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TO PRIORITY FCO

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SAVING TO NATO AND EC POSTS, USCG'S, BIS NEW YORK.

US CONGRESSIONAL ELECTIONS

SUMMARY

1. THE REPUBLICANS MAY GAIN 5-15 SEATS IN THE HOUSE. BUT THE DEMOCRATS COULD PICK UP A FEW SEATS IN THE SENATE.

DETAIL

2. WITH THE RESULT OF THE PRESIDENTIAL CONTEST NOW INCREASINGLY BEING TAKEN FOR GRANTED, ATTENTION IS FOCUSING MORE ON THE CONGRESSIONAL RACES. ALL 435 HOUSE SEATS AND 33 OF THE 100 SENATE SEATS (19 REPUBLICAN AND 14 DEMOCRATIC) ARE UP FOR ELECTION ON 6 NOVEMBER. THE INCOMING ADMINISTRATION'S ABILITY TO LEGISLATE EFFECTIVELY OVER THE NEXT TWO YEARS WILL DEPEND ON THE OUTCOME AND THE IMPLICATIONS FOR THE BUDGET DEFICIT WILL BE PARTICULARLY IMPORTANT.

3. THE DEMOCRATS IN THE OUTGOING CONGRESS HAD A LARGE ENOUGH MAJORITY IN THE HOUSE (267 TO 168) AND A SUFFICIENTLY CLOSE BALANCE IN THE SENATE (55 REPUBLICAN TO 45 DEMOCRATIC) TO BE ABLE TO FRUSTRATE OR MODIFY ADMINISTRATION POLICIES IN MOST AREAS OF MAJOR PARTISAN DISAGREEMENT. THE UPSHOT WAS STALEMATE ON MANY CONTROVERSIAL ISSUES, AND ON SOME OF THE MOST DIFFICULT OF THEM - EG, AID TO THE CONTRAS IN NICARAGUA AND FUNDING FOR THE MX MISSILE - DECISIONS HAVE SIMPLY BEEN POSTPONED UNTIL THE NEW CONGRESS MEETS NEXT YEAR. THE KEY QUESTIONS IN THE ELECTIONS TO THE NEW CONGRESS WILL BE (A) WHETHER, THE REPUBLICANS CAN, ON REAGAN'S COAT-TAILS, GAIN ENOUGH SEATS IN THE HOUSE TO BREAK THIS STALEMATE AND RE-CREATE A WORKING MAJORITY COALITION WITH CONSERVATIVE SOUTHERN DEMOCRATS, SUCH AS EXISTED IN THE 1981/82 CONGRESS, AND (B) WHETHER THE DEMOCRATS CAN REGAIN CONTROL OF THE SENATE, WHERE SEVERAL REPUBLICAN INCUMBENTS FACE STRONG CHALLENGES FROM GOOD DEMOCRATIC CANDIDATES.

4. FOR THE REPUBLICANS TO BREAK THE STALEMATE IN THE HOUSE, THEY WOULD NEED TO REGAIN AT LEAST THE 26 SEATS WHICH THEY LOST IN THE MID-TERM ELECTIONS IN 1982. THREE WEEKS AGO THIS LOOKED A POSSIBILITY. BUT THE FIRST TELEVISED DEBATE ON 7 OCTOBER, EVEN IF IT DID NOT GREATLY CHANGE THE PRESIDENT'S PERSONAL STANDING IN THE POLLS, SEEMS TO HAVE SIGNIFICANTLY SHORTENED HIS COATTAILS. MONDALE WAS MOREOVER SHOWN TO BE A DEMOCRATIC LEADER WITH A CREDIBLE DOMESTIC PROGRAMME. THIS WAS ENOUGH TO BRING MANY WAVERING DEMOCRATS BACK INTO THE FOLD BEHIND THEIR LOCAL INCUMBENT DEMOCRATIC CONGRESSMAN (EVEN THOUGH THEY MAY STILL INTEND TO VOTE FOR REAGAN FOR PRESIDENT, BECAUSE THEY LIKE HIM AS A MAN.) THE INDICATIONS NOW ARE THAT,

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AS USUAL IN CONGRESSIONAL ELECTIONS, GIVEN THE ENORMOUS ADVANTAGES OF INCUMBENCY, THE GREAT MAJORITY OF INCUMBENTS WILL WIN. SUCH DEMOCRATS WHO DO LOSE ARE MORE LIKELY TO BE FIRST-TERMERS WHO WERE LUCKY TO WIN IN REPUBLICAN AREAS IN 1982, RATHER THAN SENIOR FIGURES SUCH AS THE CHAIRMAN OF THE HOUSE BUDGET COMMITTEE, JIM JONES (OKLAHOMA), WHO WAS AT FIRST THOUGHT TO BE VULNERABLE. THE EXPERTS ARE NOW PREDICTING A SWING TO THE REPUBLICANS IN THE RANGE OF 5 TO 15 SEATS.

