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STORY:WHUS QUEUE:SJF-SJF MSG:
MA:60 FMT: HJ: INI: OPR:SJF ;08/19,17:46

To: mls lt jf dr bfp jg gp lh dxb dcb jwm rak pa pgh sxm

From: sjf

The following comes from a deep background, not-for-
quotation interview with Richard Darman.

Two main themes:

* The White House staff is being torn apart by a serious power struggle. The Baker-Darman crowd is threatening to leave at the end of the year unless President Reagan gives them more authority.

* Darman views the tax bill as a sign that Reagan is abandoning an "ill-conceived" economic policy.

The Power Struggle. Darman insists the current turmoil inside the White House represents a struggle for control, not a clash of ideology. Yet in my opinion it seems to be a combination of the two.

On one side are Baker, Darman, Fuller, Stockman and other other "moderates." On the other side are Meese and the right wingers. Deaver tends to side with Baker. Clark's position is unknown. Darman thinks that the attack by outside right-wing groups on Baker and his people is being orchestrated inside the White House by the Meese crowd.

Darman says he "almost cried" when he learned that another top White House aide called Jack Kemp less than an hour after Reagan agreed to the 1983 budget package and blamed Darman for talking Reagan into it.

What Baker and Darman are demanding is a strong chief-of-staff system. But Darman cautions: "I would not like a

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Haldeman-type system. Some inefficiency is worth it." He says that the President is aware of their desires, but adds: "The President is not aware of it as he could be. He's had some people tell him about it and he reads it in the newspaper." Darman expects the matter to come to a head after the election. Baker, Darman and others are threatening to leave if the President refuses to go along with their plans. Darman also admits that he has quit trying to make the current system work better. On the contrary, he's trying to call attention to the flaws in hopes that the President will intervene. But Darman is not convinced that their tactics will work. "It should change, but that doesn't mean it will," he says. He thinks the President may want to leave matters alone. He notes that the current system has not yet caused the President any serious embarrassment. The President is usually reluctant to make personnel changes. Nor is he completely convinced that he and Baker will make good on their threats to leave if nothing changes. "Many people don't know themselves as well as they think they do." He adds: "Suppose there is only a minor shuffle? We might convince ourselves that it's enough to stay."

Ever since the "Big Three" system fell apart, says Darman, the White House has operated very inefficiently. Instead of having a Big Two, Three or Four, he says there are now at least six or eight independent players—including himself. He says the White House no longer works on a

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system of "vertical authority," but rather a system of "horizontal coordination." He adds: "That means time and meetings. It's 99.9 percent consensus-building." The only virtue of this system, he says, is that "it tends to knock out extreme points of view."

Horizontal coordination also depends upon a spirit of teamwork, which Darman feels has been lost at the White House. "We have devoted an excessive amount of attention to supposed power struggles--who's up and who's down," he admits. He says the struggles get even more bitter further down the ladder among the 54 special assistants to the president. Darman adds that this group includes "many incompetent conservatives."

He also notes: "Excessive bickering comes from a fractured authority structure. There is no one who can call everyone in and say shut up. Baker doesn't tell his people to shut up because he knows that Meese's people are doing it too. Meese uses the same reasoning. There's no discipline."

Darman sees Clark as the likely successor to Baker, but he thinks Clark would be a disastrous chief of staff since he lacks political savvy. He also acknowledges that the appointment of Clark as chief of staff would be viewed as a complete victory for the right wing.

Meese has been trying to pattern himself after Clark because he realizes that the NSC chief is more effective than he. As a result, Meese recently suggested that Reagan

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meet with the Cabinet as often as he meets with the National Security Council. He's also assigned every Cabinet member to read a Heritage Foundation report about the transition. But Meese will never match Clark because he is not as organized as Clark. Darman adds that Meese is often "not extreme enough" to satisfy many right wing groups.

Economic policy. After denying that the struggle within the White House is an ideological one, Darman then admits that he is trying to change the President's economic program. He says the original program was "ill-conceived." He thinks that Reagan will be forced to follow a more traditional conservative economic program in the future. The tax bill represents a breakthrough to Darman. Reagan can no longer claim to be a supply-sider, he says. "It's like being a little bit pregnant. You can't do it."

Reagan's role. Darman is reluctant to criticize Reagan for permitting so infighting at the White House. Yet he admits that the President is "too nice" to discipline people. But he says Reagan's extreme aloofness from such matters represents "a sound management style."

Reagan's own "mental image" of how things work at the White House is divorced from reality, says Darman. Reagan still thinks that he is using Cabinet government, even though the legislative strategy group makes most of the important domestic policy decisions.

Darman rejects my observation that Reagan ususally leaves the Oval Office by 3 p.m. every day. Although Reagan's

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public events are usually over by 3 p.m., he says, the President sticks around until about 5:30 p.m. on Mondays, Tuesdays and Thursdays. He leaves the Oval Office by 1 p.m. on Wednesdays, but often holds meetings in the residence later that day. He normally leaves for Camp David by 3 p.m. Friday. Reagan reads briefing materials for a couple of hours every night except on Saturdays. On the weekends, he writes speeches and catches up on long-range reading.

