

RIPON FORUM

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EDITORIAL: ENERGY

ENERGY AND THE GOVERNMENT MYTH MACHINE

On October 10, President Ford submitted legislation to Congress which would create an Energy Independence Authority empowered to expend \$100 billion in the pursuit of national energy autonomy. Although the Administration's proposal has a tempting rationale (see "In Defense of the EIA" on page 3), it perpetuates the myth of governmental cure-alls for national problems.

The United States today seems surrounded by an increasingly leaky dike holding back the forces of disintegration and chaos. The nation's politicians make news and insure their reelection by spotting leaks in the dike and proposing expensive plugs. Too often, these plugs cause cracks and leaks elsewhere in the dike when the financial and social strains of the new plugs become evident. In turn, these leaks provide new life for leak-spotting, crack-repairing politicians.

Everyone has his favorite holes in the dike. Conservatives are ever-alert to missile gaps and deteriorating alliances. Liberals are always on the lookout for signs of creeping human misery. Bankers look for signs of weakness in the credit market. Union officials look for the ooze of excess profits. Ecologists are certain to detect disruptions in the environment. And Ralph Nader is forever finding rot in private industry. Certainly, there is a wealth of material for crack-spotters. Too often, however, a "wealth" is exactly what is needed to fund proposed repairs.

The Ford Administration's energy proposals are no more outrageous—and in some ways, more sensible—than a lot of federal crack-patching. There is a fine line between crack-patchers and crackpots, however, which bears continual political vigilance. Crack-patchers suffer from suffer from some common deficiencies and fallacies. Many of these mythical assumptions are incorporated in the Energy Independence Authority proposal. Specifically:

1. If private business can't do it, government can. It is absurd to see why projects which private industry finds too risky to fund

privately will be much more feasible if they are government-sponsored. The EIA's rationale is that the private capital market cannot make necessary investments because "some new technologies...have uncertain economics due to long lead times and technological uncertainties;" other "new projects, such as uranium enrichment plants, are too large and economically risky to be financed by the private sector alone;" and in other cases, "capital requirements are too large in light of insufficient earnings and regulatory delays or inaction." So what? Does that mean that government managers will make wiser decisions than corporate managers—or just that they will be freed from the political and economic restraints of corporate decision makers.

2. If the federal government backs it, it's safe. The federal government is becoming a very abused security blanket. Its guarantees are continually being extended to all sorts of loans. These guarantees are "cheap," according to the popular wisdom because the government can undertake to provide a social good thereby with a minimum financial outlay. Unfortunately, federal guarantees—such as vocational school student loans—tend to obviate the need for prudent caution by investors, who are thereby encouraged to ignore risk altogether. Why invest in a risk when a federally-guaranteed program is available for money-making. The net result is to make investment in risk ventures that much more risky, rate, and costly if guarantees are not available. Investors—e.g., potential New York bond-holders—will tend to wait for guarantees to be forthcoming. Future loans to other risky, non-guaranteed programs will be held up for government guarantees. No one is going to jump off a cliff in the future until they get a government parachute. And conversely, there is going to be a lot of foolhardy cliff-jumping because government parachutes are available.

3. Massive government intervention on this scale will not be disruptive. On the contrary, inevitable distortions of the capital markets are bound to occur. The obvious goal of EIA is the diversion of capital

energy development. However, investors will invariably line up in front of Uncle Sam's new venture before they even look at Con Edison's bonds. As a result, the Administration's suggestion that "EIA financing will not be available for projects which can be financed by the private sector" has a hollow ring. EIA financing will make sure that a lot of energy and non-energy projects cannot be financed by the private sector, simply because that capital has been diverted. There are real but unseen opportunity costs created by EIA—ones which politicians typically ignore until after a program's inception. In the EIA's case, however, distortion of the capital market has been a prime rallying cry of its political opponents.

