

## Policy Scramble In Washington In Wake Of Lance Ouster

The Bert Lance resignation as Budget Director Sept. 21 in no way means that the battle for control over the Carter Administration's economic policy is finished.

At his press conference announcing the Lance resignation, President Carter announced that he personally would continue to oversee the Office of Management and Budget. Said Carter, "If there's one agency of the government in which a President is daily involved, not only with the director but also immediate subordinates, it's the Office of Management and Budget. This is, in effect an extension of the Oval Office. And for the time being I and those assistants that Bert and I have chosen together, will continue." To emphasize that Carter fully backs his friend Lance's conservative monetary approach, White House Press Secretary Jody Powell told reporters Sept. 23, "the chief proponent of fiscal conservatism is still here, over in the Oval Office."

In his letter of resignation last week Lance said that

although his Senate testimony had proved that he had not acted illegally, because of "the amount of controversy and the continuing nature of it" he had decided to tend his resignation.

The pressure on Lance to leave office came ultimately from associates of the New York investment firm of Lazard Freres, their British monetarist allies, and their political stalking horse Vice President Walter Mondale. Lance had been instrumental in leading the so-called "Georgia mafia" in blocking the hyperinflationary economic policies of this faction. Specifically Lance had opposed massive federal financing programs including the regional energy development corporations, the urban bank proposal and the Federal Financing Bank. "He was seen as an obstacle by many would-be Treasury raiders," declared the lead editorial in the *Wall Street Journal*, Sept. 23, in explaining why Lance was driven from office. And Lance was strategically positioned to

### Wieghart: Break Up Georgia Mafia

*The following item, "On the Ungluing of Carter's Georgian Clique", by syndicated columnist James Wieghart, appeared in the N.Y. Daily News Sept. 23.*

Painful as it was for all concerned, Bert Lance's forced resignation as budget director did not end the political problems President Carter faces as a result of the Bert Lance controversy. A number of news organizations are also continuing their investigations into Lance's Georgia banking past, and at least some of them are seeking to tie Lance to other Georgians serving in high White House or Administration posts and even to Carter himself. So far, there have been no allegations that Lance's complex trail of bank overdrafts, loans and stock transactions enmeshed Carter or any other Georgians holding prominent government jobs. But there have been indications that some of them at least may have tried to curb federal inquiries into Lance's banking operations or kept damaging information from federal agencies or the Congressional committees investigating Lance. Less serious, but potentially damaging are continuing doubts about whether Carter or top White House advisors lied to the press during the several months long inquiry in an effort to protect either Lance or Carter.

The Lance debacle pointed up another, more

dangerous potential parallel — the isolation of the President by a small, zealous group of advisers. In Nixon's case it was the "Germans" — H.R. Haldeman, John Ehrlichman and Ron Ziegler — who sealed off the Oval Office from critics and criticism. Thus far Carter has made a determined effort to keep open his own lines of communication to the outside world. But he is surrounded in the White House by a small group of Georgians whose ties date back to his days as Georgia governor. The "Georgia Mafia," as it is called was headed by Lance and included Powell and Jordan, as well as White House Counsel Robert Lipshutz, Cabinet Secretary Jack Watson, and chief legislative adviser, Stuart Eizenstat.

In the Lance case, there was a natural tendency for Carter and other Georgians to fend off critics and form a protective shield around their friend Lance, that was difficult for any outsiders to penetrate, even normally influential insiders like Vice President Mondale. It was this natural defensive reaction that sealed off Carter from the unhappy reality that, like it or not, Lance had to go.

For his own protection as well as the country's, Carter is going to have to break up or at least broaden that cozy little group of home-state advisers who dominate the White House staff by inserting some new outsiders at the top.

block these programs. "The OMB post is the central flywheel of the executive branch. It is the power switch on all government funds" declared a top New York lawyer and policy maker of the Lazard Freres circle, explaining the campaign against Lance. The target of the New York financiers is now the entire circle of Georgians closely associated with Jimmy Carter, up to and if necessary including the President himself.

There is a lot of speculation in Washington that Carter may well keep the deputy OMB director on as acting director, at least until the important budget making process now beginning, is completed, some time around January. The deputy director is James McIntyre, a close personal friend of Lance and Carter, who oversaw the Georgia budget when Carter was Governor. Yesterday Powell noted that the "President feels no great pressure to move in any hasty fashion in making a permanent choice for the OMB." He noted that Carter is "quite confident" that McIntyre can handle the job in the weeks ahead and that he would be one of the people considered for the director's position. Although it has been said that the White House is considering economists associated with the New York investment circles for the permanent OMB post, it is known that they are also considering top conservative banking and industrial figures for the job.

The Lance affair combined with the widely perceived weakness of the Administration's programs and policies in the context of a rapidly worsening economic situation has created a massive policy vacuum in Washington. A source close to the President described the present situation in the executive branch as "turmoil, nobody knows what to do." There are indications the White House is beginning to look toward a policy favoring industrial and agricultural growth. Carter intimate and official White House pollster, Georgian Patrick Caddell, told a meeting of western Democratic leaders early this week that "economic growth is the paramount issue in the West." This issue, he warned, splits Democrats "along class lines" with the union members and minority groups favoring growth and "suburban liberals" more interested in environmental concerns. Caddell cited the recent Seattle congressional race, won by a Republican pro-growther in a normally Democratic district, as an

example of what would happen to the Democrats if they fail to adopt a progrowth policy. The race cited by Caddell was won by the Republicans after a vigorous campaign by the U.S. Labor Party against the pro-austerity Democrat.

The Administration is now reevaluating major policy decisions. Aides to "liberal" Senator Howard Metzenbaum (D-Ohio) are furious at the Administration for not strongly backing up its energy deindustrialization program, against which Senate conservatives have mounted a stiff political assault. Carter does "not even back his own energy program," Metzenbaum's office complains. Energy chief James Schlesinger is known to have told the powerful Democratic Senator Russell Long that if the Senate blocks the Administration's energy plans, then the White House will accept a proposal much more favorable to the "sunbelt" oil and gas interests Long represents.

But while the White House vacillates in deciding what programs and political layers to ally with, the people who ousted Lance have wasted no time in turning their fire against the entire Georgia mafia and Carter himself. In a discussion he had last week with evangelist Billy Graham, Carter said that if he let Lance go then "my entire political family" will come under attack. The day following Lance's resignation, *New York Times* columnist William Safire opened up on Carter. The theme of the Lance crisis, he declared, was "the abuse of governmental power after the election of 1976 by the President-elect and a clique of cronies who may well have conspired to end a cease and desist order to stop a criminal investigation and to deceive the Senate — in other words to obstruct justice." Safire demanded that an independent special prosecutor be set up to investigate the entire matter. The *Washington Post* has had several articles since the resignation warning that "Carter may have to answer for his actions." James Wieghart in the *New York Daily News* Sept. 23 instructed the President that "For his own protection as well as the country's, Carter is going to have to break up or at least broaden that cozy little group of home-state advisors who dominate the White House staff by inserting some new outsiders at the top.