"He's very disciplined. He's obsessive about finishing his work."

Off-the-record. While I was sitting in Darman's office, I overheard an amusing tidbit which he insisted was off the record. Jim Baker called Darman from the Oval Office demanding to know whether Senator Kennedy had been invited to the Rose Garden ceremony. Baker was obviously worried that this would further provoke the right wing. Darman checked with Ken Duberstein and learned the following: Kennedy was invited by mistake and Senate GOP leader Howard Baker was trying to uninvite him. The invitation became moot, however. A vote on the Senate floor kept all members of the Senate from attending the ceremony.

(END)

August 20, 1982

FROM: ✓ SJF - White House

TO: MLS, LT, JF, BFP, SXM, JWM, GP, DR, JG, DCB, LH, RAK, PA, DLB, PGH

President Reagan indicated on Friday that the multinational peace-keeping force would be withdrawn from Lebanon if there were any violations of the cease-fire agreement.

In a statement in the Rose Garden prior to his departure for Phoenix, Ariz., Reagan said he expected the cease-fire to be respected by all parties. 'A violation by any party would imperil the plan and bring bloodshed to the people of Beirut,' he said.

He added: 'In no case will our troops stay longer than 30 days.' He said U.S. troops are being sent to Lebanon solely to assist the Lebanese government in evacuating PLO leaders and combatants.

Asked if U.S. troops would be withdrawn in the case of a cease-fire violation, Reagan replied, 'Yes.'

But Reagan refused to answer any additional questions, deferring them to Secretary of State Shultz and Defense Secretary Weinberger. Both Shultz and Weinberger will be holding press conferences later in the day. Reagan took the opportunity to thank Ambassador Habib for his work. He said that Habib's determination to reach an agreement had carried the day. Reagan expressed ^{se/}the same sentiments to Habib directly in a telephone call about 8:45 a.m. EDT.

At 9 a.m., Reagan met with the bipartisan congressional leaders to outline the agreement in Lebanon. According to

White House spokesman Larry Speakes, none of the congressional leaders expressed any disagreement with Reagan's plan to commit U.S. troops to Lebanon as part of a multinational peace-keeping force. Speakes said Reagan stressed during the meeting that "'Phase 2'" of the process and the "'next objective'" of the U.S. will be the withdrawal of all foreign forces from Lebanon.

He said U.S. troops in Lebanon will be operating under the direction of the Department of Defense, which will be part of a joint commission with ~~the~~ military leaders from other participating countries.

Reagan departs from Andrews Air Force Base at 11:45 a.m., en route to Phoenix, Ariz., where he will attend a memorial service for his wife's stepfather, Dr. Loyal Davis. The memorial service will be held at the Greenwood Memorial Park at 4 p.m. mountain standard time--7 p.m. eastern daylight time. Reagan will overnight in Phoenix and then fly to California on Saturday.

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STORY:WHU
MA:60 FMT:

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OPR:SJF

;08/26,10:47

To: mls lt jf bfp dxb jwm gp dr jg dcb lh rak pa pgh

From: sjf

The following comes from an session with Craig Fuller,
secretary of the Cabinet.

The White House's biggest error in the Social Security
fisaco was to unveil the plan without sufficient
consultations with leaders Congress, according to Fuller.

``There were key people on the Hill who were surprised who
shouldn't have been surprised,`` he says. (RAB says
Senator Dole was extremely angry that he got only 12 hours
warning about the proposal).

Fuller described for me the way the plan was developed.
From his account, it appears that the policy-makers simply
got carried away with themselves and forgot to talk to the
political experts. (We know Nofziger was not consulted.)
Schweiker's legislative department handled the details on
this proposal, not Friedersdorf.

A special task force headed by HHS Secretary Scheweiker
was created in late April to develop the plan. Two reasons:
(1) Pickle's subcommittee was about to begin markup of a
bill. ``We had to get the administration's viewpoint to the
Hill,`` and (2) three Republicans who initially voted
against Reagan on the Senate Budget Committee wanted to see
the unidentified savings for 1983 and 1984.

Schweiker then produced ``his own black book`` of
potential savings in the Social Security system, including
100 different options. (This reference to a ``black book``

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suggests that Schweiker had hopes of building a Stockman-like reputation on Social Security.) Their analysis showed the Social Security system was facing a 111 billion dollar deficit over the next five years.

The Schweiker group, including Stockman, Regan and Martin Anderson, worked at a frantic pace to produce their option paper. In the final week, their meetings lasted several hours each day. Their report was presented to the Cabinet Council of Human Resources on May 11.