4. Government subsidies should be used to mask real costs of consumable necessities. Energy is suddenly expensive where once it was artificially cheap. Food was once artificially cheap too because government subsidies kept the real cost from registering at the supermarket counter. Now, similar subsidies are being proposed for energy. But as Exxon Vice President Jack F. Bennett has noted, government loans won't spur energy development unless energy prices provide a reasonable return on investment. And if the returns are that high, who needs government loans? Private investment would then automatically trigger necessary investment. Is it preferable or desirable to substitute high taxes for high energy costs? American diets have absorbed an unreasonable amount of grain-devouring beef because food costs were hidden in taxes. Only when food costs rose to more natural levels did Americans start limiting their beef intake. Government subsidies and artificially-low energy costs distort the consumer market place because they discourage the conserving consumer and invite consumer satiation. Given human nature, consumers will naturally take advantage of a good thing if they know they're not paying the real cost.

5. Let the Civil Service do it. Under the proposed legislation, all but 25 EIA positions are subject to civil service regulations. Bureaucratization of the energy problem is not a meaningful solution. It is hard to see how bureaucratic inertia and tape production is to be overcome in making high-risk loans. The banker-bureaucrats necessary to administer this \$100 billion program have not yet been created by the civil service—let alone had their job classifications assigned.

6. Energy is a special case. Everybody has a special case where leaks in the dike are concerned. Special cases cannot be dealt with so massively without massive distortions in other sectors of the economy. Special cases, in fact, too often become tempting targets at which money—in this case, \$100 bil-

lion—is thrown indiscriminately. Today, it's the War on Energy. It used to be the War on Poverty, the War on Urban Decay, and the War on Vietnam. All were creative examples of how to waste tax dollars. If there is a special case, it is for energy self-sufficiency and the justification is national security. Energy self-sufficiency, after all, is not a consumer need and its burdens therefore will no more be automatically assumed by the free enterprise system than the costs of aircraft carriers are. The EIA, however, has been justified on economic, not national security grounds.

7. The end of the world is near. It is hard to dispute the doomsayers. Without denigrating the seriousness of the energy crisis, it is always hard to argue with the prophets of doom and cataclysm. If enough people say New York is going down the tubes, New York will go down the tubes. If enough people say there is a shortage of toilet paper, there is a shortage of toilet paper. (There is never any shortage of prophets of doom.) If enough politicians predict a recession, there is a predictable effect on the stock market. Certainly, energy independence is an important goal. But if enough politicians/journalists/economists say the only way to achieve energy independence is through massive government intervention, then you can bet a barrel of oil that investment in energy projects is going to slow down until the government comes through.

8. The Arabs will pay. An implicit, but largely unstated argument for EIA is that the Arabs—particularly the Arabian peninsula—will be a major source of EIA investment capital. In essence, such an assumption means that the Arabs will be undercutting their own price structure for oil. However, the Arabs will not really be financing the U.S. program. In reality, the money will come from the Germans, the Japanese, and other western industrial countries which have been much harder hit by the Arab price increases. These countries, not the Arabs, will pay. If the Arabs, are expected to come through with the capital, however, as a way of using economic pressure to break the cartel, then the alternative of political means of undercutting the cartel ought also to be explored. As outlined in the EIA proposal, the price system will be used as administrative technique to undercut OPEC prices. But the project has to be weighed against the political alternatives of bilateral agreements with Arabian peninsula countries to assure the U.S. with a guaranteed supply of oil. If energy self-sufficiency is a national security problem, then political solutions are certainly as valid as economic ones. And if Congress is going to approve an EIA proposal, then there

ought to be guarantees that Arab financial investments will be forthcoming and that the alternatives of the wheat-for-oil type agreement recently struck with the Soviet Union have been sufficiently explored by the Administration.

