolution within The Ripon Society and among other Republican moderates toward relatively market oriented economic approaches. As a result of Ripon's greater stress on economic issues and the fading of the Vietnam War as an issue, Crawford points out, some fairly conservative Republicans have scored unusually well in the last couple of years in the Ripon ratings.

After pointing out that Ripon has been consistently committed to free trade and opposed to producer subsidies, Crawford notes that many self avowed conservative opponents of such subsidies voted pro-subsidy on Ripon test votes on such issues. Crawford together with several spokesmen for Ripon and the conservative movement nevertheless sees a growing consensus on economic issues between Republican progressives and conservatives. Characterizing this convergence of the Ripon progressives and the AEI conservatives as a new alliance of "Manchester liberals" Crawford queries whether such a profit oriented coalition can shape the moral values of American society. Already strategists on the New Right such as Richard Viguerie are eschewing economic issues for a new Moral Majority built on New Right social issues. ■

PRESIDENTIAL SPOTLIGHT

RONALD REAGAN

Leading Man or Final Act?

by Bumper Gammon & E. Scott Royce

Chadwicks, an air-conditioned Virginia singles bar decorated with tropical green plants and offering a laid-back atmosphere for those seeking refuge from the humidity of Washington's August dog days, served as the setting for our wide-ranging interview with Ronald Reagan's political director, Charles Black.

Chadwicks has become a mecca for the politically sophisticated young elite who staff the campaigns of George Bush, Ronald Reagan, and John Connally. It is there that nominal foes and members of the press gather to trade stories and information over a few drinks after hours which are usually long.

"Charlie" Black is one of the rising stars of this young elite. Coming up through the ranks of the Young Republicans and YAF to chair at age 28 the National Conservative Political Action Committee (NCPAC), the premier New Right PAC, he has since severed formal ties with the New Right and adjusted to the political realities that running a Presidential campaign require.

For this year Ronald Reagan seeks to present himself as a rational conservative who offers reasoned, constructive alternatives to a Democratic administration which is long on demagogic rhetoric and short on workable solutions. Potentially

it is an attractive alternative to Republicans of all stripes.

No longer the candidate of the purists and the "outs," Reagan now has the inside track for the Republican Presidential nod. And he conducts himself accordingly. While the Californian remains aloof from the hectic pace of campaigning, his operatives are striving to establish links to the party's moderate wing to supplement his conservative grass roots base. They have met with some success in this effort. In California, for instance, Reagan has enlisted the support of moderate Republicans such as San Diego Mayor Pete Wilson and former state Attorney General Evelle Younger. Elsewhere, he has signed on Delaware Congressman Tom Evans, a former Deputy RNC Chairman, and former President Ford Committee state chairman Arch Moore of West Virginia and Drew Lewis of Pennsylvania. In the Northeast, Reagan claims inroads in Massachusetts and Connecticut among lesser known activists from the GOP's moderate wing.

This year, too, right-wing flame-throwers such as Sen. Jesse Helms of North Carolina and former Governor Meldrim Thomson in New Hampshire are not as closely identified with Reagan's political fortunes as they were in 1976. Black concedes that the Reagan camp feels more comfortable with Illinois Congressman Phil Crane running to their right and the support of direct mail wheeler-dealer Richard Viguerie going to John Connally.

Reagan, Black emphasizes, was never as far to the political right as he was often portrayed. For instance, as Governor, he doubled expenditures for education and increased benefits to welfare recipients, while paring many of those from the welfare roles who were ineligible. Much of the opposition to Reagan's gubernatorial program came not from the Democratic majority in the California Assembly, but from Republican right-wingers such as John Schmitz, H. L. Richardson, and John Briggs.