The President attended the meeting and listened to the debate. No decision was made immediately. Reagan went off to think about it. After several hours of deliberation, he informed aides he'd decided to go along with most of what the group proposed. Two ideas he rejected: (1) Bringing federal employees into the system and (2) eliminating survivors benefits for spouses whose children are over 12 years old. "He was given alternatives," Fuller explains. "He was able to pick and choose."

What seems to emerge from this tale is that the White House people just assumed that a proposal developed by Schweiker, a former Senator, and Stockman, a former Congressman, would not be repudiated by the Congress. Both men should have known better.

Second Tax Bill. The Economic Policy Council already has "catalogued" all the options for a second tax bill. "Any compromise on the first bill must include an understanding on the size of the second tax bill," says Fuller.

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Cabinet Government. Fuller is surprised by the number of working sessions held by Cabinet councils. The original idea was that most issues would be hammered out by council staffers, the council would meet to review the work and then it would be presented to the President. Instead, Cabinet members are doing the work themselves.

Fuller also says there's a bottleneck in the decision-making process on those national security issues that have domestic consequences. The NSC seldom seeks the advice of the domestic policy people, he says.

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To: mls lt jf bfp sxm jwm gp dr jg dcb lh rak pa pgh ljl

From: sjf

The following items come from a background interview with

David Gergen:

* White House officials want to fill the next cabinet opening with a woman. One candidate: Elizabeth Dole.

* Efforts to win a ceasefire in Lebanon will either succeed or fail within the next 48 hours. ``It may not come together,`` cautions Gergen.

* The pipeline sanctions will be reconsidered along with Soviet grain sales and U.S.-European steel dispute once George Shultz takes over at State.

Lebanon. Gergen's advice to us on this story: ``I'd put Jody Foster on the cover, if I were you.``

He confirmed reports that the PLO's private communications have been more conciliatory--asking the U.S. not to withdraw the offer to send in troops. ``Our view is that the statements by Arafat have just been public posturing.``

White House officials are concerned about the ``perception`` that Begin is leading the U.S. around by the nose. ``The President has expressed his views to Begin very emphatically in recent days, telling him: (1) we want no bloodbath, (2) we want to begin autonomy talks as quickly as possible and (3) we want peace in Lebanon.``

Brezhnev's warning was not taken seriously. ``The Soviets are trying to get back into the game.``

Poland. Gergen agrees with JF's view that the pipeline

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sanctions reflect a declaration of economic warfare on the Soviet Union. Poland is a side issue. ``As the President said, they are on their knees economically and this is a chance for us to change their behavior.''

The pipeline sanctions are being viewed as a package deal with along with grain and steel. ``Our people will be looking at this as a package after Schultz gets here.''

If some significant change occurs in Poland, the President would probably lift the sanctions sooner. ``But his clear preference is to stick with them for now.''

The change in the OECD interest rates was not sufficient reason for Reagan to reconsider the sanctions.

Shakeup. At least four Cabinet members will NOT leave: Schultz, Weinberger, Smith and Regan. Lewis is ``a top candidate for another job''--budget director, chief of staff or chairman of the Republican National Committee. Edwards and Bell will leave. Donovan, Pierce and Schweiker are ``unpredictable.''

Jeane Kirkpatrick would be appointed to the No. 2 job at the State Department if she were a better manager. Dole is viewed as ``cabinet material.''

Says Gergen: ``An effort will be made to find another woman for the Cabinet.''

In the White House, Deaver ``has been making sounds again'' about leaving. But like everyone else, Gergen doubts that Deaver will leave. Meese would be willing to take a Cabinet post, but the ones he'd accept may not become vacant. Baker and Clark will stay.

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Foreign Policy Overview. Gergen acknowledges that Reagan's method for making foreign policy decisions tends to promote inconsistency. ``But he's working from a philosophical framework--without that he'd really be in trouble.'' Clark's series of foreign policy directives is also designed to promote consistency.

Gergen insists that Reagan has not flip-flopped on his policy toward the Soviets. People misinterpreted Reagan's arms control proposal as a change in policy. ``This is where Ronald Reagan has been coming from all along.''

Initially, Clark played the role of a traffic cop. But he has made his own recommendations on several issues including arms control and the Romanian debt. ``Since Haig left, he has stepped into the forefront. He's now into all of these things. But the pendulum will soon swing back to the State Department.''

Economic policy. President Reagan has personally ordered his aides to stop putting out the story that there will be any changes in his economic policy.

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STORY:WHU1
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To: mls lt jf bfp sxm jwm gp dr jg dcb lh rak pa pgh ljl

From: sjf

The following items come from a background interview with Robert Sims of the NSC staff:

* President Reagan will reciprocate in some manner if the Polish ease martial law on July 22, but chances are slim that the pipeline sanctions will be lifted so soon.

* Reagan will announce his decision on the Law of the Sea Treaty before Saturday. Sims indicated that Reagan will not sign the treaty.