If there is a rationale for the EIA proposal, the Administration has not yet made

one clear. Polls indicate that Americans are not convinced that high energy prices are necessary; there is no reason to believe that they are convinced that \$100 billion for the EIA is necessary either. If it is necessary, then the Administration had better start de-mything the program and explaining the real political-economic necessities for such a proposal. ■

COMMENTARY: ENERGY

IN DEFENSE OF THE ENERGY INDEPENDENCE ADMINISTRATION

by John Topping

There are some problems so great that their solutions transcend considerations of political ideology or economic orthodoxy. The assurance of adequate energy supplies for the U.S. economy over the next decade poses just such a problem. Yet, a realistic attempt to solve this problem, the Energy Independence Authority (EIA) proposal put forward by President Ford has been greeted by an almost theological response by many, self-professed free market spokesmen.

Critics of the proposal, in between mounting ad hominem attacks on Vice President Nelson Rockefeller, EIA's strongest patron, have charged that it would distort capital markets, introduce excessive governmental intervention into the energy industry, and spawn further bureaucratic growth. Yet, "Rocky's boondoggle," like "Seward's folly," is likely to appear a sound investment in the clearer light of history. Ironically, in the Hobson's choice situations posed by the energy problem, the enactment of the EIA or some variant may well be a prerequisite to the maintenance of a privately owned utility industry and indeed, to the preservation of a growing, largely capitalistic economy.

Free market critics of the EIA plan have ignored a number of unpleasant realities including the existence of a well-organized OPEC cartel capable of dictating large oil price hikes or withholding oil for political purposes, and the squeeze utilities are caught in between enormous capital requirements to finance future energy needs and the reluctance of regulators to grant commensurate rate hikes. A well-disciplined cartel—and OPEC has proved to be that despite the political differences of its member states and the moderate attitude of the Saudis—can overwhelm market responses. Just as the cartel can raise prices unilaterally, so might it cut prices for a time to undercut alternative energy technologies that threaten to undermine the dominance of oil in the energy market. In the domestic economy such anti-competitive price cutting to consolidate a

monopoly position constitutes an anti-trust law violation; when practiced by OPEC members, it is merely an exercise of national sovereignty. Yet, the development of coal gasification, shale oil, solar and other energy methods—already chancy undertakings because of the technological uncertainties and long lead times for capital investment—becomes doubly chancy when weighed against the possibility of a future oil price drop. The effect of this uncertainty is to dry up sources of risk capital and further fortify the position of the OPEC cartel.

Despite continuing increases in petroleum demand, our domestic crude oil production has declined by more than one million barrels per day from its peak in 1970. Oil imports which provide about 37 percent of oil consumption today are expected to rise to more than half of domestic consumption by 1985 without some concerted effort to develop alternative fuel sources. Due to OPEC price hikes and increased imports, U.S. payments to foreign producers have jumped in the last five years from less than \$3 billion to \$25 billion annually. The price tag for future oil imports may leapfrog in view of the U.S.'s steadily more dependent situation toward the OPEC countries. Meanwhile, domestic natural gas production has dropped 14.5 percent in the past year and a half, threatening severe curtailments of service and plant closings in many parts of the country.

Despite the seemingly greater immediacy of the oil and natural gas shortage situations, perhaps an even more serious long-range problem exists within the electric utility industry. Projections of increases in electricity demand between 1975 and 1989 run at a "moderate" growth rate of about 6 percent annually. As a revealing article by Carol Loomis in the March 1975 issue of *Fortune* points out, this will imply a doubling of plant facilities in the next twelve years. Electric utility capital requirements during this time may amount to about \$650 billion. Much of this will have to be raised from the sale of stock. Traditionally, purchases of utilities stocks have been very conservative

investors intent on securing a steady yield of corporate dividends. The announcement in April 1974 that Consolidated Edison would omit it divided sent shock waves through the utilities market. Subsequent utility problems nationwide have severely chilled investor interest.

An unusually large proportion of capital expenditures by utilities has been externally generated. Over the last five years, Fortune indicates internally-generated funds have provided only about 36 percent of these expenditures. Should the proportions stay in this range; roughly \$400 billion of external financing would be required, \$320 billion by privately-owned utilities and \$80 billion by publicly-owned systems.

