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SJF - RAK

To: LH

From: NSD

Feb. 2, 1981

State Department briefing:

1. Following appointments announced:

—Amb. Joan Clark moves from post of ambassador to Malta to Director General of the Foreign Service.

—Amb. Robert L. Brown becomes inspector-general fo the Foreign Service.

--Amb. Harry G. Barnes moves from Director General of FS to "important new assignment" not yet announced.

—Sherwood Goldberg, a Philadelphia lawyer and Haig associate, becomes Haig's exec-assistant.

—Richard Burt, formerly of NYTimes, to head Political-Military Bureau.

—Paul Wolfowitz to become director of Policy Planning.

—Alvin Paul Drischler to become senior assistant sec of state for congressional relations. Drischler was formerly exec asst to Sen. Paul Laxalt.

2. The case of Ambassador White. White, said Dyess on background, was removed as ambassador to El Salvador because he went public in the press on his policy differences. He has been offered other positions, which he has not accepted. White's removal does not signal a change in policy but the Reagan admin will probably step up aid to the junta.

3. Human Rights report prepared by Carter admin is on the Hill. State has urged Hill not to release during President Chun's visit because this would not be doog diplomatic practice. (No doubt the Korean section is critical of South Korea, in other words).

4. Haig meets with Chun this afternoon at 2 p.m.

NSD

STORY:MEMO
MA:60 FMP:

QUEUE:RAKX-RAK
HJ:

MSG:
INI:

OPR:RAK ;02/03,14:58

TO: LT, DR, GP, LJJ, SJF ✓

FROM: RAK

RE: William P. Clark

Jim Brady offers this explanation for why Reagan chose Clark for the number-two post at the State Department.

Brady's comments were on background:

"You don't need somebody in that job who knows about every country in the world. You need someone who is a tenacious administrator. That's been the problem in the past and the reason that these departments haven't done what presidents want. The career people follow the 'be' principle--'I'll be here when you arrive and I'll be here when you leave.'"

In other words, Brady is quite frank about the fact that Clark was put into the job at State as an enforcer to see that Reagan's will is not thwarted by career diplomats

"who like to do lofty foreign policy things."

(END)

STORY:REGAN
MA:70 FMT:

QUEUE:MFDX-MFD
HJ:

MSG:
INI:

OPR:MFD ;02/03,16:49

To: LT, JG, THH, PGH, LW, JBG, SJF

From: MFD

Re: Reagan, Stockman before House Ways and Means Committee:

Possible whisper (combining SJF's memo covering debt limit and my info today): President Reagan is reportedly miffed that his first economic proposal to Congress had to be the nemesis of conservatives: raising the limit on the national debt. Aides said the limit had to be raised from 935 billion to 985 billion--just to get the government's bills paid. The biggest problem: overcoming fears of Republicans that conservative rating groups would count the vote as a mark against them. One official trying to twist their arms was Budget Director David Stockman, who voted against raising the debt limit on principle when he was in Congress.

Following is from testimony:

The government will start running into trouble unless Congress approves an extension of the debt ceiling by this weekend, according to Treasury Secretary Regan.

"If it is delayed, we will have to tell bidders on Treasury bills to be auctioned February 13 that we are not certain we can deliver the bonds a week later," he said. The warning would have to be issued this Friday or Monday. If nothing is done by the next week, he said, "it would create quite a strain on financial markets."

Prices would decline and yields would go up as investors lost confidence in the government's ability to borrow. Later on, it could have an effect on Savings Bonds. A further delay might make it

(MORE)

Impossible to issue Social Security checks--and even income tax refunds, he said.

The problem: The debt will exceed the 935.1-billion-dollar limit on February 18. The limit will expire on September 30, but the new administration says it needs to increase the limit to 985 billion.

Reagan officials tried to convince members that it would be consistent with fiscal conservatism to vote for an increase in the limit. Conservative groups list the "debt limit" as one of their topics for rating, and many Republicans obviously feared being rated on the wrong side, even though they think the new administration is stuck with a mess.

"You should look at this as a ministerial function--just housekeeping," Reagan told them. He agreed with one Democrat's assessment that "a financially conservative person ought to vote for this....The administration needs to have time to turn it around." He said he talked to President Reagan, who believes that "the debt ceiling must be raised to give him enough time to turn things around and get things in order."

Reagan acknowledged that the debt will have to go over 1 trillion dollars sometime in the 1982 fiscal year, no matter what. He said a deficit as small as 15 billion dollars next year is impossible, and he would not pledge a balanced budget in 1983 either.

On other issues:

REAGAN PROGRAM: Reagan would not disclose what would be in Reagan's economic package, but he confirmed some things that have been talked about. He said he believes the President will stick to his campaign

(MORE)

edge of a 10 percent tax cut combined with a business tax cut that has the objective of accelerating depreciation. The kind of depreciation has not been decided. The date a tax cut will be effective has not been announced, but it will fall sometime in the 1981 fiscal year.

OFF-BUDGET: He said the administration, at some point, will try to put off-budget items into the budget, or reduce them drastically.

FEDERAL RESERVE: He approves of the Fed policy ``because at this moment, higher interest rates are one of the few ways being used to fight inflation. You can't get them down with easy money policy and low interest rates.''

GOVERNMENT'S FINANCES: Talking about the U.S., he said, ``No banker would want to lend money to a company that was borrowing money constantly just to stay alive. In a competitive atmosphere, such a company would find it was shut off from borrowing.''

But he added that the U.S. is not the same as a business because it is the government.

TAX CUT: Asked if it is responsible economics to cut taxes sharply when the budget is so far out of balance, Regan said curtly, ``I think you'll have to ask my colleague, Mr. Stockman about that.''

Stockman was never asked that question, but he maintained consistently that the problem of the budget is a weak economy. ``In the last eight months, the economy has fallen to its knees and the budget has catapulted,''

he said.

Reagan's economic program, he said, ``will include a tax program--
over the next three or four years. The date has not been decided.''

(MORE)

sooner Congress acts, the sooner the tax tables can be changed and the sooner it can have an effect, he said. Tax cuts will be in the same package with budget cuts.

(END)

STORY:KOREA
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

MSG:
INI:

OPR:SJF ;02/03,17:37

To: mls lt jf lh gp rak ljl

From: sjf

Re relations with South Korea:

The following is a summary of Monday's background briefing at the White House on U.S.-South Korean relations. It was given by John Holdridge, who should be identified as a "senior state department spokesman."

Question: Has this administration abandoned President Carter's emphasis on human rights? Answer: "Security is uppermost among our priorities. What happens internally is an internal affair. A new situation exists in South Korea with respect to scheduled elections for president and scheduled elections of a General Assembly. We're not looking backward. We're looking at the situation today--looking forward into the future."

Question: Should President Chun's invitation to the White House so soon after the Inauguration be interpreted as an endorsement of Chun in the upcoming election? Answer: No. The reason why Chun was invited was to underscore the United States' commitment to the security of South Korea. "It is one spot where we have American troops deployed in that region where there is a palpable threat." He cited evidence of a "large disparity" between ground forces in North and South Korea and "repeated instances" of North Korean infiltration of the South. "This visit signals that the U.S. rates the security situation very high indeed."

Question: Does the timing of the Chun visit have anything to do with the reprieve of Kim Dae Jung? "There was no linkage to events in Korea--no quid pro quo."

Question: What is the United States prepared to improve security of South Korea? His answer was vague. Troops will not be withdrawn. He referred vaguely to a five-year force-improvement program currently being "jointly recommended." "There could possibly be an augmentation--not in ground forces. We are going to keep a stable military presence." South Korea currently receives 160 billion dollars in foreign military sales credits.

Question: Shouldn't South Korea be expected to help improve its own security? Answer: They already have invested 6 percent of their GNP in defense, which he described as a "remarkable contribution." The U.S. must help now because the South Korean economy is in trouble. "This is why we are trying to help them at a time when they are in a bind."

Footnote: As originally scheduled, this briefing was to have been given by Richard Allen. Holdridge was a last-minute replacement. No explanation.

(END)

STORY:DO
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

MSG:
INI:

OPR:SJF ;02/03,20:28

To: mls lt dr gp
From: sjf

White House stuff:

President Reagan goes to Capitol Hill today to meet with 13 members of Congress on their own turf. Jim Brady described the meeting as the President's "resurrection of having office hours on the Hill." They will meet at 1:15 p.m. EST in the President's Room.

Meanwhile, Reagan met on Tuesday at the White House with representatives of the Congressional Black Caucus and U.S. Conference of Mayors. Some items from those meetings:

* Reagan told both groups he's still interested in "enterprise zones" and the subminimum wage for teenagers.

* The administration now figures there will be a 82 billion dollar budget deficit this year, but that includes 22 billion dollars in "off budget" items.