* Asked whether Bill Clark is a ``traffic cop or a real foreign policy adviser,`` Sims replied: ``Traffic cop.`` He says he prefers the term ``consensus seeker.``

Poland. ``The issue of reciprocating for movement (in Poland) is still very much alive,`` said Sims. ``If there were movement--and I don't know precisely what it would take--we would want to reciprocate. But there are ways to reciprocate other than lifting the pipeline sanctions. I'm skeptical that they will do enough to make us lift the pipeline sanctions. But they might do enough for us to take a couple of reciprocal actions that would set the stage for lifting the sanctions.``

He could not say what reciprocal steps could be taken short of lifting the sanctions. Pressed on what kind of movement Reagan is looking for in Poland, Sims repeated all the usual items plus one new one--``asuccessful visit of the Pope.`` He also mentioned the U.S. would like Polish

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leaders to set a meeting to begin rescheduling their debt.

Officially, there are three things Reagan wants from Poland: (1) an end to martial law, (2) freeing of prisoners and (3) a renewed dialogue with Solidarity. But another NSC staffer told me a week ago that they would be satisfied simply by efforts to reschedule the debt.

Sims was quick to knock down several so-called ``misconceptions`` about Reagan's sanctions on the pipeline parts. One, he said, is the theory that Reagan now intends to lift the sanctions because the Europeans balked and because the OECD raised interest rates on export credits to the Eastern bloc. He said the President ``is not seeking an excuse`` to lift the sanctions. ``The other misconception is that he extended the sanctions because he thinks economic warfare is the way to go,`` said Sims. ``Both of those views are incorrect.``

Law of the Sea. Sims says the Law of the Sea decision will be announced in California--probably Saturday--but there will be a briefing on it on Friday at the State Department. He said the decision would be consistent with Reagan's long-held views on the subject. He cited this decision in response to a suggestion by me that Reagan's method of making foreign policy decisions promotes inconsistency.

How the NSC Operates. Clark briefs President Reagan on foreign developments every morning at 9:30 a.m. Clark gets his own briefing from aides--McFarlane, Poindexter and Reed-- at a meeting around 7 a.m. There are three types of

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information the President receives from Clark: (1) an updated summary of events around the globe, (2) briefing material on a particular pending issue or (3) ``talking points`` to be used when the President is meeting with a foreign leader that day. Obviously, he does not get all three types of material every day.

Sometimes, Clark is accompanied by an expert on a specific topic. More often he is accompanied by McFarlane. There have been reports that the President sometimes sees slide shows depicting certain world problems. Sims could not confirm these reports.

Some ``routine`` decisions are made when the President meets with Clark, but no major decisions are made until Reagan has heard the decision thrashed out at a National Security Council meetings. Under Clark, said Sims, the council is meeting ``more frequently, with more substantive issues before and more decisions made.``

The National Security Council staff numbers 100, but only one-third of them are foreign policy experts. The rest is support staff. Perhaps as many as 10 people have been fired or reassigned since Clark took over, but Sims went out of his way to confuse the numbers. Among the new people are Clark's two top guys--McFarlane and Reed.

The NSC staff is organized into three clusters. (Sims showed me the organization chart, but refused to let me have a copy of it--even that is somehow sensitive.) Don Gregg, an Asian expert, heads the planning and intelligence

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section. But Gregg is going to ``a higher level job`` as national security adviser for George Bush. (This does not sound like a higher level job to me.) He will be replaced by Gaston Sigur. Reed originally headed the defense group, but he has been freed for special projects and the job has been given to Richard Bovary, a retired Air Force officer. Norman Bailey, an East-West trade expert, heads the policy group. Clark's initially appointed Claire Both Luce and William F. Buckley as consultants to the National Security Council, but Sims says they do no consultanting.

The option papers that Reagan uses in National Security Council meetings are similar to the ones prepared by the domestic policy staff. For example, the paper on pipeline sanctions listed three major options: (1) to continue the ban and extend it to goods made by foreign subsidiaries of U.S. companies, (2) to simply extend it and (3) to lift it. Option No. 2 had a sub-option: To extend the ban and exempt the Japanese.

Sims was quick to added that Clark seldom advises President which option to select. Instead, Clark makes certain that all sides are aired at the National Security Council meeting. But he said that Clark has ``insight`` into Reagan's thinking. Often, Clark is able to predict what the President will decide on an issue. ``He reflects the President's views. They have such rapport.``

Clark interview. Sims seems optimistic that Clark will agree to an interview. Sims is trying to arrange it for

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early next week so that we can use it in our foreign policy package.

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STORY:WHU2
MA:60 FMT:

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OPR:SJF ;08/26,11:07

To: mls lt jf bfp sxm jwm gp dr jg dcb lh rak pa pgh tjf
dxb ljl

From: sjf

The following comes from two separate sessions--one on the record and the other on background--with Rich Williamson, assistant to the President for intergovernmental affairs.

* A compromise Federalism package, providing for a 38 billion dollar program swap between the states and the federal government, will be unveiled on Tuesday.