Consumers hard hit by wave after wave of rate hikes due to the accumulated effects of OPEC oil price increases and spiralling costs of new plant construction have placed enormous pressures on the state regulatory commissions. These politically sensitive rate-setters have often hesitated to raise rates sufficiently to accommodate the financial requirements of utilities. The result has already been a drastic cutback in utility construction plans. As of December 1974, about 100 major utilities had reduced their construction budgets through 1978 by a total of \$21 billion, an energy equivalent of 170,000 megawatts. Even the 110,000 megawatts of this cutback which involved nuclear power had a potential to reduce U.S. demand for oil by 3.3. million barrels a day, according to the Fortune survey.

The result of our continuing slide down the slippery slope of energy dependence will be severe economic dislocations within the next decade with profound implications for social stability and individual opportunity. Massive unemployment and nearly universal cuts in the national standard of living are likely results of the severe energy shortages shaping up in the next decade. Undoubtedly, the greatest impact will be felt by the poor and the lower middle class. The emotions unleashed by this economic disaster would threaten the stability of our competitive enterprise system.

The Energy Independence Authority is a realistic attempt to avert this situation by underwriting and supplementing normal sources of capital for energy-related investment. The economic and political impact of the large-scale unavailability of energy in an industrial society transcends our normally healthy bias against governmental intervention in the capital markets. The EIA proposal is undoubtedly imperfect—yet better than any alternatives yet advanced. Some provisions—such as the Davis-Bacon Act applications to projects financed by the authority and civil service status for most Authority employees, involve debatable, but perhaps necessary, inducements to the building trades unions, civil service unions, and Congress. If it is not gutted by those legions who would happily let the future take care of itself, "Rocky's boondoggle" may ultimately be viewed as one of the sounder investments since Secretary of State William Seward bought an ice-filled wasteland for a little more than seven million dollars. ■

Contributor Note: John Topping in a gnome in the Washington labyrinth.

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I certify that the statements made by me above are correct and complete.
Josephine Cuevas

POLITICS: THE PRESIDENCY

Somehow, the Ford presidential campaign has managed to reap the worst of two fields. The President's campaign trips around the country have made him seem

more political than presidential in a period where the electorate is awaiting some indication of policy leadership in Washington. And on the other hand, these same trips—despite the Ford rhetoric about overblown government—have served to reenforce Ford's image as a Washington symbol in a period where the electorate is becoming increasingly convinced that Washington ranks just below Sodom, Gomorrah and New York City as a standard for what's wrong with the world. Meanwhile, Ronald Reagan has been campaigning against Washington instead of against Ford. The President is in the awkward position of trying to campaign against a government he is supposed to be in charge of. Whereas Reagan has no connection with Washington and less experience with it, Ford is inextricably linked to the city. His campaign has reenforced that link by appointing Republican congressmen to head the Ford campaign in the key primary states of New Hampshire and Florida. Reagan's campaign in those states, by contrast, is headed by former New Hampshire Gov. Hugh Gregg and former Florida GOP State Chairman Tommy Thomas—neither of whom can be tabbed as Washington politicians.

If Ford suffers from the Washington handicap, he has done too little to exploit the Washington advantages. News coverage of his campaign swings reenforce the public perception of the politician when his real concern ought to be the number of issues being confronted by Washington bureaucrats—rather than the number of hands being shaken on the campaign hustings. Ford will be reelected because of what he does as President, not what he does as a politician. As the New York Daily News' James Wieghart noted in a recent article in Nation: "...the President and the men around him continue to act as if ideological perception, not performance in office, were the primary obstacle between Ford and the Presidential nomination in Kansas City next summer. Why else has he been frantically crisscrossing the country on political barnstorming tours for the past several months, making speeches right out of the Wallace-Nixon campaign books, instead of staying in Washington and trying to build a record of accomplishment?"