* The cities are under 1,260 separate federal mandates, some of which Reagan promises to lift. Reagan does not believe cities should be forced to pay for things mandated by the federal government. Mandates that New York Mayor Koch complained about were: (1) special education for children, (2) sludge removal and (3) rigging all buses and subways for the handicapped.

* The mayors were most disappointed to hear that the administration wants to turn their much-loved urban development grant (UDAG) program into block grants.

* The black caucus told Reagan he should cut tobacco subsidies if he intends to cut programs for the poor.

Economic Speech. The president's economic speech will be televised at 9 p.m. EST Thursday night. Reporters hit the roof when Brady announced that an advanced text would be available about one-hour before delivery. Now he's promising to get it out soon enough for a.m. editions, which presumably would mean by 630 p.m. EST.

Quote of the day: According to Brady, President Reagan's own statements should be interpreted as a reflection of U.S. policy only "in some instances."

(END)

February 4, 1981

FROM: RAB - Capitol Hill

TO: LT, DR, JG, DXB, GP, SJF, RAK, DCB, CAS, KJ, MS, PGH, JH, NK, HAL, MW, BFP

RE: Reagan's visit to Capitol Hill

We only saw Reagan for a moment near the Senate Foreign Relations Committee as he entered the building. And when asked why he had come, he grinned and said he came up "to talk about our problems."

We never saw him leave, and only Senate Democratic Leader Robert Byrd and then Senate Republican Leader Howard Baker spoke to us afterwards.

Byrd spoke first and spent much of his time trying to appear bipartisan while sticking the needle into the Republicans about not needing a 985 billion-dollar debt ceiling and hoping that Reagan's pledge to cut federal spending by two percent would mean he could get by with a smaller increase in the debt ceiling than the 50 billion dollars he has requested.

Nevertheless, Byrd did say it was a good meeting and Reagan said there will be other meetings. Byrd also said the meeting was symbolic and gave the Democrats a chance to tell Reagan they will be responsible.

Baker was asked about the mood at this meeting which took one hour and 15 minutes, by Baker's estimate.

Baker said the mood was good and the meeting began with Reagan expressing a determination to meet regularly with the bipartisan leadership.

When House Speaker O'Neill wondered about some details of the future economic planning, Reagan explained that the details would be part of his economic message on February 18.

Baker explained the Congress will hold a joint session for that meeting.

Baker then said that the mood of the meeting was "very good. The President was well received on both sides."

Much of the quizzing by reporters was on the debt-ceiling situation since the Democrats have been making noises about making the Republicans really squirm this time as they have been forced to squirm over the years on the same issue.

Baker said that he would be willing to go to a trillion dollars at this time and stressed that nothing less than the 50-billion dollar increase requested by Reagan will do. If the Democrats suggest something smaller, Baker said, he will oppose it.

Baker indicated that if all 47 Democrats stayed away from the Friday session -- it has been changed from Thursday to Friday -- when the Senate will handle the public debt-ceiling increase, then there would be 5³ Republicans present and Baker could get the bill passed.

However, if the Democrats show up, he added, then he will need substantial support from the Democrats.

He did not explain this further, but apparently what he was hinting was that he only has about 30 votes from the 53 Republicans and thus if only they showed up, he could barely squeak the bill through. But if the Democrats show up it will make a larger total and he will need more than 30 to pass it.

Baker said that during the meeting some elements of Reagan's planning on economics were discussed, especially that there should be linkage between the spending cuts and the tax cut. And there was brief discussion of categorical vs. block-grant aid.

Baker said there was a clear implication from this meeting that there will be the linkage between spending cuts and tax cuts, and Baker would prefer to keep that linkage and handle these two matters as one package, but he is not certain it can be done.

Baker was asked briefly about the nomination of Clark to be Deputy Secretary of State and whether he had discussed it with Reagan. Baker said that Reagan called him

about it, told him he wanted ~~Baker~~ ^{CLARK} in this post and he had high confidence in him. And Baker said that he feels Clark will be confirmed.

~~Speaker O'Neill came down the hall but never stopped to talk to us and went on back to the House. The word had already spread that in the House Democratic caucus, they had decided they will postpone the House handling of the debt ceiling increase until Friday — they want first to hear Reagan's speech tomorrow night — and also the Democratic caucus decided the Democrats will wait and let all the Republicans vote first before they indicate their position on the debt-ceiling increase.~~

So it looks like Friday could be a long day on the Hill with a lot of wrangling over the debt-ceiling with Democrats using every moment they can to remind the public how often the Republicans have called it irresponsible to keep raising the debt ceiling before they finally go along and help Reagan get it.

Baker conceded that it was "a wrenching experience for Republicans to vote for a debt-ceiling increase," but he predicted a vast majority of the Republicans in Congress will support it. He added, "No one was more reluctant than President Reagan to request this increase."

I'm not sure at this stage who all was in the meeting, but the list provided by the White House included Reagan, Vice President Bush, OMB Director Stockman, Senators Baker, Byrd, Ted Stevens, Alan Cranston, James McClure, John Tower, Daniel Inouye, and besides House Speaker O'Neill, Jim Wright, Trent Lott, Richard Cheney, Thomas Foley and Jack Kemp.

(EM) FILE - ES

~~Addendum: the House Democratic caucus.~~

6 Copies

Feb. 4, 1981

TO: LT, DR, GP, TJF, SJF, RAK, File -502

FROM: JWM

Re: Nofziger Highlights of background only lunch with Lyn Nofziger. Don't say political aide close to Reagan if you use:

Right: Nofziger is clearly the wailing wall for the new right in the White House. He listens to them, hears their gripes, tells them to send him names of job prospects "as long as they aren't kooks or clowns." He says he'll make sure Richard Viguerie, Terry Dolan and Paul Weyright (all right wingers) get in to see Reagan down the road. In other words, it will be a stroking but no promises. Nofziger sees the right as a base of the Reagan strength and he doesn't want to shut them out.

Patronage: The litmus test is loyalty. Nofziger says one Cabinet officer wanted to hire a press officer who was a Democrat. No way. Nofziger says with all the jobs available, he wants them filled by Republicans, Reagan loyalists and perhaps a few Reagan Democrats like Jeane Kirkpatrick. "Let's reward our friends, and throw out our enemies, and I know who they are," says Nofziger. On patronage, he says the "big three" of Meese, Baker and Deaver have the final sign off. He says he never would have given DOE to Edwards because of his flirting with the Reagan people in 1976 and then going with Ford. He thinks his lack of faith in Edwards has been justified already (on the basis of his deregulation performance.)

Operation: He thinks the operation is still shaking out but indicates Meese is obviously in control and a man who wants to get his way and is forceful about it. He thinks Baker is being careful, as a Bush and Ford man, but doing a good job of protecting his turf and winning Reagan's confidence. Deaver has much less responsibility, other than RR's schedule, and is freer to roam. (Nofziger has never really liked Deaver and vice-versa.)

2-2-2-2

Politics: Reagan may think he's going to keep politics out of decisions, but Nofziger will be watching it. I get the impression he's going to be guiding Dick Richards at the Republican National Committee, who is new to town and still not on the job. Nofziger insists he won't get into legislation at all, but will be contacting Republicans on the Hill on politics.

Hiring: Nofziger underscored what we've heard before: Pen James is capable but not really on top of the job. The process is going slow, too slow. Nofziger is aware of it, because he screens the names on his tough loyalty test: "People who worked for Jimmy Carter should go. That's the way it works." Nofziger said he was prepared to see Reagan personally if this policy didn't work out.

RR will

1984: Nofziger thinks ~~XXXX~~ run again. Says he's energetic, on top of the job and "awake." He added that he has seen Reagan fall asleep in a meeting because he's been bored by the person or the ~~subject~~ subject matter. He also was kind to Bush in a rundown on how the Veep was getting along. He predicts that the two Californians (Meese and Deaver) could be the only biggies around by the end of the term. He thinks Baker will opt for a Cabinet job or go back to Texas to run for something.

RR: Repeats party line that he's his own best speech writer. Says he could have been a gag writer. Writes some of his own 1-liners while waiting to speak (wait 'till Bob Orben hears about the competition.)

f
Noziger is ~~walked~~ a symbol of what has happened to the real estate market in California. Bought a home a few years ago in Santa Monica for \$130,000. Agents said to ask \$225,000 and don't budge ~~XX~~ under \$200,000.

~~TOP SECRET~~ SJF-RAK

STORY:INMAN QUEUE:NSDX-NSD MSG:
MA:80 FMT: HJ: INI: OPR:NSD ;02/04,11:02

When Vice Adm. Bobby Ray Inman, 49, becomes No. 2 man at CIA he is likely to become Director William Casey's indispensable right hand man: a specialist who knows not only the craft of intelligence but how to get on with Congress.

A lanky, softspoken Texan, Inman has a passion for anonymity and a military man's devotion to duty. He wanted to stay as director of the supersecret National Security Agency which carries out electronic surveillance worldwide but the call of the president, plus the ardent urgings of the Senate Intelligence Committee, changed his mind.