5. IN THE SENATE THE MAJOR RACES HAVE GATHERED A MOMENTUM OF THEIR OWN AND ARE BEING FOUGHT OUT WITH MUCH NATIONAL PUBLICITY AND RELATIVELY LITTLE REGARD FOR THE PROGRESS OF THE PRESIDENTIAL CAMPAIGN. THE DEMOCRATS ONLY NEED A NET GAIN OF 6 SEATS TO REGAIN CONTROL OF THE SENATE, AND THERE ARE IN THEORY AT LEAST 6 OR 7 REPUBLICAN SEATS WHICH COULD BE WINNABLE FOR THEM. THEIR MAIN TARGETS AMONG REPUBLICAN INCUMBENTS ARE THE ARCH-CONSERVATIVE SENATOR HELMS (NORTH CAROLINA), WHO IS BEING CHALLENGED BY THE POPULAR STATE GOVERNOR, JIM HUNT, IN WHAT LOOKS LIKE BEING THE MOST EXPENSIVE SENATE RACE IN HISTORY (ABOUT 20 MILLION DOLLARS), AND THE CHAIRMAN OF THE FOREIGN RELATIONS COMMITTEE, SENATOR PERCY (ILLINOIS), WHO FACES A LIBERAL DEMOCRATIC CONGRESSMAN, PAUL SIMON. SUPPORTED BY THE VOICES AND HEFTY FINANCIAL SUPPORT OF THOSE WHO DISAPPROVE OF PERCY'S SUPPOSEDLY PRO-ARAB LEANING. BOTH THESE RACES LOOK EXTREMELY CLOSE, THOUGH THE INCUMBENTS PROBABLY HAVE A SLIGHT EDGE IN BOTH CASES. ONE SEAT WHICH THE DEMOCRATS EXPECT TO WIN IS THAT CURRENTLY HELD BY THE RETIRING MAJORITY LEADER SENATOR BAKER (TENNESSEE). THE REPUBLICANS, HOWEVER, ARE LIKELY TO RETAIN THE SEAT OF THE RETIRING CHAIRMAN OF THE ARMED SERVICES COMMITTEE, SENATOR TOWER (TEXAS), AND COULD ALSO PICK UP A VACANT DEMOCRATIC SEAT IN MASSACHUSETTS (WHERE THEIR CANDIDATE IS THE MILLIONAIRE BUSINESSMAN, RAY SHAMIE, WHO DEFEATED ELLIOT RICHARDSON IN THE REPUBLICAN PRIMARY).

6. IT IS HARD TO MAKE FIRM PREDICTIONS ABOUT THESE SENATE RACES. BUT THE CONVENTIONAL WISDOM, WHICH I THINK IS PROBABLY RIGHT, IS THAT THE DEMOCRATS MAY MAKE SOME SMALL NET GAINS (PERHAPS 2-3 SEATS) THOUGH NOT ENOUGH TO REGAIN CONTROL. POSSIBLY MORE IMPORTANT FROM OUR POINT OF VIEW IS THE QUESTION OF THE MAJOR COMMITTEE CHAIRMANSHIPS. IF PERCY LOSES, THE CONTROVERSIAL HELMS WOULD BE NEXT IN LINE FOR THE CHAIRMANSHIP OF THE FOREIGN RELATIONS COMMITTEE (IF HE CHOSE TO TAKE IT RATHER THAN REMAIN AS CHAIRMAN OF THE AGRICULTURE COMMITTEE). THIS WOULD NOT BE WELCOME TO THE STATE DEPARTMENT. IF BOTH PERCY AND HELMS LOSE, AND THE REPUBLICANS ARE STILL IN CONTROL, POSSIBLE FOREIGN RELATIONS COMMITTEE CHAIRMEN WOULD INCLUDE SENATORS LUGAR AND MATHIAS, WITHER OF WHOM WOULD BE EXCELLENT FROM OUR POINT OF VIEW. THE ARMED SERVICES COMMITTEE CHAIRMANSHIP WILL BE EQUALLY WIDE OPEN AFTER TOWER'S DEPARTURE, WITH SENATORS WARNER (VIRGINIA) AND GOLDWATER (ARIZONA) THE CURRENT FAVOURITES.

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7. EVEN IF AS EXPECTED THERE IS A LANDSLIDE REAGAN VICTORY IN THE PRESIDENTIAL RACE, IT WOULD BE SURPRISING TO SEE ANYTHING MORE THAN A MINOR SWING TO THE REPUBLICANS IN THE HOUSE AND POSSIBLY SOME SMALL GAIN FOR THE DEMOCRATS IN THE SENATE. I WOULD NOT WISH TO BE TOO SPECIFIC IN FORECASTING NUMBERS. BUT IT IS INTERESTING THAT IN 1972, WHEN NIXON WON RE-ELECTION BY A LANDSLIDE OF 520 TO 17 VOTES IN THE ELECTORAL COLLEGE, THE REPUBLICANS GAINED 12 SEATS IN THE HOUSE AND LOST 2 IN THE SENATE.

FCO PASS SAVING TO:-

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WRIGHT

FCO (PALACE) WHITEHALL

NAD.

(REPEATED AS REQUESTED)