* The President has assured his staff that he's going to run for re-election. ``Ronald Reagan will seek re-election. We are all under guidance to work on that assumption.``

* The November election outcome will depend on the state of the economy on Labor Day.

Federalism. Here's how the ``swap`` breaks down: The federal government picks up 18.4 billion dollars in medicaid payments now paid by the states and establishes a trust fund using 11.6 billion dollars in federal excise taxes and 8 to 9 billion dollars in general revenues. The states assume 8.1 billion dollars in AFDC payments and categorical grants totaling 30 to 31 billion dollars. (See attached chart.)

Food stamps and windfall profits tax are no longer part of the mix. The categorical programs involved in the swap include job training (2.8 billion dollars), water and sewer grants (125 million dollars plus 275 million dollars in loans), community development (3.4 billion dollars), waste

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water treatment (2.4 billion) and revenue sharing (4.5 billion). Figures are for fiscal year 1983.

The biggest unresolved issue: Whether to continue the present system of using AFDC payments to determine food stamp eligibility. Since people get more food stamps in states where AFDC payments are low, this discourages states from raising AFDC payments. But by unlinking the two, thus moving toward a national standard on food stamps, the federal government would have to pay out an estimated additional 3.8 billion dollars.

Williamson acknowledges that the plan cannot be passed this year. He says it will get a good reception in the Senate, but not in the House. It will be reintroduced in the next Congress. Education groups are expected to lobby hard against it.

Urban Policy--On background. Williamson complains that everyone on the White House domestic policy staff became ``a Pontius Pilate`` after the leak of the controversial report on urban policy. Ed Harper declared that ``nobody in my office read that report,`` even though Harper's people were deeply involved in drafting an urban policy. This is a report that was supposed to have been submitted to Congress in February. Williamson views it as another measure of how bad Reagan's domestic policy staff has gotten under Meese.

He acknowledged that the urban policy leak created ``a great wariness toward President Reagan`` among governors and mayors, especially coming on top of so many budget

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cuts. But he adds.: ``The budget cuts last year would have happened whether or not Ronald Reagan was President.``

In 1980, federal funds now make up about 17 percent of the average city budget. This compares to 2 percent in 1970. Although the President thinks some federal programs for cities were unproductive, he has continued to fund others such as UDAG and revenue sharing.

Politics. On background, Williamson predicts that the GOP will pick up seats in the Senate, and lost fewer than normal in the House. ``I am confident that we will do better than the historic average,`` he said. But he adds that the Republicans are going to take a beating in the gubernatorial contests. He predicts that Reagan's popularity will climb into the 50 percent range by fall.

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MA:00 FMI:
TO: MLS, LT, JF, BFP, DR, JG, GP, LH, DCB, DXP, JWM, SJF,
PA, PGH, SIM, DLB, LJJ

FROM: RAK

RE: Background-only ivu with David Gergen

Soviet gas pipeline. The President is not about to waver on the pipeline sanctions, and he still believes the allies may fall in line if he stands firm, Gergen says. Even if the sanctions fail to block or significantly delay the pipeline, Reagan believes a firm U.S. response now may deter the construction of the second gas pipeline that the Soviets also plan to build.

Gergen just returned from three weeks in Europe where he met with journalists, diplomats and members of various parliaments. He found "not a great deal of flexibility" on the pipeline among European leaders. Many in Europe are not taking Reagan's sanctions too seriously, because they believe he eventually will back off--a notion that Gergen says he constantly sought to dispel. "The President is very firm on this. He wants the sanctions enforced....I want to impress the firmness of his view." Gergen stresses that Reagan's determination to impose sanctions has hardened in recent days.

Partly because of the sentiment in Western Europe, Reagan views the Dresser dispute as a test case that the allies are watching to measure how tough he will be. Taking a tough stand now may head off future shipments, says Gergen.

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He suggests that the French government acted against Dresser France, an American subsidiary, instead of forcing the issue with Alsthom-Atlantique, the French company producing pipeline parts under U.S. license, in order to test Reagan's reaction. "Maybe for the French this is a test case and they're waiting to see what the U.S. reaction is before they make their next move."

Gergen still holds out the possibility that the allies may reverse course and abide by the sanctions, but the administration does not expect to block the shipment of compressors from La Havre. Once the shipment has been loaded, the administration will move "vigorously" against Dresser in U.S. courts. To punish Dresser, Gergen believes the administration will take all measures possible short of criminal penalties. This means denying future export licenses to the American company and possibly blacklisting the French subsidiary from receiving any American-made parts or technology.

The administration is giving serious consideration to Margaret Thatcher's proposal for high-level talks to ease allied tensions over the pipeline. Secretary of State Shultz may go to Europe to meet with NATO foreign ministers, but Gergen cautions not to interpret such a mission as a softening of Reagan's stance. He says some officials at the State Department and the Commerce Department oppose the sanctions and are seeking ways to ease them. The White House wants to make sure that any

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mission to Europe not become a forum for relaxing the sanctions. If Shultz goes to Europe, he is not likely to take along a large delegation of experts from State and Commerce.