One Senate aide who dealt frequently with Inman during the Senate's probe of intelligence abuses summed up Inman this way:

"He is by far the best senior intelligence official we have. He is extraordinarily intelligent; straightforward; articulate. He has a marvelous memory and a good sense of what intelligence is for -- what it should or should not do in American democracy. He gets along with all senators. His appointment is one of the most encouraging things I can think of."

Born in Rhonesboro, Tex., Inman joined the Navy as an ensign in 1952 and served on the USS Valley Forge in the Korean theater. His early operational assignments gave way to a steady rise in naval intelligence.

In 1974, Inman was named Director of Naval Intelligence and served in that post until 1976. He was appointed next as vice director of the Defense Intelligence Agency, the military intelligence service which operates under the secretary of defense.

President Carter plucked Inman from DIA in 1977 to head the National Security Agency which listens in to electronic transmissions of foreign countries, seeking key bits of intelligence.

Inman was unanimously approved by the Senate Intelligence Committee Tuesday t

(MORE)

STORY: INMAN

PAGE: 2

Inman says he expects to shoulder a major burden in running CIA while coordinating the activities of the entire U.S. intelligence community. This includes CIA, the Pentagon's Defense intelligence agency, the National Security Agency, State Department's Bureau of Intelligence and Research and other federal units.

"My predecessor as the DDCI (deputy director of central intelligence) served as the day-to-day manager of the CIA and as an active participant in (intelligence) community affairs," Inman told the Senate panel.

"It is my expectation that I will serve in a similar capacity and I have discussed the matter with Director Casey, who agrees. It is his expressed desire that I pay particular attention to the DCI's community responsibilities and I will spend a good deal of my time on that."

Inman says he also expects to spend much time on the key job of shaping the CIA's budget presentation to Congress (estimated at about \$1 billion a year) and supervise the latest technical means of intelligence.

Casey, who served in the Office of Strategic Services in World War II, will concentrate on covert operations.

No.1 problem, as Inman sees it, is to rebuild America's intelligence manpower

During the Vietnam years, the United States introduced highly sophisticated, and costly technology -- like close-look satellites which report their findings almost instantaneously by coded radio transmissions. To save money, successive administrations scrapped on manpower in the intelligence services.

Adding to the manpower problem, many highly trained professionals who joined the CIA in the late 1940s and early 1950s have retired.

The U.S. intelligence community today, Inman says, is "outstanding" at counting its adversaries' military equipment deployed on land and sea. It is

Afghanistan. But it is less impressive at forecasting where political events are headed.

“Linguists are a major shortfall,” Inman adds. He sees a need to develop attractive career patterns for area experts so their expertise can be maintained and developed over a long period.

Some areas of the world, Inman says, U.S. intelligence is hardly covering. He

indicates some of these uncovered areas produce strategic materials which the U.S. does not produce itself.

Reaction to Inman's appointment among senators is universally high.

Says Sen. Barry Goldwater, R-Ariz., chairman of the Senate Intelligence Committee: “If there is any such thing as the right man for the right job at the right time, you're that man. I don't know of a man in the business who is better than you.” Sen. Joseph Biden, D-Del., adds: “I don't know of anyone who isn't enthusiastic. I've been impressed by your sense of balance and history. I'm enthusiastic about your appointment.”

NSD

(END)

STORY:SMITH
MA:70 FMT:

QUEUE:TC-TG
HJ:

MSG:
INI:

OPR:TC ;02/04,11:30

SJF/RAK

February 4, 1981

LT DR GP SJF/RAK from TG

William French Smith meets the press.

Smith had a get-acquainted sessions yesterday evening with Justice Department beat reporters. Talk was informal and off the record, so little to report. Smith's deputy-designate, Edward Schmults, was also on hand. Schmults, a former assistant Treasury Secretary and deputy counsel in the Ford White House, is a relatively old Washington hand who from all appearances is much sharper than Smith on Washington ways...and will likely run the Justice Department while Smith participates in the kitchen cabinet.

A few observations--

<*> After two weeks, Smith still seems overwhelmed by his job. Asked several times how he was doing, he said that the ``scope`` and ``magnitude`` of Justice Department operations were more than he had imagined...(He hasn't met with OMB on budget cuts yet, but Justice is pretty small already...)

<*> Smith is still sticking to the line that the Justice Department should provide more leadership in efforts to combat violent crime. But he confessed, ``I don't know what that means in practice.`` He does predict that relatively fewer federal resources will be devoted to white-collar crime, but he couldn't be pinned down.

<*> The first group of subcabinet announcements should be made in the next day or two.

(MORE) H

STORY:REGS
MA:70 FMT:

QUEUE:TG-TG
HJ:

MSG:
INI:

OPR:TG ;02/04,12:06

SJF

February 4, 1981

LDM (DR GP SJF) from TG

Justice Department regulations and the freeze...

By most accounts, the freeze will have little impact at Justice because the department isn't a big regulatory agency. A final count won't be in until late this Friday, but one official estimated to me that at most, 10 or so rules in some stage of development might be "frozen."

The Justice subunit that may be the most affected is the Immigration and Naturalization Service. There, three pending rules will almost surely be delayed and others may be affected. One of the three is mostly technical, but two others are of some interest--

<*> Partially as a result of the uproar over the Iranian students, immigration officials have proposed to limit the time foreign students may study in the U.S. This rule was to have become final by February 23. Because of the freeze, it is now being delayed until March 30.

<*> A rule was to have gone into effect February 18 that would preclude foreigners from being admitted to the U.S. as strikebreakers. That, too, is being delayed until March 30 because of the freeze.

(Obviously, in either of these cases, the incoming administration could decide to delay the rules further).

The career officials with whom I spoke about these rules do not know the Reagan administration position on them. I doubt that Wm. French Smith does, either, though it's conceivable someone in OMB might

(MORE)

know. They strike me as items the Reagan camp would agree with, not object to. (We might ask the White House, if we haven't already, whether the freeze might inadvertently delay regulations that the Reagan people think are desirable.

An proposed immigration rule that might prove controversial would generally make it easier for foreigners to obtain work permits enabling them to settle in the U.S. At least one interest group has objected to this idea. The ``final rule`` hasn't even been drafted yet. An immigration official says the freeze would prevent the draft from being issued, but he doesn't see the freeze actually delaying the drafting process.

Similarly, changes are being drafted in rules on processing ``political asylees`` such as the Cubans and Haitians. But there's no indication that the freeze will delay that process.

The only other regulation cited in the tentative list put out by the White House involved prison grievance procedures. I haven't been able to reach an official knowledgeable about this, but it seems minor... The other major area that may be affected is civil rights, but two days of inquiries in that division haven't produced any answers yet. There may be some proposed antibias rules affected. I'll inform you when someone informs me.

(END)

STORY:ECON
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

MSG:
INI:

OPR:SJF ;02/04,15:19

To: mls lt dr gp jg jf lh dxb dcb rak jbg mfd
From: sjf

Reagan's economic speech, plus other matters.

President Reagan has decided to rewrite his Thursday night speech into more simplistic terms--what he describes as "Economics I."

Press Secretary James Brady told reporters that the decision to rewrite the draft speech was prompted by Reagan's meetings on Tuesday with blacks and mayors. He quoted Reagan as saying:

"This is complex. The first part of this is understanding. I want to be able to do it in Economics I terms so that everyone understands the gravity, the magnitude and the alternatives. I want it to be so clear. I want to take anything for granted."

Brady said that Reagan discovered the blacks and mayors did not understand some basic facts about the current economy. "He made some assumptions that people understand some specifics that he just felt were given," says Brady. "He found getting into it that there just wasn't the understanding about some things he wanted to get across. If mayors and congressional members weren't fully apprised of what he was talking about then there was some concern that it would have to be Economics I. He's going to make certain that it's spelled out." Brady did not know what particular subject the blacks and mayors did not understand.

Brady also confirmed for the first time that some budget-cutting measures already have been decided upon.

Soviet grain embargo. No decision has been made on the grain embargo, even though discussion of the issue consumed more than half of today's cabinet meeting. Brady described it as a "continuing matter before the cabinet," suggesting that no decision is expected soon. "They'll continue to discuss it," says Brady, who refused to divulge any details of the Cabinet debate except to say it covered as a "full range" of issues.

Women and minorities. Reagan opened his Cabinet meeting today with what Brady described as an "exhortation" or "beginning sermonette" beseeching his cabinet to appoint women and minorities to subcabinet jobs. Brady quoted Reagan saying: "It's right for us and it's right morally--making certain that women and minorities are included." The reason for the sermonette is becoming painfully obvious. So far, the subcabinet appears to include only one woman and no blacks. The sole woman is Annelise Anderson, wife of domestic policy chief Martin Anderson, who will be associate director of OMB for economics and government.

