

First Budget Battle Pits Fiscal Conservatives Against 'Anglophiles'

President Carter and the fiscal conservatives in the Office of Management and Budget flatly turned down the hyperinflationary spending requests of Housing and Urban Development Secretary Patricia Harris and Energy Secretary James Schlesinger this week, in the first big battle over the 1979 federal budget.

The OMB said no to Harris's proposal for an \$8 to \$12 billion "urban program" that essentially provided make-work jobs and the structure for greatly increased federal control of urban industry and government. Similarly, the OMB refused to fund Schlesinger's request for an oil reserve stored in salt domes, a key element in Schlesinger's strategy to break OPEC:

These decisions mark a reflex self-defense action against big spending, and are not yet part of a strategy of backing up the battered dollar with an economic policy of high-technology exports and increased industrial production. But these defensive decisions severely hamper the activities of those Administration officials determined to destroy the value of the dollar, and to see a government overhaul of U.S. industry.

The Schlesinger Flap

"There are differences not just at the staff level, but all the way up to the top," a senior OMB official commented about his department's refusal to grant Schlesinger the money for his "Strategic Petroleum Reserve." Schlesinger had planned for \$26 billion to build a reserve of 1 billion barrels of oil by 1983, and the OMB, headed by Carter's old Georgia associate James McIntyre, offered only \$10 billion.

Schlesinger is reportedly fuming over the rejection, and has complained to Carter — so far, without results. Officials in the Energy Department are angrily telling enquirers: "It boils down to what you think the problem is: an unbalanced budget or another oil embargo."

The OMB refusal, in fact, cripples Schlesinger's attempts to force the Organization of Petroleum Exporting Countries into an embargo — one of the foremost things Schlesinger needs to implement plans for a "Winter Energy Emergency" in the U.S. As expected, the OPEC nations decided today on a de facto freeze on oil prices, and, as long as the momentum for peace continues in the Mideast, the threat of an embargo is not now credible. Schlesinger had hoped for the "Strategic Reserve" scheme as a major provocation: only last week, the Oil Minister of Qatar attacked the concept of oil reserves in the industrialized nations, noting that it was aimed at setting up OPEC, not creating reserves.

Significantly, the OMB decision has received support from top State Department officials, who are more attuned to international pressures and the dangers of war. A top member of the department's Office of Fuels and Energy declared, "Right now when we are setting priorities for the budget, considering the state of the economy, one would not want to spend a lot for stock-piling. It is not an immediate priority.

Along these lines, there is widespread anger in the State Department at the entire spectrum of British-led operations directed against the U.S. economy. "A lot of people here are very concerned at the way the Administration is handling the dollar problem," a senior State Department representative acknowledged.

Carter Says No to HUD

The refusal to fund Schlesinger's provocations, followed Carter's point-blank rejection of the enormous spending program demanded by HUD for low-wage jobs programs and an "urban development bank," a means for exerting federal control over industry and local governments.

"Give me something worth funding if you want more money," Carter reportedly told HUD representatives last week, at a meeting in the White House on their urban program. "In the Department (HUD), the prevailing view is that the President and his principal advisors are unwilling to make the political and financial commitment that an urban policy statement written in the department would require," the *New York Times* wrote Dec. 18. Carter is reportedly considering spending \$2 billion on the urban policy.

The cost-cutting mentality of the OMB and the President stirred up a storm of protest from supporters of a British monetary coup against the dollar. "The President is holding things up, he won't expand the budget," an aide to Senator William Proxmire (D-Wis.), chairman of the Senate Banking Committee, said. "He gets support from the OMB. Not just OMB head McIntyre, but he gets a working knowledge of all areas of the budget from other OMB people. It is quite right to say there is a split in the Administration. HUD is very angry that they have not gotten support for their program."

The Fabian Onslaught

Not surprisingly, Proxmire is determined to oust OMB head McIntyre and replace him with someone more in league with British monetarist policy. Proxmire asked the head of the General Services Administration, Staats, for a review of whether it is legal for McIntyre to remain as acting director of OMB without congressional approval.

Asked whom Proxmire would prefer in McIntyre's place, the aide coyly said, "We hear rumors about Treasury Secretary Blumenthal often."

Simultaneously, the Anglophiles are running an inside sabotage operation at the OMB, under the direction of Harrison Wellford, a fan of Ralph Nader who heads up the department's Reorganization and Management division. Under Wellfords' direction, staff members are drawing up blueprints to eliminate key sections of the government structure, and Wellford has been meeting with budget division people for the same purpose.