Gergen sees benefits from the pipeline dispute even if the sanctions are a total failure: "This is going to provoke a general debate on East-West relations that is long overdue. [The Europeans'] perception of the Soviets are, in many cases, very different from ours."

Shultz. Gergen had nothing critical to say of Shultz, but it is clear that the secretary of state is moving very slowly to exercise control. He is hardly taking the bull by the horns in the manner of Al Haig, but most White House aides seem to regard that trait as an asset. Gergen admits that Shultz has spent relatively little time around the President and the White House in general. Unlike Haig, who met with Reagan virtually every morning for a half hour or so and also talked with Reagan by telephone a couple of times a day, Shultz does not see Reagan on a daily basis. "He hasn't been over here a lot," says Gergen. "My impression is that he is moving very cautiously on East-West relations, the Middle East and arms control...But there is no doubt that he is moving in."

There is general harmony among Shultz, Secretary of Defense Weinberger and NSC adviser Clark. The three have a working breakfast together once a week. My own sense is that Weinberger is exerting more influence on foreign

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policy than he did when Haig was watching him like a hawk.

Veto. Reagan has all but decided to veto the 1982 supplemental appropriations bill. The only reason for hesitating is that the bill contains the 350 million for the Caribbean Basin Initiative, but Reagan has decided that he can resurrect those funds despite the veto. According to the White House assessment, there are not enough votes to override a veto.

Reagan will stress that he "has swallowed this bitter pill of the tax increase, that he has kept his side of the bargain. Now Congress must live up to its promise to cut spending." The President is prepared to veto the regular '83 appropriations bills if they exceed the budget resolution.

There is one other major benefit to a series of vetos of spending bills. The vetos "will recement the President's relationship with conservatives."

When Congress returns after Labor Day, the appropriations process will be the chief White House priority, even if it takes the form of a number of vetos. The administration also may make another push to get the balanced-budget amendment through the House, but Gergen could suggest no other legislative objectives between now and November.

Lame duck session. The current White House thinking leans against a lame duck session, primarily because Howard Baker opposes it as counterproductive. Reagan would call for a post-election session only if there are clear indications

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that progress could be made on reforming the Social Security system.

Radio broadcasts. Gergen suggests that Reagan may continue his Saturday radio shows indefinitely because he enjoys doing them so much. This Saturday he probably will concentrate on the "recent good economic news" in the hope that his optimism will rub off on the country.

(END)

~~STORY VON DAMM~~ ~~CHIEF NRD NRD~~ ~~MSG~~
MA:60 FMT: HJ: INT: OPR:RAK ;08/26,15:52

TO: MLS, LT, JF, BFP, DR, JG, GP, LH, DCB, DXE, JWM, SJF,
PA, PGH, SIM, DLB

FROM: RAK

RE: Background only ivu with Helene von Damm

Staff Shakeup. Von Damm, who this month replaced Pen James as personnel chief, discounts most of the speculation about post-election staff changes at the top levels of the White House.

She believes Mike Deaver will decline to leave at the end of the year as he has promised, mainly due to pressure from Nancy Reagan. (The President, she says, has made it a practice not to pressure anyone to stay on the job. Von Damm does not believe Reagan would exert any pressure on Deaver.) Ed Meese will stick around at least another year because "he's basically by instinct a public servant" and not so interested in making big money. Jim Baker is not as ambitious as he might lead others to believe, in von Damm's view. Nor is Judge Clark itching to become chief of staff but von Damm adds, "There's no question that if there ever were a shift, the President would think first of Bill Clark."

Baker-Darman push. Von Damm had considerable praise for Baker. This is somewhat surprising since she is a longtime conservative Reaganite who always has admired Meese. She has not always praised Baker in the past. Von Damm says she respects Baker's ability to get things done and has gone to

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bat for him with the conservatives a number of times.

"He's terrific to work with." She does not believe Baker is trying to get rid of Meese or otherwise revamp the power structure. But she adds, "I'm not part of Baker's inner circle, so I do not know whether there's a plotting nature there."

She views Richard Darman in a less benign light. "Darman is very shrewd and very intelligent....I'm sure he is a genius and none of us is a match for him....[His] usurpation of power is very subtle, but he controls the paper flow and that is a very powerful position." Von Damm does not take seriously Darman's threats to resign, although she admits there would be a definite vacuum if he left the White House. If Darman ever tells the President of his threat to leave, Reagan would let him go, she says.

"The President has learned over the years that no one is irreplaceable."

Conservatives. Reagan does not expect to have much trouble making up with his traditional conservative backers. The White House is considering a series of regular Oval Office meetings between Reagan and leading conservatives to assuage their feelings. "The President is an eternal optimist. If there is a problem with the conservatives, he thinks he can mend fences quickly."