Human rights? In a discussion of human rights at today's briefing, Brady was challenged by reporters when he suggested that Carter did nothing to point out the lack of human rights in Communist countries. One reporter reminded him of Carter's letters to Andrei Sakharov. "You're so smart," replied Brady. "Who's Sakharov?"

~~██████████~~ #

February 5, 1981

FROM: RAK - White House

TO: ~~MLG~~, LT, JF, BFP, GP, DR, LH, DXB, JWM, DCB, ~~MLG~~
~~MLG~~, SJF, PA, PGH, HAL, BFP, MD

RE: White House notes

The President today disputed the story in this morning's Washington Post asserting that Reagan already has decided to continue the Soviet grain embargo. Leaving a prayer breakfast this morning at the Washington Hilton, Reagan repeated what he said at the press conference last week: "No decision has been made."

Deputy White House Press Secretary Larry Speakes, who briefed reporters this afternoon, said Reagan will meet with farm-state senators on February 17 to discuss the embargo, and that Reagan has promised the senators that no decision will be made until after he hears their views.

The same uncertainty surrounds the issue of deregulation of natural-gas prices, Speakes said. No decision has yet been made and will not be made for a matter of days, although Speakes made no effort to discourage speculation that Reagan may indeed press for gas-price deregulation. This appears to be another deliberate plant -- as may have been the Post story on the embargo -- to test the waters before plunging in.

Joint Chiefs. In answer to a question, Speakes suggested that Gen. David Jones, chairman of the Joint Chiefs of Staff, may not be on his way out as many have

believed. "I know of no plans at the present time to change his status," said Speakes.

Economic speech. The President wrote tonight's television speech on the economy from drafts submitted to him by his speech writers and economic chiefs. White House claims Reagan is making a few minor last-minute changes and that a photo opportunity may be provided this afternoon to show him going over the speech. The White House says it will make the speech available by early evening, but not necessarily by 6 p.m.

(END FILE -- rw)

Feb. 5, 1981

TO: LT, DR, GP, SJF, RAK, DXB, File

FROM: JWM

(DR and I had a background breakfast today with Richard Wirthlin, Reagan's pollster, and head of Decision Making Information. He's staying out of the White House and government but moving to D.C. from California. His operation has maintained an office here for five years but he'll direct it from here during the Reagan era.)

Role: Wirthlin insists he will be different than Pat Caddell. No special perks or special pass in the White House. He'll meet two or three times a month with RR and other top staffers. He'll assess public attitudes for Reagan, informing him what the polls say ~~more~~ ^{such as} about long range goals and less about issues ~~whet her~~ he should lift the grain embargo or not.

Wirthlin thought Carter depended too much on Caddell's polls. He says Reagan is "not single dimension like Carter was on polls. RR has some steel in his spine, too." He added: Reagan ^(polls to make decisions on issues) "doesn't need the security blanket" of

As he sees his role in helping RR, Wirthlin wants to keep his eye (and his polls) on the constituences ~~of~~ Congress, the general public and the press.

Wirthlin thinks RR has a strong base for this early period because of high marks in trustworthiness and strength. He says the data ~~is~~ ^{are} almost frightening, though, because of the short margin for Reagan to be heroic ⁱⁿ the eyes of the people for performing and getting knocked because of the "short fuse people have on getting things done." (More later on strategy to lengthen that fuse, and lower expectations.)

Initial Action/Project : That is the monicker (clumsy, Wirthlin admits) for the early period of the RR presidency--not measured ^{exact} in 100 or 90 days but for the first few months. Wirthlin's in charge of the project.

Wirthlin says Carter tried to do too many things quickly, and he paid for it later when he couldn't deliver. The Reagan targets will be less ambitious, but exact. That is the kind of impression RR will try to make tonight with the economic speech: Don't promise the moon, keep the goals reasonable but well-defined, particularly when you are talking about the enormity of the inherited problem.

Wirthlin was somewhat fuzzy about all the targets of the early project, other than the obvious economic ones: Tough stance on spending to get the monster under control, tax cuts. (The early symbols are part of the strategy--freezing federal hiring, cutting back on government travel, stopping the Carter last-minute regulations, throwing out consultant contracts on a large scale.)

He didn't elaborate on the foreign policy goals of this early period, but did talk about RR's press conference stance on the Soviet Union (leading from strength) and the symbolism of ending the practice of special parking privileges for the Soviet ambassador at the State Department. *He wanted that Reagan is retaining the grain embargo as a "baiting chip" with the Russians*

Beyond the action of the next few months, Wirthlin is also drafting ~~the~~ strategy for the entire first term. *His* second, third and fourth years are just 1-pager *drafts* right now.

Image: Wirthlin obviously doesn't like the term of image builder, but concedes he's in the business. He thinks of "keeping his mandate fresh and strong."

On that point, he thinks Reagan learned by mistakes in California on dealing with a Democratic legislature and has made big strides in Congress with the Democrats.

Without being specific, he recognized some image problems with Nancy's off-the-cuff remarks but thinks she can be *brought* under control. He claims she gets hotter about criticism aimed at RR than herself.

3-3-3-3

Economics Speech : Wirthlin says RR's speech tonight is good in the middle and has a strong ending. He is concerned about too many statistics up front, with the problem that people will turn off hearing so many. He is not polling after the speech.

(Incidentally, Wirthlin was careful not to say anything about his polling procedures and questions with regard to Reagan. He will be paid ~~KY~~ as a consultant by the Republican National Committee for the work.)

It is important, in Wirthlin's view, that RR establish himself tonight as a man in charge. He thought Carter failed to do that in his initial ~~FY~~ speech--the famous one on energy in front of the blazing fire with a cardigan sweater on.

1980's: For the Shift story next week, Wirthlin says the Republicans have a great opportunity with the shift in population to the South and West--particularly with the recent GOP voting patterns in Texas and Florida. He thinks younger people, or at least the baby boom folks under 40, will be voting a little more now and they will be more conservative in outlook. He looks on the 1980 election as "not a great change for party opportunity" because of the strong anti-Carter vote. So he believes the Republicans need to move fast to build for the 1982 and 1984 ~~election~~ elections.

(FYI, Wirthlin's downtown office opens this week at 1050 17th St. His Arlington office is 5317 Lee Blvd. in Arlington and phone out there is 241-2406.)

STORY:MEMO
MA:60 FMT:

QUEUE:RAKX-RAK
HJ:

MSG:
INI:

OPR:RAK ;02/05,18:04

TO: LT, DR, GP, JF, BFP, DXB, JWM, PA, SJF

FROM: RAK

RE: Ronnie turns 70

The White House late this afternoon released these details of Reagan's ``surprise`` birthday celebration planned for Friday evening, his 70th birthday:

The White House claims this really is a surprise party and has asked reporters not to spoil the fun and abide by an embargo of 7:30 p.m. Friday, the time the bash starts. [Is this a whisper?]. According to the White House, Nancy Reagan has told the old boy that he will be celebrating his birthday with a dinner in the the White House family residence with a few Washington friends invited. What the President doesn't know is that about 100 of his close California friends have flown in for the occasion. The friends include most of the ``kitchen cabinet,`` etc. A total of about 120 guests is expected.

Nancy is supposed to greet guests on the State Floor of the White House for cocktails. (This is, of course, black tie.) After the guests arrive, Nancy is supposed to go to the family quarters to bring Ronnie down to be shocked and pleased that his friends care enough about the President of the United States to come all the way from California to celebrate with him. The big surprise is to take place in the Grand Foyer. The White House also reveal that Nancy will be wearing ``a long, white, beaded gown`` that is

(MORE)

ing the President's favorites.

Reagan does not seem to be sensitive about this milestone in his life. At a prayer breakfast this morning he jokingly referred to his impending birthday as "the 31st anniversary of my 39th birthday."

(END)

February 6, 1981

FROM: RAK - White House

TO: MLS, LT, JF, BFP, GP, DR, LH, DXB, JWM, DCB, TUF, JSL, SJF, PA, PGH, HAL

RE: White House update

The following matters were raised at today's briefing that may be pertinent to stories in this week's magazine:

In a statement, Murray Weidenbaum, chairman of the President's Council of Economic Advisers, noted that the unemployment rate in January stood at 7.4 percent -- unchanged from December. There had been little change in the unemployment rate since last May.

"~~And~~ this is further evidence our economy appears to be stuck on a plateau," Weidenbaum said in the statement. "President Reagan believes strong action is needed to restore productivity growth, cut inflation, and put Americans back to work. The program he will announce on February 18 is designed to do that."

Deputy White House Press Secretary Larry Speakes, who briefed reporters, said that the February 18 message to a joint session of Congress will include all of the details of the President's economic package.

