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THE REAGAN ADMINISTRATION

1. THE AMERICAN PRESS ARE ONCE MORE REPORTING DISARRAY IN THE REAGAN ADMINISTRATION BOTH ON FOREIGN POLICY AND THE ECONOMY. THERE HAS BEEN ANOTHER FLURRY OVER HAIG'S POSITION. HAIG PERSONALLY INTERVENED A FEW DAYS AGO TO TRY TO DISSUADE THE SYNDICATED COLUMNIST, JACK ANDERSON FROM WRITING THAT HE ALREADY HAD QUOTE ONE FOOT ON THE BANANA PEEL UNQUOTE. HAIG TOLD ANDERSON THAT A TOP WHITE HOUSE OFFICIAL WAS RUNNING A GUERRILLA CAMPAIGN AGAINST HIM AND SUBSEQUENTLY SEEMS TO HAVE PERSUADED THE PRESIDENT HIMSELF TO TRY (UNSUCCESSFULLY, OF COURSE) TO SCOTCH THE STORY. THE PRESIDENT YESTERDAY MADE A STATEMENT TO THE PRESS CONFIRMING HIS CONFIDENCE IN HAIG AND HAIG HAS TODAY TOLD THE SENATE FOREIGN RELATIONS COMMITTEE THAT HE AND THE PRESIDENT ARE IN FULL AGREEMENT ON THE CONDUCT OF FOREIGN POLICY.

2. WHILE THIS STORY IS SYMPTOMATIC OF THE CONTINUING UNEASY RELATIONS BETWEEN HAIG AND THE SENIOR WHITE HOUSE STAFF AND OF HAIG'S OWN EXTREME SENSITIVITY TO THE PRESS, IT IS ALSO PART OF A WIDER PICTURE INCLUDING A RENEWED SPATE OF ADVERSE EDITORIAL COMMENT ON US FOREIGN POLICY IN GENERAL. THIS CRITICISM HAS TO DO BOTH WITH HOW THE ADMINISTRATION CONDUCTS ITSELF AND WITH THE SUBSTANCE OF POLICY, ESPECIALLY IN THE MIDDLE EAST WHERE THE EXTENT OF THE PRESIDENT'S AWACS VICTORY IN THE SENATE IN NO WAY MATCHED THE EFFORT THAT WENT INTO IT AND HAS NOT BEEN ABLE TO DISGUISE THE FACT THAT A TACTICAL SUCCESS IN CONGRESS IS NOT A SUBSTITUTE FOR A COHERENT POLICY IN THE REGION. REAGAN'S EXPANSION OF THE CARTER DOCTRINE TO COMMIT THE UNITED STATES TO THE DEFENCE OF THE SAUDI REGIME IS THE MOST NOTABLE RECENT EXAMPLE OF THE TENDENCY OF THE ADMINISTRATION TO MAKE POLICY AS THEY GO ALONG.

3. MORE DAMAGING QUESTIONS ABOUT THE SURENESS OF REAGAN'S TOUCH IN FOREIGN POLICY ARE LIKELY TO ARISE IF HIS ECONOMIC POLICY IS SEEN TO FOUNDER, NOT LEAST BECAUSE OF THE IMPLICATIONS FOR FULFILLING THE ADMINISTRATION'S MASSIVE COMMITMENTS IN THE DEFENCE FIELD. THE PROSPECT (GIVEN SOME CREDENCE IN RECENT STATEMENTS BY STOCKMAN) OF A DEFICIT OF DOLLARS 100 BILLION IN FY 1984 INSTEAD OF THE PROMISED BALANCE MAKES IT OBVIOUS THAT THE SUPPLEMENTAL SPENDING CUTS ANNOUNCED ON 24 SEPTEMBER WERE NO WAY NEAR ENOUGH.

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4. THE ADMINISTRATION'S CHOICES (ALLOWING THE BUDGET DEFICIT TO RISE, CUTTING PUBLIC EXPENDITURE POSSIBLY INCLUDING DEFENCE SPENDING; RAISING TAXES - OR SOME COMBINATION OF ALL THREE) ARE POLITICALLY UNPALATABLE AND POTENTIALLY DAMAGING. THERE HAS BEEN A WELL-PUBLICISED DISAGREEMENT BETWEEN STOCKMAN, WHO SEES THE NEED FOR TAX INCREASES, AND REGAN, WHO DOES NOT. PUBLIC SCEPTICISM IS GROWING AND WAS ALMOST CERTAINLY REFLECTED IN YESTERDAY'S DEMOCRATIC VICTORY IN THE ELECTIONS FOR GOVERNOR OF VIRGINIA, WHERE THE REPUBLICAN CANDIDATE, AN ADVOCATE OF THE REAGAN PROGRAMME WHO HAD BEEN STRONGLY ENDORSED BY THE PRESIDENT, WAS DECISIVELY BEATEN, THE FIRST TIME THE REPUBLICANS HAVE LOST THE GOVERNORSHIP SINCE 1965.

5. WHATEVER OPTIONS HE CHOOSES, THE PRESIDENT WILL NOT HAVE AN EASY RIDE IN CONGRESS. HE HAS APPARENTLY GIVEN REPUBLICAN LEADERS A CLEAR STEER THAT HE DOES NOT WANT MAJOR DEFENCE CUTS OR TAX INCREASES, BUT THIS LEAVES THE PROSPECT OF A RISING BUDGET DEFICIT WHICH WOULD BE HARPED UPON IN THE PRESS AND ELSEWHERE AND WILL LEAVE HIM OPEN TO OPPOSITION FROM REPUBLICAN CONGRESSMEN WHO WISH PROGRESS TOWARDS BALANCING THE BUDGET TO BE MADE. THE ONE BRIGHT SPOT IS THE DECLINE IN INTEREST RATES BUT THIS IS ALMOST UNIVERSALLY ATTRIBUTED, NOT TO THE SUCCESS OF THE ADMINISTRATION'S POLICIES, BUT TO THE SLACKENING OF ECONOMIC ACTIVITY. THERE ARE ALREADY SIGNS THAT SOME OF THE REPUBLICAN LEADERSHIP IN CONGRESS ARE PREPARING TO JUMP OFF THE REAGAN BANDWAGON AND TO PUT SOME DISTANCE BETWEEN THEMSELVES AND THE PRESIDENT AS THEY APPROACH AN ELECTION YEAR. THE CONVENTIONAL VIEW IS THAT REAGAN HAS ONLY UNTIL MID-1982 TO PRODUCE AN UPTURN IN THE ECONOMY IF HE IS TO HAVE ANY HOPE OF CONSOLIDATING LAST YEAR'S REPUBLICAN VICTORIES.

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HENDERSON

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