Lyn Nofziger will continue to advise the White House on an informal basis, primarily on how to win back conservative support. He also will provide general advice on the

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November election.

Pete Wilson, Reagan this week could not conceal his lackluster support for California senatorial candidate Pete Wilson, says von Damm, because the two have been on the opposite sides of dozens of issues dating back to when Reagan was governor and Wilson was in the California Assembly. "Wilson has always had a liberal streak," she says, adding that Reagan would have felt like a hypocrite if he had wholeheartedly embraced Wilson.

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From: sjf

The following items come from a background interview with Rich Williamson, assistant to the President for intergovernmental affairs:

* President Reagan is upset with David Stockman for sabotaging the new federalism initiative.

* The White House power struggle has got everyone on edge. "Everyone around here is nervous as cats."

* Reagan's schedule will remain "loose" in October so he can do some last-minute campaigning where necessary.

* The reason right wing groups are upset by the Taiwan decision and tax increase: They fear the conservative movement will collapse if Reagan is viewed as having abandoned their goals.

Stockman. Williamson, who masterminded the now-defunct new federalism initiative, says it was sabotaged by Stockman and a faction at the department of Health and Human Services. The OMB chief, who feared the plan would the federal government more money, subtly worked against it in negotiations with the governors. He also dragged his feet when he was asked to make cost estimates.

No one at the White House, including the President, trusts Stockman because he is not loyal to Reagan's program. "He has tunnel vision on the budget. He has no friends (except Dick Darman). No one trusts him. The guy is a lying son of a bitch and I've told him so." Referring to

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the new federalism initiative, Williamson adds that "the President is not amused that this didn't work out." In the future, "nobody's going to defer to him on the budget process."

(Off-the-record, Williamson says that he and Stockman exchanged harsh words recently during a meeting in Baker's office. Stockman cited some figures; Williamson accused him of making them up. Stockman replied, "I don't do that in-house." This prompted Williamson to call Stockman as "lying sob." Williamson says he discussed the demise of the new federalism initiative personally with Reagan. He said the President very angry about Stockman's role in the debacle.)

Federalism. Reagan is determined to revive new federalism after the election. It was dropped because everyone feared it would become an election issue. They were afraid that many candidates would take a position against it. "It's too deep into the political season," says Williamson. "We didn't want to force Senators to take a position. It's too complex and too easy for candidates to say 'I'm against it' without studying it. Then we get them in the Senate and they are stuck on a position."

Power Struggle. Williamson notes that the power struggle between Meese and Baker began as a simple clash of styles--not ideology. He notes that Meese himself is not really conservative enough for many right wing groups. "There are no illusions among the right wingers that Meese is their

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knight in shining armor, although he is more sympathetic (than Baker).'' But the battle has taken on ideological overtones with Baker being portrayed as moderate and Meese as conservative. Williamson calls it ''the war between the pragmatists and the keepers of the Holy Grail.'' He notes that ideological differences are deeper among lower level people working for Meese and Baker. It's at that level that the two sides are extremely bitter.

Deaver's threatened departure adds to the nervousness at the White House. ''When the dominant player intends to leave it adds to the chaos and confusion,'' he says. Deaver is not involved in the power struggle, however. ''Deaver has no ideology. He just wants to be part of the elite--to be acceptable to Katherine Graham. Acceptability in the mainstream is important to him.'' Asked whether he was describing Deaver as a social climber, Williamson replied: ''That's too negative.''

Meese is trying to reassert himself, says Williamson. He's got Ed Harper working on a management review of the administration. ''Meese is wounded, worried and flailing,'' says Williamson. ''He's seeking ways to strengthen himself.'' He adds that Harper, whom he calls ''a banana,'' is no better as domestic policy chief than his predecessor, Marty Anderson.

Baker is ''nervous'' about the outcome of the power struggle because he does not want to go back to being a lawyer. Last year, he says, Baker turned down a lucrative

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job offer from a Houston holding company. But Williamson says Baker is no good at politics outside of government.

"Baker is not a pol. He's wouldn't know a phone bank if he saw it. He's a political operative in a Washington sense."

Clark is neutral. "In a cock fight, it's good to be the third cock sitting on the sidelines," he says. "Even if one of them wins, they're both damaged." Clark might replace Baker as chief of staff. "If Bill Clark wants to be chief of staff, he can be chief of staff."

Reagan is not fully aware of the power struggle yet. "I don't think the president is particularly cognizant of a power struggle," he says. But everyone is counting on Deaver, Nancy, the Kitchen Cabinet types and perhaps even Clark to clue him in. "There's a growing consensus that something has to be done." What will happen? "He (Reagan) always keeps a very loose rein on his staff. He feels that 95 percent of things don't matter so he doesn't get excited about them. But if he feels it's getting out of control or hurting his administration, he'll snap the reins."