On the subject of the neutron-bomb controversy, Speakes reiterated a message sent by Secretary of State Alexander Haig to European diplomats saying that the United States has made no decision on whether to seek deployment of the neutron weapon in Europe. No decision will be made without first conferring with U.S. allies in Europe, Speakes quoted Haig as saying.

(END FILE -- rw)

STORY:ZMEMO
MA:60 FMT:

QUEBUB:CWF-CWF
HJ:

MSG:
INT:

OPR:ALC ;02/09,16:44

TO: MLS, LY, JF, DR, JF, JG, GP, LH, DCB, DXB, JWM, PA,
SJE, PGH
FROM: RAK

RE: White House briefing

The White House announced this afternoon that Reagan and Nancy will leave for a long weekend of rest at the ranch in California on February 19 (a Thursday) and return to Washington on February 22 (a Sunday). No meetings have been scheduled while the President is at the ranch, and "no official visitors are expected," according to Deputy White House Press Secretary Larry Speakes, who did today's briefing.

Spending cuts. Reagan expects to make final decisions on the budget cuts this weekend. The Tuesday cabinet session and one later in the week will be devoted to the economic package that Reagan will announce on February 18. In a memorandum to the heads of non-cabinet agencies, Reagan has outlined an accelerated schedule for resolving in-house conflicts between Stockman and agency heads whose vigorous protests are expected. In essence, Reagan is giving the heads of these agencies 48 hours to appeal Stockman's decisions.

"Reductions will have to be made in virtually every agency for fiscal year 1981, 1982 and the future," the memo states. "I will look to you [heads of non-cabinet agencies] and the Office of Management and Budget to

(MORE)

resolve any differences promptly and, in those few cases where they cannot be resolved, to bring those differences to me jointly for final decision. Of necessity, I need to receive such items within 4 days of the time that you receive the initial notification from OMB."

___Economic package. Speakes says that "all but the most minute of details" of tax cuts and spending curbs will be included in the February 18 message to Congress.

___Donovan probe. "The President retains full confidence in his secretary of labor," says Speakes.

___Gasoline price hikes. Speakes made little effort to defend Energy Secretary James Edwards' prediction that decontrol of oil prices would result in gasoline price hikes of only three to five cents a gallon. In light of increases of seven to ten cents a gallon since Reagan removed remaining controls on gasoline, Speakes was asked whether he was retreating from the earlier White House projection. His response: "No more than I have to."

___Appointments. Speakes took pains to point out to reporters that all three appointments announced today were women, but no one was impressed. The appointments: Dodie T. Livingston as director of the Office of Special Presidential Messages (proclamations); Carol S. McCain as director of the White House Visitors Office; and Judy F. Peachee as special assistant to the President for intergovernmental affairs.

(END)

Pool Report February 10, 1981

During his meeting with governors, President Reagan was told by Illinois Governor James Thompson that members of Congress had vowed that power would be returned to the states only "over our dead bodies."

Reagan's reply: "Well, maybe over their dead bodies isn't a bad idea."

This exchange occurred at the end of a Reagan sermonette on why ~~HE~~ he'd like to return more power to the states. The President told the governors that "a great many of our problems" stem from the fact that federal officials have tried to make the states "administrative districts of the federal government." He promised to reverse this trend first by giving block grants to states and later by returning "taxing sources" to the states. He said it was "a great guarantee of freedom" when states do the taxing instead of the federal government. That way, he said, if citizens don't like paying taxes they can "vote with their feet" and move to another state.

Thompson then spoke up. He recalled that Reagan made this same point in two lines of his inaugural address. "Governors as a body strongly applauded that. As we did so, a whole line of congressmen standing down on your level (at the inaugural ceremonies) in front of our box turned around and said 'over our dead bodies'." "You're going to need our help on the hill because there's going to be fierce resistance. They've got a vested interest down there on the hill. Every program's got a subcommittee and a subcommittee staff on each side of the hill."

Reagan's first response to Thompson's story was "You're kidding, they really said that?" Then he added: "Well, maybe over their dead bodies isn't a bad idea." Fritz -- U.S. News & World Report

raines

reagan-summary

President Reagan plans to speak

WSWTW

Jim Thompson--to RR in Roosevelt room:

Now Mr. Pres, you had two very good splendid strong lines in your inaugural address. We want you to know that the governors as a body strongly applauded those. I also want you to know that as we did so but

a whole line of congressmen who were standing down on your level in front of our box turned around and said 'over our dead bodies.' You're going to need our help on the hill because there's going to be fierce resistance to the notion that the states created the federal government and not the other way around. They've got a vested interest down there on the hill. Every little tiny program they've got a subcommittee and a subcommittee staff on either side, republican, democrat, majority, minority, both the house and the senate. That actually happened when you said those words. We applauded vigorously and they just turned around and looked at us and they said over our dead bodies. So we've got a struggle on our hands.

maybe

RR "Well, over their dead bodies isn't a bad idea."

SJF

STORY:WHU
MA:60 FMT:

QUEUE:CWF-CWF
HJ:

MSG#
INI:

OPR:SJF

;02/10,10:32

To: mls lt jf dr rak gp dxb hal jg jbg mfd dcb lh pgh

From: sjf

Re Budget Cuts:

__There must be something strong in those jelly beans that Reagan has been offering to his guests. An unusually docile group of 40 state legislators and county executives came away from a meeting with President Reagan on Monday afternoon with nothing but praise for his proposed cuts in funding for state and local governments.

Richard Hodes, a Democratic state legislator from Florida, said after the meeting that he was pleased with Reagan's promise to switch from categorical aid to block grants for state and local government. He said state and local governments can accept ``substantial cuts'' in federal funds if Congress also lifts many of the mandates imposed upon them. Hodes and others vowed to help Reagan lobby Congress for these changes.

Actually, there weren't any jelly beans on the table when Reagan met with these people. When they asked for jelly beans at the end of the meeting, Reagan launched into an animated description of how his Cabinet members eat jelly beans. He described two types of jelly-bean eaters--those who pick out one color and those who just reach in for a handful. Reagan placed himself in the latter category. He concluded, ``Next thing you know they will have an agency regulating it.''

Unearned Income Tax Cuts. John Vickerman, government

(MORE)

relations director of the American Society of Association Executives, confirms the Washington Post story that Ed Meese told the group yesterday there would be some cuts in taxes on unearned income. However, Vickerman says he was not present for the full discussion and cannot confirm the details. We'll get more on this today.

Federal property. Reagan told the state legislators and county executives yesterday that he intends to do a "complete inventory" of federal holdings--including all buildings and lands--with an eye toward making some of it available to the public sector. This came in response to a question about the Sagebrush Rebellion. Reagan told them "I have a very warm feeling in my heart for the Sagebrush Rebellion."

Developments story. How about pegging this week's developments story on the battle that's shaping up over budget cuts, pulling together all the reaction to Stockman's black book?

(END)

STORY:WHU2
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

MSG:
INI:

OPR:SJF ;02/10,18:30

To: mls lt jf jg jbg mfd bfp gp dr lh dxb jwm dcb tjf rak
From: sjf

Re Budget cuts and other matters.

Here's the White House list of seven programs that probably will not be cut from levels set in former President Carter's budget. These programs add up to about 210 billion dollars in fiscal 1982. The list:

* Old Age and Survivors Insurance. There will be no reduction in the cost of living allowance, but no decision has been made about minimum benefits. Some 32 million persons benefit from this program, which will cost 140 billion dollars in fiscal 1981. The program normally increases 15 billion dollars a year.

* Veterans Administration Compensation for Service-Connected and Non-Service Related Pensions. Some 2.3 billion people will receive 8.6 billion dollars in service-connected benefits in fiscal 1982, and 1.8 million persons will get 4.1 billion dollars in non service related pensions.

* School Lunches and Breakfasts. About 9.5 million children will receive lunch and breakfast free in fiscal 1982 at a cost of 2.1 billion dollars.

* Medicare. About 28.6 million people will receive 45.4 billion dollars in benefits in fiscal 1982. Expenditures increase 5 to 6 billion dollars each year.

* Headstart. About 374,000 children will benefit from an expenditure of 950 billion in fiscal 1982.

(MORE)

* Supplementary Security Income. About 4.2 million blind, elderly, poor and disabled people will receive 7.9 billion dollars in benefits in fiscal 1982.

* Summer Youth Program. About 665,000 jobs will be provided for youth this summer and next at a cost of 870 million dollars each year. While this represents no change from the Carter budget, it does represent a real reduction. The government provided nearly 900,000 jobs last summer.

This list was announced by Stockman at Tuesday's Cabinet meeting and reported to us by Brady, who said that these seven items have met Reagan's two criteria for programs that should not be cut: They provide "essential services" and they serve the "truly needy." The figures given for each program add up to more than 210 billion, but that's because the estimate for the old age and survivors cost of living allowance includes some funds that will be paid out in fiscal 1983.