Nevertheless, many party moderates remain wary. The presence of such individuals as Lyn Nofzinger and Roger Stone on Reagan's campaign staff has troubled some of them. Even the departure of Nofzinger in intra-staff strife may not allay these concerns. As one delegate to the 1976 convention who was quoted in the WASHINGTON POST put it, "It is not so much Reagan who is the problem but the people around him." And Reagan more than perhaps any other candidate has been willing to delegate substantial authority to his staff. One political operative in a rival camp suggests that this wariness of Reagan extends to some party conservatives. He cited as examples National Committeeman Clarke Reed and Sen. Thad Cochran of Mississippi; both have opted to go with John Connally.

Images aside, Regan seems as solidly committed as ever to a conservative vision of the American future. His campaign literature, for instance, pinpoints "huge and continuous govern-

ABOUT THE AUTHORS:

BUMPER GAMMON recently quit his position with a Washington-based think tank to attend law school in Pennsylvania.

E. SCOTT ROYCE, a legal researcher for a Fairfax, Va. firm, also works as a freelance writer. His articles have appeared in such periodicals as INQUIRY, LIBERTARIAN REVIEW, HUMAN EVENTS, and REASON.

Both are members of the Ripon Society's National Governing Board.

ment deficits" as the cause of inflation, advocates "a strong defense ... that is second to none," and stresses the need for "a comprehensive foreign policy that recognizes U.S. interests" and preserves ties to "our allies such as Israel and Taiwan."

The Reagan camp feels that economic issues—inflation and energy in particular—are likely to dominate the voters' minds between now and November 1980. A Reagan administration could be expected to seek cutbacks in non-defense spending (he is on record as favoring a constitutional amendment to limit federal expenditures) and tax cuts. Wage-price controls, he emphasizes, have never worked. And to solve the current "energy crisis" he stresses, as one might expect, deregulation rather than new governmental interference with the free market.

In a mid-July speech in Atlanta, Reagan went so far as to defend oil industry profits. They were, he emphasized, "well below the average profit level of the rest of business and industry in America." The California continued: "I don't believe we can solve the problem until we find out who is to blame, and the blame ... can be laid on the fact that the industry much, much more than any other, is subject to government price fixing and government regulations..."

According to Black, Reagan's posture regarding U.S. Far Eastern policy is less militant than one might expect, however. Black stressed that the ex-governor would not be likely to reverse President Carter's de-recognition of Taiwan and normalization of relations with Peking. While Reagan might look for ways to strengthen U.S. ties with the Nationalist Chinese, he would be unlikely to alter the existing treaty structure. Reagan, he stated, would consider himself generally "bound" by the previous administration's decision.

To his credit, Reagan has refused to join the rising chorus of advocates of renewal of conscription. Although he has avoided making a statement regarding the present debate over renewal of Selective Service registration, he has re-emphasized his past opposition to "a peacetime draft or the concept of universal national service." Greater incentives, not

conscription, Reagan believes, are the answer to any problems with attracting volunteers for the regular military and the reserves.

On the abortion issue, however, the Californian has apparently bought the line of the hard right. According to the April 1979 issue of the NATIONAL PRO-LIFE PAC NEWSLETTER, Reagan cabled his regrets at being unable to attend the group's May conference in Chicago. "I do wish, however," he added, "that you ... convey to those attending that I support a Human Life Amendment to insure that those not yet born will have the right to life. I support your efforts to insure the passage of such an amendment."

Another disturbing item is a Reagan comment—confirmed by Black—that appeared in a July column by Nick Thimmesch. He quoted the candidate as saying: "I'm not sure that when Carter and Kennedy got together on this trucking deregulation, they chose the right thing ... They might be creating hardship and confusion in that industry." Curtailment of the authority of the ICC has long been an article of faith for conservatives and libertarians. That Reagan would question such a move seems curious, to say the least. Black was quick to point out that the issue was still under consideration by the campaign staff.

Current campaign strategy as outlined by Black calls for Reagan to announce his candidacy formally sometime around the beginning of November (give or take a few weeks) and to wrap up the nomination early by winning primaries in the Northeastern states. By doing so, Reaganites hope to minimize party dissension—in anticipation of a tough, hard-hitting campaign against the senior Senator from Massachusetts.