Another drawback to the President's campaign was recently expressed by the Washington Post's Lou Cannon, who said there is a widespread feeling in the press and GOP ranks that the President is becoming overexposed: "It is a problem manifested in reduced press coverage and smaller crowds and in a general lack of excitement about presidential appearances. More importantly, it shows itself in what some Republicans think is a general lack of interest in the Preside .." That interest in the President can only be generated by what he does in Washington, not by what he says in Peoria.

Ford's intensive campaigning also fuels the newest fad analysis in the press—that Reagan presents a very threat to his nomination. The problem is that Ford's early campaign was geared to keeping Reagan out of the race. Now that a preemptive strike against Reagan has failed, Ford's campaign appears to have failed to shift gears to accomodate. Ford's biggest advantage over Reagan has always been that he is, after all, President and is therefore in a position to set the political stage. Instead, he has appeared to react to real and imagined moves by Reagan and conservatives. He shifted both his policies and his rhetoric to accomodate the Reagan forces—which were never interested in accomodation to begin with. Such accomodation was always unnecessary because it never shifted nor firmed up any support. Instead, Ford—acting as President—has generated any support he has received.

Similar views of the futility of appealing to the GOP rightwing was recently expressed by two national columnists. Joseph Kraft noted: "Perhaps the saddest feature of Mr. Ford's blatant bid for the right is that it will avail him so little. He cannot outdo Ronald Reagan with the conservatives. His stock-in-trade, both as candidate and President, is straightforward honesty. But the other day both CBS and NBC refused his claim that the tax speech be carried as a nonpartisan presidential address. Which only means that, as the President twists and turns, he is losing even his reputation for probity." And Garry Wills wrote: "But the right wing is steadfast in its loyalties, especially strong in hate. All the right wing hates Nelson Rockefeller, [Charles] Percy, and Howard Baker; much of it dislikes Henry Kissinger; much distrusts Ford; and many are fed up with the Republican Party itself. These people have been in love with losers for years; since the days of Taft. Wanting Reagan or Wallace, on their own terms, they will get neither. Their real interests will be served by Ford's reelection; but they will be too dumb to know it."

Probably misguidedly, Ford has used Vice President Nelson Rockefeller as a lightning rod for conservative emotions. Instead, Rockefeller has attracted conservative wrath down on Ford himself. The President's support for Rockefeller and his aides' waffling on support for Rockefeller has only provided ammunition for conservative cannons and grist for reporters' typewriters. The Rockefeller exercise has done nothing to dampen conservative hostilities and probably has done the reverse. It is regrettable because Rockefeller became a symbolic issue as a result for both moderates and conservatives—and his merits as vice president and as an asset to the ticket became obscured.

Furthermore, Ford's attacks against a "Can't Do" Congress are bound to fail unless he demonstrates that he is a "Can Do" President, who is willing to do more than merely watch New York City sink into bankruptcy. There are limits to government and the President has been wise to recognize those limits, but the President would be wiser still to start directing his efforts toward making the creaky old machine work better. Baltimore Sun columnist Ernest B. Furgurson recently pointed out that there are fundamental discrepancies in any Ford attempt to portray himself as the Truman of the 1970s: "What Truman had going for him was the sheer simplicity of his political situation and his theme—not only were they easy for the electorate to understand, they were bedded in fact. There is nothing so direct or indisputable about the Ford effort. If his election next year hangs on public acceptance of this poke of contradictions, he is in deep trouble—even if he tries to clarify matters by throwing his Vice President over the side before the voting."

DULY NOTED: STATES

"Say Specter Will Seek Senatorial Nomination for Seat Held By Scott." Philadelphia Observer, October 27, 1975. "Sources Close to former Philadelphia DA

Arlen Specter say he has made up his mind to seek the GOP senatorial nomination in 1976 irrespective of incumbent Hugh Scott's plans for reelection. Most observers in Washington and Pennsylvania, believe there will be no primary fight involving Scott. The betting is clearly in favor of retirement." Specter was reportedly convinced by a recent state GOP poll that U.S. Rep. H. John Heinz III (R) does not have the nomination locked up if Scott retires. "Specter reportedly believes that if he can quickly demonstrate fundraising capability it will go far toward neutralizing the presumed Heinz advantage."