Brady refused to say why he was announcing the programs that will not be cut, but it's obviously being done to reassure people who depend upon these programs. Anyone with questions about these items should contact me or call Don Moran at the Office of Management and Budget (395-5044).

The summer youth program is biggest surprise on this list. This program, which has the worst reputation of any jobs program run by the Labor Department, is completely contrary to Reagan's philosophy. Brady says Reagan will continue it because youth unemployment is so high. Carter

(MORE)

administration people once considered eliminating the summer youth program, but they discovered it was very popular with Congress.

During the Cabinet meeting, according to Brady, Treasury Secretary Regan reported progress on the tax-cut side of the administration's developing legislative package and Stockman reported progress on the spending-cut side. Stockman told the Cabinet--in Brady's words--they are "over 90 percent of the way toward having identified the proposed reductions that they will give to the President for passing along to Congress."

Dead Bodies. With one off-the-cuff comment, Reagan has undermined his efforts to make friends with Congress. His comment came in a meeting with 18 governors. It followed one of Reagan's usual sermonettes on returning power to the states. He promised to return power to the states first by giving money to the states in block grants and later by returning "taxing sources" to the states.

Illinois Governor James Thompson then recalled that Reagan had mentioned this during his inaugural address. But Thompson warned Reagan this idea would encounter strong opposition on Capitol Hill. The Illinois governor told him that a group of Congressman at the inauguration were overheard saying "over our dead body" when Reagan talked about returning power to the states.

Reagan's remark: "You're kidding, they really said that? (pause) Well, maybe over their dead bodies isn't a bad

(MORE)

idea."

Like the state legislators and county executives who visited Reagan on Monday, the governors came away supporting the President's proposal to cut aid to state and local governments--but only if they switch to block grants and remove mandates on how the money is to be spent. With this idea of block grants, Reagan has managed to line up the state and local government leaders on his side in the battle with Congress.

Tax Reform. Ed Meese told the American Society of Association Executives on Monday that a "tax reform" package will be sent to Congress about 60 to 90 days after the tax cut plan. This information comes from Bernard Falk of the National Electrical Manufacturers Association, who chaired a meeting. Falk told me that Meese left no doubt that the administration is planning a separate tax package of so-called reforms. He said Meese seems confident that Congress will enact the tax cut within two or three months, opening the way for this second package. However, according to Falk, Meese was vague on the subject of equalizing taxation of earned and unearned income. Meese told the group that this was under consideration. On that subject, Brady adds: "Some advisers have indeed talked about it, but it's purely discussion."

Personnel. Reagan's personnel director, Pendelton James, is getting defensive about the slow pace of appointments. He told the Cabinet Tuesday that Reagan had made 42 Cabinet

(MORE)

and subcabinet nominations as of February 7. He said this compares to Carter's 18, Nixon's 47, Kennedy's 37 and Eisenhower's 34 on the same date. No explanation why Johnson's record was not included. Again today, Reagan told his Cabinet members to be careful to appoint women and blacks to subcabinet positions. (I've got an interview lined up with Pen James on Wednesday.)

Inspectors General. The Cabinet Tuesday discussed setting up a possible "coordinating mechanism" to link all new inspectors general. Something will be announced shortly.

Economic advisers. Reagan Tuesday appointed an outside panel of economic advisers. This is same panel that was the subject of our whisper last week. Martin Anderson received a letter from Richard Nixon congratulating him on the idea, even before it was announced. Nixon's interest stems from the fact that the panel includes many former Nixon people. The list: Arthur Burns, Milton Friedman, Alan Greenspan, Arthur Laffer, James Lynn, Paul McCracken, George Shultz, William Simon, Thomas Sowell, Herbert Stein, Charls E. Walker, Walter B. Wriston.

A Day in the Life of the President. Tuesday was a busy day for Reagan. Breakfast with labor leaders, a Cabinet meeting, a meeting with governors, a meeting with his new outside advisory panel of economists, another meeting with labor leaders and a trip to the Kennedy Center. One explanation for all this activity: NBC was filming a day in the life of the President.

(MORE)

STORY:WHU3
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

MSG:
INI:

OPR:SJF ;02/11,20:28

To: mls lt jf jg bfp gp dr lh dxb jwm dcb aps rak pa
From: sjf

White House briefing.

Wednesday's White House briefing established a new low point in the Reagan administration's quickly deteriorating relationship with the press. It was Karna Small's first effort as a briefer and it developed into a shouting match.

The reporters were obviously perturbed from the start that Jim Brady was not conducting the briefing. (Brady has become a stranger in the press room lately.) Karna further aggravated everyone because she was unable to answer questions and grew defensive. These topics were covered:

* Reporters demanded to know whether Caspar Weinberger is speaking for the administration when he airs his views on the neutron bomb. Karna said Weinberger was giving his own personal view, but he was not violating the president's admonition to his cabinet members that they should "do our debating among ourselves."

* Karna said she was unaware of any White House involvement in the FBI's reported refusal to provide material for a Las Vegas gambling probe of Frank Sinatra. Larry Speakes later added that the White House has "strict rules" against getting involved in pending cases.

* Regarding allegations against Reagan's son, the President has expressed "every confidence that any charges that might be brought in this particular instance will be baseless."

Later in the day, I received a phone call from Lucy Howard of Newsweek who is doing a story on the problems of the White House press office. Perhaps Al Sanoff should do his piece on this subject fairly soon, even though he too is having trouble getting in touch with Brady.

(END)

To: LH

From: NSD

Feb. 11, 1981

Roy:

Here is the Gromyko letter which the Soviet Embassy released to us today and to other media, including the Baltimore Sun, and Boston Globe.

Some comments:

(1) It is rather unusual for the Soviets to make public a Gromyko letter.

(The only other one I recall is a Gromyko letter which Kissinger made public during a hearing on Capitol Hill in 1974 on the Jackson Amendment to the Trade Act.)

(2) The Soviets probably made this letter public because they felt stung by Haig's initial message to Moscow which has been described in the press, but whose text remains secret for the moment.

(3) The Gromyko letter basically restates well known Soviet positions but the Poland sections has two points of interest, I think: (a) The Soviet Union seems to be restating publicly for the American audience that Poland is sovereign and its affairs are not subject for U.S.-Soviet discussion. Does this mean that Russia will respect Poland's sovereignty? That is not entirely clear, unfortunately. (b). The Gromyko letter severely attacks Voice of America (and RFE?) for instigatory broadcast into Poland. In other words: If you, the U.S. want the Polish situation to calm down, quite the broadcasts.



NEWS AND VIEWS FROM THE USSR

SOVIET EMBASSY, INFORMATION DEPARTMENT

1706 18TH STREET, N.W., WASHINGTON, D.C. 20009

TELEPHONE 232-6020

A.A. GROMYKO'S LETTER TO SECRETARY HAIG

In view of the fact that the contents of the letter of the Secretary of State A. Haig to the USSR Minister of Foreign Affairs A.A. Gromyko dated January 24, 1981 has been made public by the U.S. side, here follows the text of the reply letter of A.A. Gromyko to Secretary Haig of January 28, 1981:

"Dear Mr. Secretary,

I have carefully studied your letter of January 24 transmitted through the U.S. Embassy in Moscow and take note of the wish expressed therein to work for development of relations between the Soviet Union and the United States. This corresponds to our intentions too.

Indeed, there exists quite a number of questions in the Soviet-American relations, including the ones which deserve priority attention and on which it would be advisable to exchange views. It can only be regretted that such questions, judging by your letter, have not yet fallen within the scope of attention of the new administration.

As to the certain specific questions touched upon in your letter I would like to say the following:

Right after the incident when the U.S. Embassy personnel was seized in Teheran, the Soviet Union in clear and unambiguous terms came out against such type of actions, in favor of the strict observance of the Vienna convention provisions concerning respect for diplomatic immunity and, accordingly, in favor of an immediate release of the detainees. This was also the position we adhered to during the discussion of this question in the UN Security Council at the end of 1979 as

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well as in the following period. The U.S. government is also fully aware of the fact that it was from these same positions that we addressed ourselves directly to the Iranian leadership.

This, however, is passed in silence. Neither your letter, nor the public statements of the officials of the administration contain a single kind word addressed to the Soviet Union in connection with the position it adopted. Instead, clearly tendentious assessments are being given to what was reported in the Soviet news media concerning the release of the American diplomats. Moreover, it is being done in such a way as to entirely distort in the eyes of the public opinion the position held by the Soviet state on this matter. One cannot help asking a question for what reason all this is being done and whether any thought is being given as to how we should regard such distorted interpretations.