The key question, of course, is whether Ronald Reagan can pull it off. Beset by reporters harping on the "age issue," skeptical moderates, rightwing defections, and a horde of attractive opponents, he now faces his third bid for the GOP nomination. Only time will tell whether Republicans will pick the former actor to star in the 1980 political melodrama. ■



The Politics of Hari Kari: Why Jordan Instead of Strauss?

By late summer 1979 the Carter Administration has come to resemble a traveling carnival. Energy policy is in the hands of a Richard Nixon lookalike and former Coke bigwig with little previous experience in the field. Accused of partaking a different kind of coke is Hamilton Jordan. Administration mishandling of the Cyrus Vance-Andrew Young flap has succeeded in enraging both the black and Jewish communities and heating latent tensions between both groups. Confusion over who is in charge of Administration Mid East policy has resembled a scene from The Three Stooges. In contrast the

Carter cruise on the Delta Queen has to be deemed a success—the boat didn't sink.

Icing on the cake has been provided by the surfacing of a story that the Chief Executive this spring used his canoe paddle to repel the charge of a dogpaddling, carnivorous rabbit. In other times this bizarre tale might have become an amusing part of Presidential folklore, but in Carter's enervated state this tale could prove deadly. Over the last several months a large majority of the public have come to view Carter as inept. Now many are beginning to regard him as a jerk. True as the bizarre tale of the "killer rabbit" may be, it served only to make Jimmy Carter even more the butt of ridicule.

By now there seems little doubt that the Carter Administration is on the ropes with little chance of recovery. The political state of the Administration seems increasingly reminiscent of that of the Nixon Administration in July 1974. Now

as then, the big question is who of the party elders will break the work to the Chief Executive that his situation is beyond salvation.

Somehow one can't escape the thought that Carter even as little as six weeks ago, might have turned this situation around. What if Carter had chosen Robert Strauss instead of Hamilton Jordan as White House Chief of Staff?

The Strauss appointment would have been immediately hailed by the press as a broadening of the heavily Georgian White House inner circle and as a sign of increased maturity in the Administration. Such an appointment would have been very well received in the business community where Strauss has earned high marks for his work on the trade bill. Democratic Party regulars, appalled at the political ineptness of the Carter White House, would have been strongly heartened by the choice of Strauss, perhaps the ablest Democratic National Chairman in two decades. As an establishmentarian Texan of the Jewish faith, Strauss might have shored up Carter's shaky position in politically crucial Texas and among the pivotal Jewish community.

Instead Carter chose Hamilton Jordan as Chief of Staff and since then everything has been downhill. The selection of Jordan came across as a classic case of circling the wagons while under attack. Jordan's first apparent accomplishments, garroting half the Cabinet and issuing report cards to the survivors, helped to erase the after glow from Carter's energy sermonette. A brilliant and precocious political strategist who deserves major credit for both Carter's 1976 nomination and the ratification of the Panama Canal Treaties, Jordan is far better known to the American public as a kind of superannuated Delta.

By thrusting Jordan forward into the public spotlight, Carter has exposed his trusted aide to intensive public scrutiny and controversy. The President would have had full use of Jordan's political talents and far less political flak if he had put Strauss in the up front role and left Jordan as the back room man. But such subtleties have eluded Carter and with them perhaps his last chance of rescuing his sinking Presidency.