● "Metcalfe Expects Battle On Two Fronts From Daley," by Michael Coakley. Chicago Tribune, October 5, 1975. "A battle that could affect the future of Chicago's Democratic machine is developing on the South Side as United States Rep. Ralph Metcalfe (D-Chicago) prepares for a two front assault from his former colleagues in Mayor Daley's organization. Metcalfe, once a Daley protege and the most powerful black within the machine, now is an outspoken critic of the mayor and determined to remain in Congress and keep his hand in party affairs...Sources close to Daley said the plan is to challenge Metcalfe in the Democratic primary next March, running machine-backed candidates against him for congressman and 3rd Ward Democratic committeeman." Notes Coakley: "The black vote is the bulwark of the machine. Twin primary victories by Metcalfe would shake the organization in a way that success by a white independent could not." Metcalfe has shunned advice that he concentrate on the congressional race and insisted he will fight on both fronts.

● "Sox Win Timely—For Politicians," by Glenn A. Briere. Springfield Republican, October 12, 1975. "Certain events on Beacon Hill are traditionally reserved for nice, safe non-election years. Tax increases are one. Red Sox pennants are another." It's a good thing, from a legislative viewpoint, notes Briere, because legislators have to disappoint a lot of people when it comes to filling World Series ticket requests and that could be a bad situation in an election year.

● "GOP Hopefuls Skirmish To Take Byrne in '77," by John McLaughlin. New York Daily News, October 21, 1975. There is a long list of possibilities developing for the 1977 gubernatorial race, but so far, no definite GOP candidates. State Sen. Raymond H. Bateman is the closest thing to a certain entry, having already declared that he will not seek reelection to the legislature. Other possibilities include U.S. District Court Judge Frederick B. Lacey, who is mum on the subject but may hesitate when he considers the example of the state's incumbent judge-turned-governor, the right incompetent Brendan Byrne. Treasury Secretary William Simon is expected to return to New Jersey after the 1976 elections and says "Well, you never can tell" about a gubernatorial run. Simon is being pushed by Paul Stillman, chairman of the board of Mutual Benefit Life Insurance and the First National Bank of New Jersey. U.S. Rep. Matthew P. Rinaldo (R) is officially uninterested in the governorship, but claims, "Frankly, if I decided to run, I don't have any doubt that I could win. Running isn't the problem. The problem is whether anyone can govern the state. Look at the mess Byrne got into." Also mentioned for the gubernatorial nomination is Assembly Minority Leader Thomas Kean, who lost a close congressional primary in 1974. Republicans are also watching Sen. Clifford Case's seat, which is up again in 1978. Although Case would then be 74, he shows no signs of retiring. A heated Senate primary might be in the offing, however. Already State Department official Webster B. Todd, Jr., son of the GOP state chairman, has said he will challenge Case: "Who says that Republican voters will nominate him for another term?" Few Republicans are willing to undertake a task closer at hand: the Senate seat of Sen. Harrison Williams (D) who is subject to another electoral evaluation in 1976.

● "Stanton Poll Shows Gilligan Ahead," by Joseph D. Rice. Cleveland Plain Dealer, October 15, 1975. U.S. Rep. James V. Stanton (D-20th) is encouraged by a poll done by Patrick Caddell even though the poll shows him trailing former Gov. John J. Gilligan (D) in a potential Senate primary. Paired with

Gilligan and former Sen. Howard M. Metzenbaum(D), Stanton received 26%, Gilligan 30%, and Metzenbaum 24%. Gilligan also ran strongest when paired with the Senate incumbent, Sen. Robert Taft, Jr., (R), trailing only 52-48%. Stanton trailed 46-38% and Metzenbaum trailed, 47-37%. "But the poll concluded that Taft is vulnerable because there is a sizeable undecided vote and most voters cannot name anything he has accomplished," according to Rice. "It also concluded that Stanton would be the strongest Democratic candidate because voters have a higher positive rating for him than Gilligan or Metzenbaum."