Now about Poland. First of all I must say in a totally definite way that the internal affairs of this sovereign socialist state cannot be a subject of discussion between third countries, including the USSR and the USA. If one is to speak, however, of outside attempts to exert influence on the internal situation in Poland, then it is necessary to state that such attempts do take place and they are being undertaken precisely on the part of the USA and other Western powers. In this regard it is sufficient to mention at least the provocative and instigatory transmissions of the "Voice of America" and other radio stations under U.S. control, broadcasting to Poland. Constituting an open interference in the Polish internal affairs, those broadcasts are, inter alia, aimed at generating among the Polish population unfriendly sentiments with regard to the Soviet Union. There are also facts which indicate that the interference of the Western powers in the Polish affairs is not limited to the radio broadcasts alone.

Here again a question arises: What purpose then is being served by the attempts of the American side to introduce the "Polish topic" into the Soviet-American dialogue and to make at the same time inappropriate "warnings" addressed to the Soviet Union?

As far as Poland is concerned, we, on our part, are guided by the provisions of the Joint Statement--which, I believe, you are familiar with--adopted last December in Moscow at the meeting of the Warsaw Treaty state leaders. This document spells out a collective position of the Warsaw Treaty countries, including the Polish People's Republic itself, whose leaders participated in that meeting.

Since you, Mr. Secretary, did not bypass in your letter the Afghanistan aspect either, I would like to present briefly our position in this respect. Its essence is that there must be a cessation of the armed incursions into the territory of the Democratic Republic of Afghanistan and of all other interference in its internal affairs, as well as

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firm guaranties must be given that this will not be resumed. Doing so would also eliminate the reasons that prompted the necessity of introducing into Afghanistan a limited contingent of the Soviet troops requested by the DRA government in accordance with the existing norms of international law.

Concrete paths leading to the achievement of a political settlement of the situation around Afghanistan were indicated in the DRA government statement of May 14, 1980. Later, on more than one occasion, the DRA government confirmed its readiness to start working on appropriate agreements between Afghanistan and Pakistan, as well as between Afghanistan and Iran. And it did so again quite recently. The United States, on its part, could, no doubt, contribute to the political settlement if it were to facilitate the beginning of the dialogue between Afghanistan and Pakistan and not to attempt, as is the case now, to raise obstacles thereto.

In conclusion, I would like once more to confirm our readiness for exchange of views on a wide range of issues. I hope that subsequently in our exchange of views a proper place will be accorded to the questions on which resolution the prospects of development of both Soviet-American relations and international situation as a whole are primarily dependent.

Sincerely,

A. Gromyko

Moscow
January 28, 1981 "

STORY:NIPP
MA:75- FMT:

QUEUE:JBG-JBG
HJ:

MSG:notes
INI:

OPR:JBG ;02/11,16:18

To LT, JG, (SJF), DXB, MFD

From JBG 2/11/90

Regan and Treasury operations. Source is Bob Nipp, veteran Treasury spokesman who's been in charge of press operations during transition and early days of new administration.

Caution: Nipp is a disgruntled career official--he was shoved aside this week, and just before our lunch was moved down a floor to his old office. Still, there's grist here for Whispers as long as attribution is Treasury insiders, or something equally vague.

Regan is strictly on his own at Treasury--everyone there now was dictated the White House, the "kitchen cabinet" or transition teams. That was the price Regan had to pay to get the job. Thus, according to Nipp, there is little loyalty to Regan or effort to make him look good. There's also a great deal of turf-building and in-fighting going on now for prime office space, good secretaries, policy areas. (MFD also got a hint of this from his talk with Ture.) One big gap, however, is international affairs. No one has been named to that position and Haig is well on his way to taking it over.

Nipp fears that Regan could be "done in" by the people around him if he isn't quick to show the aggressiveness and toughness that took him to the top at Merrill Lynch. For example, Regan "bombed" at a White House meeting yesterday set up by Elizabeth Dole with labor leaders. Although Dole's staff had prepared a briefing paper for Regan, he never saw it and talked about all the wrong things, doing little to win labor support for the President's economic program. Dole reportedly was furious.

(MORE)

According to Nipp, people at OMB already are saying that Regan could be the first Cabinet officer to go. He also believes that Stockman is the key economic adviser at this point. Regan is in all the meetings but has little input. He also professes to be unworried by Stockman's quick start and prominence.

The press operations now are in the hands of a temporary consultant, Ann McLaughlin, wife of ex-priest John McLaughlin who worked in the Nixon White House and now is on radio. Although she's supposedly temporary, she's taken over Joe Laitin's office. Nipp (and Laitin) think she's angling for the job, although it's to go to Regan's aide from Merrill Lynch, John Kelly, the only staffer personally selected by Regan. Kelly is on shaky ground, however, because he's still in New York winding up business. He's not expected full-time in Washington for at least two more weeks and so has been out of touch throughout the transition and the critical first weeks of the administration. The feeling is that he is likely to come down, get confirmed, find things beyond his control, and be out fast. So far, Assistant Secretary for Economic Affairs Paul Craig Roberts (a former editorial writer for the WSJ) has written most of Regan's speeches and testimony.

Regan personally is much more likable than William Miller was, according to Nipp. He knows people's first names, calls them by nicknames, etc. Unlike the President, Regan has not been able to keep the relaxed 9-5 pace that he did in New York. He's in now around 7.45 A.M. and puts in 10-12 hour days. He remains protective of his time and family, however, and is refusing to hit the social circuit, despite recommendations that he attend. He pleaded sudden illness to get out of one and flat out refused to go to the Washington Press Club congressional dinner last week that

(MORE)

Reagan and many Cabinet officers attended.

The real reason that the White House is moving so slowly to fill Cabinet and agency slots is to make budget-cutting easier. The Secretaries are too new to argue knowledgeably against proposed cuts and don't have the staff backup to do it. Other agencies, like EPA, have little representation at all. This is a suspicion that's being voiced by lobby groups, including the National League of Cities. Nipp confirms that this suspicion being voiced by lobbyists, including the National League of Cities, is correct. He says the strategy came from the "kitchen cabinet" during the transition. It also explains why OMB and Treasury were filled relatively quickly.

(END)

STORY:PERSONN
1A:6Ø FMT:

QUEUE:SJF-SJF
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MSG:
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OPR:SJF ;Ø2/11,2Ø:31

To: mls lt jf jg jbg mfd bfp gp dr lh dxb jwm dcb tjf rak
From: sjf

Interview with Pendelton James, presidential assistant for personnel:

All of President Reagan's appointees so far have been subjected to a stringent political loyalty test. The goal, according to James, is to "bring in our team whose loyalty and commitment belong only to Ronald Reagan."

Every appointment must be approved by political adviser Lyn Nofziger, according to James. To illustrate this point, James recalls that he was sitting in the White House mess having breakfast just the other day when Nofziger entered frantically waving a memo from James about a potential appointee. "Don't you know this guy is a Democrat?" Nofziger demanded. The candidate was scratched immediately.

James also recalls that another candidate for a top position recently was subjected to four hours of intensive questioning by Martin Anderson to make sure he did not disagree with the President's position on any important domestic issue. "We wanted to make sure where he came out," says James.

James Cavanaugh, a former Nixon aide who is helping James on a volunteer basis, adds that they also are reading the judicial opinions of judges and the published papers of academics to make sure that these people agree with Reagan before they are considered for administration jobs.

There's also no question that the White House is directing the personnel operation with a strong hand. Although Cabinet members are asked to submit their own nominees, James estimates that 70 to 80 percent of all the appointees to date have come from lists compiled by his office. "We are trying to avoid mistakes of past administrations that ended up letting the White House lose control," says James.

James and Cavanaugh both suggested that the appointments process would be proceeding faster if they allowed Cabinet members to appoint the subcabinet. They say that President Carter tried at first to supervise all appointment from the White House, but later turned the process over to the Cabinet when it got bogged down. They say that Nixon allowed his Cabinet to appoint the subcabinet in the first term, but reversed it over in the second term.

Numbers. The figures that James provided to the Cabinet earlier this week come from a permanent records office at the White House. As of February 7, according to these statistics, Reagan had sent 42 nominations to the Senate compared to 18 for Carter, 47 for Nixon, 37 for Kennedy and 34 for Eisenhower. (Note: Appointments are not always sent to the Senate as soon as they are announced.)

James avoids the question why they originally announced that their goal was to have 350 people in place on inauguration day. Now, he's predicting that he will have the top 300 jobs filled within the next two months. He says

you only need 100 top positions filled to adequately run the government. That number includes 13 Cabinet-level posts and 87 subcabinet jobs. He says the administration will soon have this "first tier" completed. Overall there are about 5,000 presidential appointments to be made, including 2,313 members of 255 boards and commissions. This week, according to James, "we just opened the Pandora's box of ambassadorships and we just opened the Pandora's box of boards and commissions."

A Boondoggle. The White House already has chosen to abolish one commission described by Reagan aides as a Carter administration boondoggle. Known as the Native Hawaiians Study Commission, the group was appointed by Carter on the morning of January 20, according to James. It includes the wife of the former White House personnel director and one of his aides. James says the commission will be abolished before it leaves for a scheduled March 20 trip to Hawaii. Each members is entitled to \$100-a-day in expenses during the trip.