Republican Presidential Race Remains Fluid

Today any crystal ball on the Republican Presidential race would be quite cloudy. A Louis Harris Poll of Republican voters taken in mid-July turned up some surprising results:

| | |
|-------------------|-----|
| Ronald Reagan | 38% |
| Howard Baker | 21% |
| John Connally | 11% |
| Robert Dole | 7% |
| John Anderson | 4% |
| George Bush | 3% |
| Philip Crane | 2% |
| Unsure | 11% |
| None of the above | 3% |

The poll showed surprising strength on the part of Howard Baker even before his month long August blitz. While John

Connally has gained considerable media attention over the last few months and lined up impressive financial and organizational support, he has yet to break through with the Republican rank and file. Similarly George Bush has assembled impressive organizational and financial support without lighting any fires among the party rank and file. The Harris Poll results showed a remarkable rise by John Anderson in the month since the Illinois Congressman declared his candidacy, but Anderson's thinly financed campaign faces the problem of finding the right issues to sustain his momentum. Already having established a strong base for the crucial Wisconsin primary, Anderson is scrambling to put together equivalent organization in New England.

The campaign of a second Illinois Congressman seems to be collapsing before it gets off the launching pad. With his campaign ravaged by internal bloodletting and a failure to cut appreciably into Ronald Reagan's constituency, Philip Crane seems to be staying in the race only long enough to collect sufficient Federal matching funds to pay off his biggest creditor, Richard Viguerie.

Senator Bob Dole, a relative dark horse, manifests significant strength with the GOP rank and file. Dole's campaign is handicapped, however, by the excessively partisan image Dole enjoys among many Republican voters. The Kansas Republican is seeking to forge a nonideological coalition through appeals to farmers and pro-Israeli and pro-Greek voters.

Dole's fellow senator, Baker, has made the most rapid progress. Several months ago his campaign was the butt of numerous critical comments about its evident disorganization. This situation has changed remarkably over the summer. Baker has put together the strongest organization of any of the candidates in New Hampshire. He seems now to enjoy a front-runner status in most of New England. Baker has meanwhile been quite impressive and forceful in mid-summer television appearances.

George Bush is banking heavily on a strong showing in the first in the nation Iowa precinct caucuses to give him momentum in the early primaries. He has assembled an impressive and ideologically diverse Iowa campaign organization. Bush's fellow Texan, John Connally, seems to be placing his biggest chips on the Southern primaries. Connally's emerging scenario appears to call for him to beat Reagan in what has been Reagan's principal bastion, the South. A victory in Florida's March primary would cushion Connally against a likely distant showing in the early New England primaries. Connally would hope to culminate his Southern campaign in a wipe-out of Reagan and Bush two months later in the Texas primary.

Reagan's strength has held steady, except in the South where Connally has made considerable inroads. Ted Kennedy surprisingly may be the principal obstacle to a Reagan nomination. One of the greatest concerns Republican regulars have had about a Reagan candidacy is the possibility that he would lead the party to a crushing defeat. Reagan had seemed to dissolve those concerns by leaping into a substantial lead in trial matchups with Carter. Yet just as this happened, Carter's popularity in his own party evaporated so rapidly as to make the President's renomination hopes

problematic at best. An increasingly likely Democratic nominee, Massachusetts Senator Edward Kennedy, pulverizes Reagan in most trial heats. Perhaps the most damaging matchup from Reagan's standpoint was a recent Field Poll of all California voters showing Kennedy clobbering Reagan more than two to one in Reagan's home state. Groping for some way to appear credible in the face of a Carter collapse, Reagan's strategists seem to be indulging in wishful thinking. Hence the recent John Sears trial balloon about the possibility that Carter will step aside to pass the nomination on to Mondale.

A final complicating factor for any soothsayer appears to be the reawakening interest of Gerald Ford in carrying the 1980 Republican Presidential banner. Should Reagan retain a sizable lead over his Republican rivals the polls early next year, Ford might well be inclined to become a full fledged candidate.

The Republican Presidential scramble appears very much up in the air. Victory may belong to any candidate who can be credible on the two overriding issues of 1980, energy and inflation.

Political Tidbits

Carter's recent Cabinet reshuffle is increasingly beginning to look like a rearrangement of the deck chairs on the Titanic. As the Administration's political stock weakens, long simmering intra-White House feuds are surfacing in print, e.g. disputes between Walter Mondale's staff and Carter's Georgia politicians and between these same Georgians and Rosalynn Carter's staff. In a move reportedly designed to heal one of those rifts Kit Dobelle, Chief of Protocol for the State Department, has been named director of Rosalynn Carter's East Wing Staff. Kit Dobelle's husband, Evan, a former Republican Mayor of Pittsfield, Massachusetts is national chairman of the Carter-Mondale committee.

