
Intelligence Dossier

The Office of Management and Budget: a subversive institution gone wild

by Vin Berg

For the approximately 10 years it has existed, the so-called Office of Management and Budget (OMB) has done a unique amount of damage to the American economy, and to government policy in every field. Although it is undeniable that David Stockman and his deputies on the OMB's current staff are zero-growth fanatics—social democrats laundered into the administration—the OMB itself is the real “mole” in U.S. government.

In the same way that the FEC was created to help dismantle the constituency-centered foundation of the American political process, the OMB was created to systematically eliminate the essential connection between U.S. government programs and private-sector industrial growth. With the power to subject every branch of government to budgetary review in terms of “cost-benefit analysis,” the gnomes of the OMB have subjected government decision-making to a method of scrutiny which is intrinsically incapable of assessing the actual “benefits” of any form of incurred government cost. For such reasons, the application of the forms of cost-accounting for which the OMB was created is necessarily disastrous to the policy-making process, which properly ought to treat budget-making as the derived feature within a competent overview of those programs that will guarantee the nation's most rapid development. Such programs, however expensive in relation to alternatives, are far cheaper in the long run than the OMB analyst's crude proposals for short-term savings.

If, therefore, the leading figures now occupying offices at the OMB under David Stockman turn out to be, in fact, advocates of the “postindustrial society” policy developed by the leading enemies of the American nation, that is only to say they are qualified for the hatchet job the OMB was created to perform. As the following dossiers show, they are very qualified indeed.

David Stockman: At age 34, David Stockman is the “whiz kid” among socialists placed in the Reagan administration by the controlling agency behind the Heritage Foundation, Britain's Fabian Society and the associated Mont Pelerin Society. Stockman now talks “supply-side” and “free market.” A short time ago, however,

he was deployed on the the side that requires a “left-wing” public relations image. To pass him off to Reagan circles as a “conservative” required considerable laundering.

Stockman first came to the attention of Socialist International agents in 1967, when he functioned as the only full-time paid organizer for the Vietnam Summer organization in Lansing, Michigan.

Then, at Harvard, he lived with social democrat Daniel Patrick Moynihan, and received a thorough social-democratic indoctrination at the hands of sociologist Daniel Bell (author of *The Coming of Post-Industrial Society*), pundit Irving Kristol, and others. Bell and, in particular, former leftist Kristol, a long-time friend of the Fabian and Mont Pelerin societies' Friedrich von Hayek, arranged for Stockman's laundering as a “conservative,” first by publishing “fiscal conservative” articles under Stockman's byline in Kristol's *Public Interest* magazine, then by placing him on the staff of then “conservative” Rep. John Anderson.

Stockman was sent to Congress by Dr. George Roche III, president of Hillsdale College—the “informal college of the Mont Pelerin Society in the United States,” which Roche describes as the “powerbroker” in Michigan's 4th Congressional District.

Harvard Professor Bell, who remains close to Stockman, says that nothing has really changed since Vietnam Summer, just the rhetoric. “The postindustrial thesis has been his consistent outlook since his student days . . . although he can't say so in the current Washington environment.” According to Bell, Stockman has designed his entire budgetary program “to push the United States toward the postindustrial future outlined in the Carter administration's President's Commission on a National Agenda for the Eighties.”

That report calls for the urban centers and industrial base of the Northeast and Midwest to be dismantled, with populations relocated to the “Sunbelt.” Or, as Fabian Society functionary Stuart Butler, now a policy analyst at the Heritage Foundation, stated: “Stockman's role is to let Chrysler and other heavy industrial companies like it crash, to create a permanent labor pool for the

postindustrial corporations.”

Edwin Harper: Deputy OMB Director Edwin Harper is a life-long “cost-benefit analyst” closely associated with postindustrial planners. Harper spent many years working for the Warburg-linked Insurance Company of North America (INA) and its subsidiaries; he managed the elite firm’s real-estate speculation, and supervised the cost-benefit asset-stripping of several manufacturing subsidiaries for a time.

Harper worked closely with then Deputy Budget Director Caspar Weinberger to set up the OMB during the 1969-73 period, when Harper was an assistant director of President Nixon’s Domestic Council. Andrew M. Rouse, then director for resource planning in the old budget bureau, introduced him to the cost-benefit models that the Cambridge-based consultants Arthur D. Little and Co. used internationally to convince governments that economic growth costs too much.