● "Clean Water, Earnestness Are Unbeatable Pair for Gude," by Peter A. Jay. Baltimore Sun, October 1, 1975. Former Muskie aide Lanny Davis is again trying to unseat Montgomery County U.S.Rep. Gilbert Gude(R). Davis was highly critical this summer of Gude's month-long trek along the Potomac River in search of ways to improve that waterway. But, notes Jay, Davis is unlikely to get very far with his attacks. "Every two years since 1966, the local Democratic Party has turned itself inside out trying to find someone to win Mr. Gude's seat, but to no avail. The congressman gently disposes of challengers, usually winning about 65 percent of the vote. He drives Democrats crazy because they can't flank him on the left without looking goofy, or on the right without looking dull." About Davis, Jay writes: "If he gets his party's nomination in 1976, he can be expected to join the distinguished company of Royce Hanson, Margaret Schewinhaut, Thomas Hale Boggs, Jr., Joseph G. Anastasi, and Sidney Kramer, all of whom the mostly Democratic voters of Montgomery County have sent packing when they ran against Mr. Gude. In the earnest eighth, eagles and clean water sell."

RIPON SUIT

Attorneys for the Ripon Society are preparing a writ of certiorari to bring Ripon's suit on delegate apportionment before the Supreme Court. Persons wishing to contribute to the large costs involved in making this important legal step may address checks to the Ripon Society, 1609 Connecticut Ave., N.W., Washington, D.C. 20009. Contributions should be earmarked for "Ripon Suit." Raising additional funding for legal expenses is vital to the elimination of territorial discrimination in presidential nominating conventions.

POLITICS: STATES

U.S. Ambassador to Belgium Leonard Firestone was once a key backer of Ronald Reagan, during the latter's two gubernatorial campaigns. Firestone now says Reagan didn't "measure up to what I thought his interest in the people's welfare should be. I would say he was a good governor, but I don't think he is qualified to be President."

MARYLAND

Despite the recent entry of U.S.Rep. Paul S. Sarbanes (D-3rd) into the 1976 Senate race and his steadily worsening political prospects, Gov. Marvin Mandel (D) continues to insist that he is interested in the Senate race. In addition to Sarbanes, there are two other announced candidates: former Sen. Joseph D. Tydings (D) and State Sen. Victor L. Crawford (D). Among those interested in Sarbanes' vacant seat is Baltimore City Councilwoman Barbara Mikulski (D), who ran unsuccessfully for the Senate in 1974.

MASSACHUSETTS

A strange thing happened when the Massachusetts budget came up for a vote in the State Senate. When Republicans succeeded in getting a rollcall vote on the budget, it was defeated by a solid 22-17 vote. But because Republicans are short by one vote the eight votes needed to demand a rollcall when all Democrats are present, they could not demand a rollcall vote when the budget was taken up for reconsideration. So this time, Senate president Kevin B. Harrington (D) was able to rule positively on passage when a voice vote was held. Republicans and House members were outraged, but Harrington had an explanation. A lot of Senate Democrats, it seemed, were willing to back passage in a voice vote, but unwilling to back passage if they had to go on public record. Senate Minority Leader John F. Parker (R) called the procedure "not government, but anarchy." Harrington made more news the same day by accusing fellow Democrat Gov. Michael Dukakis of partial responsibility for the state's budget crisis. Said Dukakis about Harrington's post-midnight remarks: It's "a good argument for not having legislative sessions early in the morning."