Meanwhile the Carter-Mondale campaign is beginning to experience severe fundraising problems, an unprecedented plight for an incumbent President. Many Jewish contributors put off by the Administration's Mid East policy and its ineptitude in managing the economy are sitting on the sidelines eyeing the possibility of a Kennedy candidacy. Conservative Democrats with close ties to the oil industry are deserting in droves to John Connally.

Ironically Carter, who regularly engages in rhetorical sallies against Washington lobbyists, has become increasingly dependent upon them to fill his campaign coffers. Yet, as Carter has taken on the look of a lame duck, lobbyists have become reluctant to press their clients to contribute to the Carter-Mondale committee.

Just as his campaign finances seem to be tightening, Carter is experiencing some difficulty in filling sub-Cabinet and second echelon White House posts. Shortly before leaving office, Attorney General Griffin Bell counseled Carter to "get rid of all the amateurs" on his team and to recruit talent from the "Establishment." While Bell saw the appointments of Charles Duncan, Hedley Donovan and Alonzo McDonald as a sign the Administration was moving in the "right direc-

tion," he might have had second thoughts could he have foreseen a story a week and a half later in *The Washington Star*. According to this story "Mark Green, a close associate of Ralph Nader and an outspoken critic of Carter Administration energy policy, has turned down a likely opportunity to succeed Esther Peterson as the top White House consumer affairs aide." Turning the knife a little as he asked that his name be withdrawn from consideration, Green volunteered that "they deserve someone more loyal than I can be to their important energy program" and stated "the way I would perform in that position would probably conflict with the election year anxieties of a president under siege."

Christopher (Kit) Bond, former Governor of Missouri, has developed a strong lead in the political polls over Democratic Governor Joseph Teasdale. Bond who was upset by Teasdale in 1976, is generally expected to carry the GOP gubernatorial banner in 1980.

The revelation that there are two to three thousand Soviet combat troops stationed in Cuba may provide a political windfall to two Democratic Senators up for reelection in 1980. Facing a tough reelection fight now that he has been targeted by New Right political groups, liberal Senator Frank Church first revealed word of the Soviet combat troop presence in a press conference in Boise, Idaho. Church, Chairman of the Senate Foreign Relations Committee, demanded the Administration force the Soviets to withdraw their troops. The second Senator who seems likely to cash in on the latest episode of Soviet adventurism is moderate Democrat Richard Stone. The Florida Democrat has for the past month been warning of a Soviet buildup in Cuba. This situation is particularly vital to Floridians since their state is only ninety miles from Cuba.

Intent on breaking through with the New Right, many of whose activists resent him as some sort of LBJ clone, John Connally is actively wooing conservative powerhouse Richard Viguerie. Viguerie's first anointed candidate, Philip Crane, is going nowhere and Viguerie seems inclined to shift to Connally for whom he has long taken a liking. Connally seems likely to pay Viguerie's ideological price, a rightward shift on the Human Life Amendment, a Constitutional amendment that would prohibit abortion in virtually all circumstances. Only a few months ago in an interview in *Politics Today* Connally took a more moderate stance on abortion, opposing Federal funding, but also opposing any Constitutional amendments on abortion. Connally has now apparently abandoned his opposition to the Human Life Amendment. Aside from Viguerie, this shift may not pick up Connally much new right wing support, since fervent Right to Life activists know that Ronald Reagan remains strongly committed to the Human Life Amendment. The distance Connally has to go to pick up votes from New Right activists was revealed in the results of a straw poll of activists at a recent Young Americans for Freedom national convention. Connally received not a single vote from the nearly four hundred YAF members polled. ■