Quicker than it takes to say 'Watergate'

by Richard Cohen, Washington Bureau Chief

The stench of Watergate is beginning to permeate Washington, D.C. Unless he begins radical action against organized-crime elements within his Justice Department and other FBI bailiwicks on Capitol Hill—already under attack for the Harrison Williams caper—Ronald Reagan will be out of the White House faster than you can say "Richard Nixon."

Observers who have noted, as we have, that the President has capitulated step by step to the pin-striped Trilateral Commission crowd on foreign and domestic policy may wonder why such treatment has been put on the agenda.

The answer lies in the fact that the first few months of 1982 are rigged to detonate an international crisis of mammoth proportions, particularly in the economic sphere, which will test Mr. Reagan's mettle in an unprecedented way. The danger to the Trilateral faction under these worse-than-Depression conditions is the President's identification with Franklin D. Roosevelt, whose model he might follow by rallying the country to a mobilization of industrial and moral power. It is a chance they do not wish to take.

Mr. Reagan's mistakes

But the White House's ability to fight off an increasingly evident plot against the presidency seriously deteriorated during late December and early January. During this period the President once again exhibited two consistent and dangerous flaws repeatedly identified by this reporter. When confronted during the course of 1981 by serious challenges from Malthusian elements associated with the Bank for International Settlements (BIS), including leading East Coast banking strata and their counterparts in the Kissinger-dominated wing of the Republican Party and the Manatt-O'Neill-Kirkland wing of the Democratic Party, President Reagan repeatedly chose the path of "practical political compromise."

Resolving not to repeat the Nixon blunder of "stonewalling" this crowd during the Watergate fiasco, Reagan has chosen the equally fatal tactic of "dodging bullets," a tactic which only works when there is room to maneuver. Reagan's maneuvering room ran out with the disastrous decision to feed National Security Adviser Richard V. Allen to the Washington wolves, which only resulted in increasing their appetite. As of mid-January, virtually all of Reagan's close associates, including Presidential Counsellor Edwin Meese III, Special Assistant to the President Michael Deaver, and Sen. Paul Laxalt (R-Nev.) have been or are about to be stung with lethal scandals, with the President's name appearing on the periphery of some of those scandals.

Similarly, sources close to the White House have recently reported that, under intense pressure from Kissinger crony James Baker III, the White House Chief of Staff, and his wind-up toy David Stockman, the President has decided upon two deadly compromises with the BIS crowd. The President will attempt to dodge the bullet of Wall Street/BIS demands for tax increases

The President with GOP leaders Robert Michel (l.), Howard Baker and Peter Domenici (far r.) in March 1981, after his first round of budget cuts.

and cuts in the FY83 defense budget by using the occasion of his first State of the Union address to sell a tax increase in the "conservative" format of transferring essential federal programs to states and municipalities whose budget resources are already decimated. Capitol Hill observers predict a "Great National Tax Debate" when the President's program reaches a hostile Democratic-controlled House Ways and Means Committee.

Already, the purpose of sucking Mr. Reagan into such a charade is becoming evident. The media-generated image of a Reagan hostile to the living standards of the poor and the average citizen, while lavishing tax favors on the rich, will be pounded on, while at the same time the economic advisers to Democratic National Chairman Charles "Banker" Manatt and AFL-CIO President Lane Kirkland promote massive new taxes on consumption as their alternative!

The Fed question

Secondly, the President has been under intense pressure to dodge the bullet of a $150 billion budget deficit for FY83. Sources close to the White House suggest that the President either has made or will shortly make what he hopes is a deal with the Federal Reserve Board, aimed at relaxing 1982 monetary targets, in an illusory quest to blunt projected depression-level unemployment, bankruptcy, and budget gaps. Already, suggestions are surfacing that in order to secure the deal, Reagan will have to yield greater ground to Fed supporters in the day-to-day operations of the White House staff.

These two January capitulations to Volcker and the BIS were also generated by the second flaw I idenified during the course of 1981. The President, as highlighted in his Jan. 19 press conference, still maintains the belief that his earlier "economic recovery program" and particularly its supply-side tax cuts will generate an economic recovery by July 1982.

Importantly, as *EIR* founder Lyndon H. LaRouche, Jr. warned throughout the course of 1981, Reagan's failure to declare war on Volcker's polices and the unregulated offshore banking operations authored by London and the BIS crowd, the same forces he is now bargaining with, can only result in an economic catastrophe with devastating national security implications. While Volcker and his friends have successfully drawn the President into deadly tax and budget-deficit traps, they in no way intend the U.S. economy to escape a serious depression by June or July. In short, Reagan has been set up—set up to take the full brunt of popular outrage for a Volcker-rigged collapse.