Williamson himself seems worried about the outcome of the struggle. He says he, too, turned down a lucrative job offer last May. At that time, Baker "promised to do something for me (probably make him political director)." But Williamson adds, "Baker may not be in any position to make good on his promise."

Campaign. Reagan promised make campaign appearances for 12 candidates, and he's already done six. He denies reports

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that the White House has ruled out campaigning for
Millicent Fenwick. He says no decision has been made.

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FA, PGH, SXM, DLB

FROM: RAK

RE: White House legislative priorities

Here is a rundown of legislation the President wants congressional action on before the scheduled adjournment on October 2:

Supplemental FY '82 appropriation. The White House will push hard for another supplemental to replace the one Reagan vetoed over the weekend--assuming the veto is not overridden when Congress returns next week. The administration needs a new supplemental to provide for military paychecks on September 15 and thereafter, and to revive the 350 million for Reagan's Caribbean Basin Initiative.

The administration also expects to win approval for the CBI authorizing legislation (as opposed to the 350-million appropriation contained in the supplemental). But Robert Thomson, Ken Duberstein's deputy, says on background that the CBI authorizing bill is likely to be passed only after "a nasty debate" on human-rights violations in El Salvador. Liberal Democrats and moderate Republicans will use the CBI bill as a vehicle to attack the administration's policies in Central America. Secretary of State Shultz will lobby actively for the CBI, Thompson says.

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As for sustaining the the veto of the '82 supplemental-- there is concern at the White House that Senate Majority Leader Baker won't "put his heart" into defeating the vote to override. (Baker urged Reagan not to veto the supplemental.) But since the House will vote first, says Thompson, there is where Reagan will concentrate his lobbying efforts. The President welcomes the veto battle as an opportunity to "get our Republican troops back together" after the tax-bill vote. The President also expects to win back the support of the boll weevil Democrats and thereby assemble his old coalition--which always has been united around the single objective of cutting spending.

Continuing resolution for FY '83. At this point, the White House is not expecting very many regular 1983 appropriations bills to clear Congress before the start of the fiscal year on October 1. Reagan will not hesitate to veto any '83 appropriations measures that he deems to be "budget busters."

Thompson, however, expects the major fight to be over a giant continuing resolution for '83. A veto of the continuing resolution can be expected if it exceeds the targets contained in the first budget resolution. "The President is really wound up on the need to hold down spending," says Thompson.

Balanced budget amendment. Because of complicated House rules, a discharge petition to get the amendment out of the

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Judiciary Committee is no longer possible unless there is a short special session to vote on the discharge petition and the amendment. During lobbying on the tax bill, Reagan agreed in a meeting with House members to consider calling a one-day special session sometime after the October adjournment but before the election. Thompson doubts that Reagan will call a special session to consider the amendment, but that remains an option. Political considerations later in the campaign season will dictate the President's decision on this one.

Abortion and other social issues. Under heavy pressure from conservatives, Reagan in all likelihood will endorse the Helms abortion measure now being held up by a filibuster led by Senator Packwood. Thompson also expects Reagan to go so far as to lobby for cloture to choke off the filibuster. However, final decisions on just how deeply Reagan should wade into the abortion morass have not yet been made.

The administration expects to avoid the issue of school busing altogether this fall. Reagan will continue to pay lip service to the school-prayer amendment but the White House does not anticipate final congressional action this year.

Tuition tax credits. Reagan already has made a number of phone calls in an effort to move along this legislation. He is prepared to do more lobbying, and Thompson says the Senate Finance Committee could hold mark up as early as

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next week, with passage by the full Senate to follow in time to tack it onto a House-passed measure. Reagan believes he has a good shot at final passage before adjournment, Thompson claims.

Jobs-training bill. The White House supports the Senate-passed "son of CETA" (the Quayle-Kennedy bill), which would cost a couple of billion dollars less for job training than would the House-passed version. But Thompson acknowledges it would be difficult in this time of high unemployment for Reagan to veto the House version if that's what the conferees agree on.

Clean Air Act. This is another bill that is not likely to emerge from Congress this year--"a beached whale," says Thompson. The White House will not make a big push for the bill.

Crime package. The President soon will send up an anti-crime package that may be incorporated into a slimmed-down criminal-code revision prepared by Senator Thurmond. The administration proposal will include abolishing the insanity plea that saved John Hinckley's neck. Thompson suggests that nearly all incumbents are eager to vote for an anti-crime package and that this measure may make some progress before adjournment.

Immigration and Radio Marti. The immigration measure is one that Reagan expects to sign before adjournment, but it is not a high priority for the White House. The bill establishing Radio Marti also stands a good chance of

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passage, and the White House will make a push for it unless there is an unexpected groundswell of opposition in Congress. Thompson believes the sticking point regarding WHO Radio in Des Moines can be resolved.

Lameduck session. The outlook for a post-election session is not favorable at this time, but if circumstances later are right for a bipartisan approach to reforming the Social Security system, Reagan will urge a lameduck session.

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