

# 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.