Senate Minority Leader Robert Byrd (D-W.Va.) and House Speaker Tip O'Neill are already lining up their forces for large-scale tax increases and intensive spring confrontations with the White House in the tax-debate hoax, and the sudden Washington appearance of Democratic-linked economists like Lester Thurow, Wassily Leontiev, Lawrence Klein, and James Tobin of Yale means that the Democratic Senators and Congressmen are being outfitted with the full-scale AFL-CIO Malthusian line (see page 64).

This hasty promotion of credit rationing and lowered living standards by Wall Street-run Democratic think tankers prior to the President's State of the Union Address was inspired by growing leaks starting in late December that the President had fallen for the tax trap. The President's new tax program will include an increase in gasoline taxes, combined with an unloading of expensive programs onto the backs of states and municipalities. Among those programs expected to be transferred out are Aid for Dependent Children, Supplementary Social Security, (reduced) federal urban aid, and some federal education programs. The exise-tax component is still under dispute.

A relieved Senate Majority Leader Howard Baker proclaimed the program a "humdinger." Similar noises were reported from the offices of House Minority Leader Bob Michel (R-Ill.). Republican desperation over 1982 House and Senate races had been successfully manipulated by Volcker, by New York bankers, and by inside men James Baker and David Stockman as early as August to build a tax-increase lobbying force against the President. Senate leaders Robert Dole (R-Kans.), Chairman of the Senate Finance Committee, and Pete Domenici (R-N.M.), Chairman of the Senate Budget Committee, along with House leaders, urged Reagan to steeply increase taxes, warning that Republican re-elections will be difficult with a 1983 budget deficit of over $100 billion facing them all. Even Reagan stalwart Laxalt has endorsed the Baker-Stockman line and he is reported to have played a major role in assembling the new package.

The 1982 tax package gleefully soaked up by Republicans will, of course, do anything but help election chances. Already, House sources report that Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.)—who was seriously set back in his efforts to strike an anti-Volcker accord with the White House last year, and is now in no position to buck O'Neill—will oppose the President's program. And the resignation of supply-sider Paul Craig Roberts from his post at Treasury on Jan. 18, in opposition to the tax package, may have been intended to build the aura of Reagan "friend of the rich" in the midst of depression.

In addition, Hill sources report that the President is on the verge of endorsing an internal reorganization plan written by Stockman that would in effect write off the U.S. nuclear industry. With the elimination of the Department of Energy, Stockman is promoting the transfer of
Department of Commerce, whose Secretary, Malcolm Baldridge, is a crony of George Bush. Baldridge in turn is reportedly attempting to "get close" to the President through after-hours socializing. In the Senate, Energy Committee Chairman James McClure (R-Ida.), a staunch supporter of nuclear power, will lose oversight of this area to anti-nuclear Sen. Robert Packwood (R-Or.), Chuck Percy (R-Ill.), and John Glenn (D-Oh.).

The President's men

While the President stumbled into these traps, he was being systematically isolated from his loyal advisers. Even before Richard Allen was fed to the wolves, Presidential political advisor Lyn Nofsziger announced his resignation effective in late January, after losing a series of contests with Baker over political appointments. And during December, at the height of the Allen scandal, Reagan's adviser Deputy Chief of Staff Michael Deaver quietly announced his intention to leave the White House in late 1982. And in early December, an effort began to oust Reagan Counselor Meese, the most important White House loyalist. Following a spate of press-generated rumors questioning Meese's administrative capabilities and staying power during the period of his Washington absence when the Polish crisis broke, Washington has witnessed a day-to-day, step-by-step campaign to drive Meese out of the administration.

The operation against Meese greatly intensified with the IRS "tax-break" scandal. In a move that has all the appearances of a set-up, a reversal of long-standing federal policy of refusing tax exemptions to racially discriminatory private schools was engineered by the number-two men at Justice and Treasury, and summarily approved by the White House without discussion. Next, the *Washington Post* charged that Meese was the presidential aide responsible for the "racist" move. Later reports identify James Baker as in fact responsible, but the Washington media have ignored them. Intelligence sources report that the decision to tarnish Meese with the "racist" stigma was aimed at preventing him from taking over the Justice Department, as previously mooted, and at protecting Walter Sheridan-organized crime networks in Justice. By Jan. 10, Reagan himself was taking responsibility for the decision, and the media have tacked the "racist" tag on the President, adding to his "anti-poor, anti-worker" image.

One of the targets of these early scandals told me something the President has apparently refused to acknowledge, that these efforts are in fact aimed at Mr. Reagan. *EIR* has learned that by early February, a major scandal will be launched by NBC, the *Washington Post,* and the *New York Times,* operating closely with Kennedy staffer Walter Sheridan, to implicate Michael Deaver in a wide-ranging scandal that will also involve several members of Congress, Interstate Commerce Commission Chairman Reese Taylor, a former top aide to Laxalt, National Security Adviser Clark, and the President himself.