Slow pace. Even the President is disturbed with the current pace of appointments, according to James. "He's frustrated," says James. "We were talking just the other day about some appointments that he's keenly interested in and he said 'Pen, I want those things out.' But I told him 'we can't do it'." James gives the usual excuse: FBI checks, financial disclosure and conflict of interest regulations. To illustrate, he says he now knows who will head the Environmental Protection Administration, but "you won't know about it for 10 days."

Affirmative Action. The administration has no affirmative action plan, no goals or timetables. But they have just hired a woman to head up recruiting of woman. Why did Reagan lecture his cabinet about appointing women and blacks? Answer: Because James decided while he was coming to work the other day that "the president's personnel office shouldn't be solely responsible for this. Each cabinet and agency head has got to do their part, or we aren't going to do it."

(END)

February 12, 1981

FROM: SJF - White House

TO: MLS, LT, JF, BFP, GP, DR, LH, DXB, JWM, DCB, ~~██████████~~, SJF, RAK, PA, PGH, HAL,
JG, JBG, MFD

RE:

Murray Weidenbaum, chairman of President Reagan's Council of Economic Advisers, said today he hopes the federal budget can be balanced by 1984 -- a year later than Reagan promised during his campaign. To quote Weidenbaum: "My hope is 1984 -- with no apologies to George Orwell."

Weidenbaum's briefing at the White House was designed to call attention to the so-called "audit" of current economic problems that was done recently for Reagan. Copies of the audit were distributed. The figures in this report are already well known, and the rhetoric is similar to Reagan's television speech last week. This was just another step in the President's^s orchestrated public-relations campaign to draw attention to the seriousness of the nation's economic problems.

Reagan himself came to the press room to ^{introduce} Weidenbaum, but the President did not stick around ^{FOR} questions. He said: "This audit confirms that the economy of the United States needs a profound and dramatic change of direction. There can no longer be a business-as-usual approach. Inflation and unemployment are threatening the American way of life like never before and, without a change in policy, these intolerable conditions will get even worse. This audit also suggests a sense of urgency -- that we must halt the growth of government and the corresponding burden of overspending, taxation and regulation."

Under questioning, Weidenbaum also said nothing new. He refused to discuss the administration's new economic forecast. He said only that the assumptions contained in the economic package to be released on Feb. 18 are "useful, reasonable and realistic."

Reporters questioned how the administration could describe this as the worst economic situation since the Depression when real disposable income is still way up over 1960. He said the current situation is unique because we have both sustained high rates of inflation and unemployment. He also promised that the hardship of the budget cuts would be far outweighed by benefits of reduced inflation and unemployment.

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MA:60 FMT:

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;02/12,19:14

To: mls lt jf jg jbg mfd bfp gp dr lh dx b jwm dcb tjf rak
pa_cas rab kj ms

From: sjf

Budget Cuts and Congress.

__President Reagan has already decided on budget cuts for six departments--Agriculture, Labor, Commerce, Interior, Health and Human Services and Energy. Some of Stockman's original proposals for these departments have been modified from the "black book" version, according to Jim Brady.

All of the modifications were proposed by Reagan. Brady insists that none of Cabinet secretaries heading these six departments spoke in opposition to the budget cuts proposed by Stockman. "No one's gone to the mat," he says.

Brady insists all differences between Stockman and the Cabinet secretaries were ironed out in working budget groups before their final meeting with Reagan. "These are agreements that were reached with compromise, study and give and take," he says.

Despite such unanimity, the decision-making process appears to be running behind schedule. These six budgets were decided in two days of meetings, Wednesday and Thursday. Still to be presented to Reagan Friday are the budgets of all the all the other departments and agencies, including the departments of State and Defense. Although three and one-half hours have been set aside tomorrow for budget meetings, Reagan's departure for Camp David could be delayed as a result.

(MORE)

Have Haig and Stockman ironed out their differences? "I think so," says Brady. "They smile a lot at each other."

Reagan's lobbyist. Max Friedersdorf, Reagan's assistant for legislative affairs, acknowledges it's going to be tough to convince Congress to act simultaneously on budget cuts and tax cuts. "It will be difficult--one of the most difficult things we face," he told a group of reporters.

One thing that will help Friedersdorf in lobbying for these changes, he said, is that Reagan does not intend to send any other legislation to the Hill until Congress has acted on these proposals. "Congress is not confused on what legislation he (Reagan) thinks is important." He refused to comment on Meese's prediction that Congress would be ready to receive a second tax plan 30 to 90 days after the first legislation goes to the Hill.

Friedersdorf seems to underestimate the reaction that special interest groups will have to the new budget cuts. "The businessmen and Washington representatives I talk to don't seem to be so exercised about it," he says.

Reagan will continue to meet with legislators to twist their arms. "He's been so generous with his time it's just amazing," says Friedersdorf. Reagan's got breakfasts planned soon with the Republican freshmen and sophomore classes in Congress. Farm belt congressmen, both Democrats and Republicans, will come to the White House next Tuesday to discuss the grain embargo. Members of the Conservative Democratic Forum also have a meeting scheduled.

(MORE)

Although the House remains in control of the Democrats, Friedersdorf is counting on conservative Democrats to vote with Reagan in the House. He predicts the new administration will have "as much success or more in the House as in the Senate.

Another Mexican Trip. Reagan will meet again with Lopez Portillo on April 27-28 in Tijuana and San Diego to discuss "bilateral and regional issues."

(END)

STORY:MEMO
MA:60 FMT:

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INI:

OPR:RAK :02/17,15:34

✓ TO: MLS, LT, JF, DR, BFP, JG, GP, LH, DCB, DXB, JWM, PA,
SJF, PGH

FROM: RAK

RE: White House notes

Press Secretary Jim Brady became thoroughly enmeshed in a quagmire today trying to explain to reporters that Reagan's upcoming economic package will not violate his campaign promise of a 10 percent across-the-board tax cut.

Speculation already has started that Brady is not going to last. He has had a rough time in several recent briefings and some reporters are suggesting that he may be kicked upstairs to the job of White House communications director (a post still vacant), leaving the press secretary's job to someone with more experience, like Larry Speakes. This may be only wishful thinking by reporters. But Speakes is a good briefer and seems to understand the importance of the job. He rarely is caught off guard and he gives the appearance of being straightforward and candid.

Brady became so tongue-tied in contradicting himself today that to one question he responded: "I've shot myself in the foot. I don't want to blow my leg off."

Brady's dilemma was this: Reagan will propose a 10 percent tax cut across the board for each of the next three years. This cut will average 10 percent for all incomes combined and, therefore, will benefit people at the lower end of the income scale by slightly more than 10 percent and those

(MORE)

with higher incomes by slightly less than 10 percent.

However, the tax cut applies only to marginal rates on earned income. Wage earners at the highest level are subject to a rate of about 70 percent. The Reagan tax cut would reduce that rate from 70 to 63 percent the first year.

But Congress passed a law in 1979 stipulating that no taxpayer will pay more than 50 percent of his income in federal income tax. So, although top wage earners are subject to a 70 percent rate, they don't really pay that much. They don't pay more than the 50 percent cap. The meaning of all this is that the tax cut for the highest tax brackets is not a cut in actual dollars--it is only an academic cut in the tax rate which no longer applies to them, anyway. In other words, wage earners at the top end of the scale will get no tax cut at all in actual dollars. This is the point of contention between Reagan and Representative Jack Kemp (R-N.Y.), and the thrust of a New York Times story today.

Brady initially insisted that the "thrust" of the Times story was wrong and that there is no problem between Kemp and Reagan. "Kemp is supportive...He's on the team." But as reporters pressed, Brady had to contradict himself.

And in the process, Brady inadvertently confirmed that Reagan's proposed tax cut will not be retroactive to January 1, 1981. Instead, it will apply to tax rates beginning July 1. So, for 1981, taxpayers would receive

(MORE)

only a 5 percent break.

Brady says the President's tax-cut legislation will be a "clean" bill and that such other issues as the 50 percent tax cap will be addressed in measures sent to the Hill later. "We want a clean bill, not one festooned like a Christmas tree...that would fall under its own weight."

___Salary hikes. In a message to Congress, Reagan today proposed that impending pay hikes for federal executives, Congress and the judiciary be eliminated. These top-paid workers will be asked to forgo their raises, proposed by President Carter, because of the need for budget cuts.

Brady displayed ignorance about the details of Reagan's message. He did not know how many workers were affected or how much money could be saved. Nor could he explain why President-elect Reagan endorsed the pay hikes during the transition.

___Presidential travel. Brady was asked whether, in light of Reagan's cutback in travel by government bureaucrats, the President considers his trip this week to his California ranch as essential travel. "He probably does from a mental health standpoint," said Brady, prompting, of course, a joker's question about Reagan's mental health.

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