Rouse and Harper dismantled the Johnson-era Planning, Programming and Budget (PPB) program, preparing the way for the OMB. “Ed had a major role in showing that many government spending programs just had to go,” according to Rouse. “And we succeeded. After the demise of PPB, the budgeters no longer had a tool which could credibly analyse the benefits, relative to the costs, of social programs. So the programs were not funded.”

It was Rouse, an executive vice-president at INA, who brought Harper to the insurance conglomerate in 1972. INA was then collaborating with the leading New York commercial banks and such other insurance giants as Prudential to begin the “rationalization” and “consolidation” of the American banking system into a British-style system comprising a few dozen financial giants. Harper, as senior lieutenant to INA Chairman Donald Meads, handled all non-insurance subsidiaries at the time INA bought Blyth, Eastman Dillon.

Harper followed Meads to the subsidiary Certain Teed Corporation in 1975. In 1978, when Meads left the firm, Harper was recruited to the Emerson Electric Company, where he administered the “ABC Budgeting” program. Each division had three budgets; if sales and profits did not meet Budget A’s target, the division was automatically cut back to Budget B until sales performance improved.

Lawrence Kudlow: As the OMB’s assistant director for economic policy, Kudlow is a monetarist extremist and “postindustrial society” advocate. He comes from the Wall Street brokerage house Bear Stearns and Co., which is closely linked to the seamier side of Mont Pelerin Society activities. Bear Stearns is the New York Urban Development Corporation’s investment bank. Wall Street sources say that Bear Stearns enjoys “special forms” of collaboration with mob-linked lawyer Roy M. Cohn, who works for the UDC on bond marketing.

Kudlow was an economic analyst for the New York Federal Reserve Bank from 1973-75, and a special assistant to the Office of Bank Supervision. In 1975, at age 26, he became chief economist for Paine Webber, moving to Bear Stearns in 1979.

Although he now protrays himself as a “young conservative” like Stockman, he formerly worked for John Gardner’s Common Cause muckraker organization.

Kudlow’s appointment to OMB was secured through the Mont Pelerin Society and Heritage Foundation. He has frequently testified in Congress for Heritage Foundation “tight money” programs. A fellow at Lewis Lehrman’s private institute, he is also considered an “errand boy” for William Rees-Mogg, leader of the Mont Pelerin Society’s British branch. Rees-Mogg and Heritage Foundation figures introduced Kudlow to Rep. Jack Kemp and David Stockman.

Annelise Anderson: As associate director for economics and government, Annelise Anderson controls budgeting for industrial projects and infrastructural projects. She is a member of the Mont Pelerin Society, along with her husband, Martin Anderson, now head of the Office of Policy Development in the White House.

Mrs. Anderson is also a senior member of the Hoover Institution, through which Mont Pelerin Society figures penetrated Reagan inner circles in California during the 1970s. She opposes all water projects which she terms budgeting on the “microlevel.” In general, according to one of her aides, “Industrial policy will now focus away from the microlevel of things like supporting Chrysler and other industries. . . . We will take a much more macro approach, and not worry about selecting winners and losers. We will remove artificial government supports and let the free market decide where capital will flow.”

Frederick Khedouri: Thirty-year-old Fred Khedouri comes to OMB from David Stockman’s congressional staff, where he was legislative director, and after 1977, chief energy adviser to the congressman from Hillsdale College. In Khedouri’s case, free-market rhetoric barely disguises hard-line antinuclear environmentalist ideology. As associate director for natural resources, energy and science, he is responsible for budgetary policy for conservation and the complete range of energy, science and technology programs. An aide says that his policy is to target cuts in federal programs so as to drive up the cost of energy and natural resources—“through the free market.” “We’re not abandoning the strict conservation policies of the last administration at all.”

A Khedouri deputy, Hugh Loweth, says “To promote synthetic fuels without government subsidies of synfuel production, we’ll have to see to it that market prices rise, which they will if we cut the subsidies. . . . We’ll consider nuclear energy as a last resort, but we don’t intend to promote it.”