NEW JERSEY

U.S.Rep. Henry Helstoski (D) is the latest New Jersey politician to tangle with the U.S. Attorney's office. Helstoski's former aide, Albert DeFalco, was recently convicted of concocting a plan to extort \$36,000 from South American immigrants in exchange for the introduction of private immigration bills. Helstoski himself has become the focal point of a grand jury investigation into the affair and has developed a running feud with U.S. Attorney Jonathan L. Goldstein and District Court Judge Frederick B. Lacey. Commenting on DeFalco's conviction and Helstoski's testimony at this trial, Lacey said: "The jury was right in rejecting the defendant's argument. When a congressman submits bills to the House Judiciary Committee which he found out later were bought and then does nothing about them, that's reason to doubt the defendant."

NEW YORK

The resolution of New York City's financial crisis may have a decisive impact on next year's Senate election in the state. U.S. Rep. Peter Peyser (R), who has been seeking the Republican Senate nomination, has been highly critical of Sen. James Buckley's opposition to federal aid to New York City. Peyser has been a vocal proponent of federal guarantees for city bonds in exchange for concrete steps to cut the city's bloated budget. "Anything we do has to be predicated on a hard-nosed, pay-as-you-go budget," says the Westchester County congressman who finds Buckley's position on New York City symptomatic of his lack of concern for the whole state during his Senate tenure. Buckley's office, however, reports no great avalanche of angry mail over Buckley's position and a Buckley spokesman thinks that his boss' recent legislative aid package for the city stands a good chance of enactment and of deflecting any political repercussions. However, the reality of a December default or the lack of it is likely to become a determining factor in the effects of Buckley's stands so far. Buckley, who was elected on the Conservative Party line in 1970, is seeking to remove himself from controversy in another area. Although Buckley has backed the idea of an "open convention" for the GOP, he "won't take a position" on the Republican presidential nomination. A Buckley spokesman indicated that the senator would not even take a position on Vice President Nelson Rockefeller, feeling that the President has the right to pick his own vice president. And regarding a possible conservative third-party effort, the Buckley spokesman said he was "certain [Buckley] would support the Republican ticket." These positions are certainly at odds with the opinions of the leadership of Buckley's own Conservative Party, which recently declared its unalterable opposition to Rockefeller on the GOP ticket. The positions are undercut Peyser's chances of receiving the Republican nomination—which would be considerably enhanced by Republican anger at any Buckley endorsement of Reagan. The Buckley campaign professes complete disdain for the Peyser operation. Said a Buckley aide: "I think [Peyser's] started at zero and gone backwards." Peyser, however, is heartened by the support he's received so far—particularly from labor and women's groups. "If I get through the primary—which is really my major hurdle—I can make it all the way." Buckley is buoyed by the release of a Democratic poll which showed he had substantial leads over potential Democratic candidates Ramsey Clark, John V. Lindsay, Bella S. Abzug, Bess Meyerson, and Robert F. Wagner, Jr. Clark and Meyerson ran strongest in the poll, while Abzug made a comparatively weak showing—leading to speculation that the Democratic leadership released the poll in order to deflate Congresswoman Abzug. Buckley aides view Abzug as the most likely Democratic candidate—noting that she has mellowed her abrasive style in her recent campaign forays. Peyser had a different interpretation of why Democrats released the poll; he feels Democrats would rather face Buckley in 1976 than him. Note: Buckley is not completely insensitive to the needs of New York. He bought \$5,000 of Municipal Assistance Corporation bonds. Commented one aide: "He does his own thing in his own way. Anyway, we're running for reelection, ain't we?"

PENNSYLVANIA

Philadelphia District Attorney Emmett Fitzpatrick first won national notice when he upset the then incumbent, Republican Richard Specter, in 1973. Since then, Fitzpatrick has ignited a string of controversies which have culminated in hearings to investigate 13 alleged violations of legal ethics. During the hearings, Fitzpatrick was asked to explain a \$6,000 gift at a 1973 victory party for lawyers and judges. Fitzpatrick said the party's organizer told him that "rather than buy me a silver service or some luggage or whatever they buy the honoree of a cocktail party, he was going to give it to me in cash. I said fine." Now that's what you call a testimonial.

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