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WITHDRAWAL SHEET

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Date: 4/3/2018

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. transcript	Gergen off the record comment (1 pg partial)	1/13/83	C
2. transcript	Duberstein off the record comment (1 pg partial)	1/27/83	C

RESTRICTIONS

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TO: MLS, LT, JF, BFP, DR, JG, GP, LH, DCB, DXB, JWM, SJF,
-PA, PGH, SXM, DLB, DAW

FROM: RAK

RE: Background-only ivu with Ed Meese

Reagan vs. Andropov. The President is peeved by press reports suggesting Yuri Andropov is a Westernized "closet liberal" who listens to jazz and rock-and-roll, drinks Scotch and appreciates French wines. [Whisper?] Meese claims that U.S. intelligence reports contradict what the press has been reporting. He also shares Reagan's irritation. "That's a manufactured image that the Soviets would like us to believe...The press is probably the most gullible institution in this country. One guy writes something and then everybody else repeats it whether it's true or not."

In remarks to world Jewish leaders on Wednesday, Reagan himself mocked what has been written about Andropov, but he did not charge publicly that the reports were false. Reagan said: "There are those who suggest that a new era of improved East-West relations is possible because the new Soviet leadership shares Western tastes....We're told that Mr. Andropov drinks Scotch and fine French wines and listens to jazz and rock-and-roll and reads Western literature. Frankly, it doesn't appear to affect Soviet policy in Poland or Afghanistan."

Israeli tanks. The President was furious when told about

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the incident involving the Marine and three of General Sharon's tanks. Meese hints that Reagan's reaction was rather volatile, but he refuses to be specific. "Let me just say that he felt the Marine acted appropriately." Meese says he does not want to comment more specifically, because to do so would only further inflame the situation. Reagan believes "the only real solution [to prevent more serious fighting between the Marines and the Israelis] is to get the Israelis out of there." There is genuine concern in the White House that the growing tensions between the Marines and the Israelis will lead inevitably to shooting. Meese, normally a staunch defender of Israel's military policies, was angrier about the tank incident than I thought he would be.

Recession relief. Meese has been negotiating with Republican senators on an anti-recession package that will include jobs-creating initiatives. The White House is now generally more flexible in the face of the groundswell on Capitol Hill for some kind of emergency relief for the unemployed. But Meese stresses that Reagan will not accept "another CETA program or any of the unfortunate make-work programs of the past." This is another case of the administration wanting to get on the train before it leaves the station.

Bush goes to Europe. "Both the private and public [sessions] have been very constructive...The overall public reaction has been very good...It has rekindled that basic

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support for the President's position announced on November 18, 1981." Meese says Bush "has no more rabbits to pull out of his hat" on the magnitude of the Reagan letter. But, then, last week Meese told me that Bush would announce no new proposals in Europe.

Cranston. White House reaction to Cranston's making it official? "The reaction here ranges from apathy to indifference," chuckles Mr. Ed.

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STORY:GERGEN
MA:60 FMT:

QUEUE:NRD-NRD
HJ:

MSG:
INI:

OPR:EW

;01/06.11:40

TC: MLS, LT, JF, BFP, DR, JG, GP, LH, DCB, DXB, JWM, SJF,
PA, PGH, SXM, DLB, LJL, DAW

FRCM: RAK

RE: Background-only ivu with David Gergen

Budget. Confronted by virtually uncontrollable deficits and mounting opposition on Capitol Hill, the President is undergoing a fundamental shift in his views on the budget, Gergen believes. Reagan, for the first time, has told his advisers to study all options for curbing the deficit, including sizable defense cuts and tax increases. "I take this as a signal that he's willing to reconsider" his once-firm opposition to military cuts and new taxes. Reagan's budgetary priorities are no longer "set in concrete." Gergen sees this as a very significant development.

"There is now unanimous agreement, including the President, that you cannot sit here and let the deficit climb and climb and climb. That is politically and economically intolerable." If Reagan submits a budget calling only for 30 billion in domestic cuts, as he tentatively decided before Christmas, the magnitude of the resulting deficits "would stifle the recovery in the out years." Moreover, the administration's budget "would be dead on arrival in Congress....We would be dealt out of the game altogether. We have to have a budget that is realistic."

It is overstating the situation, however, to conclude that

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Reagan has decided to cut defense and raise taxes. He simply has decided to consider options that heretofore he has been unwilling to consider. Much of Gergen's analysis is based on wishful thinking. Gergen, Jim Baker and most other senior White House aides (Ed Meese excepted) have been trying for two years to convince Reagan to pare defense spending and take other steps to reduce the red ink.

Baker struck out last year and this time around he is trying a more subtle approach, i.e., stressing the economic and political dangers inherent in ever-growing deficits, while letting others (such as Paul Laxalt) do much of the talking. In this way, Baker hopes Reagan will come around to the conclusion that cutting the deficits is a more critical priority than a rapid military buildup. That, of course, would mark an abrupt reversal of Reagan's long-held position.

Gergen denies that OMB's projections of burgeoning deficits have been slanted to present Reagan with the gloomiest possible scenario. But between Christmas and Reagan's return from California after New Year's, OMB's projected deficit for 1984 had increased by 10 billion dollars--in slightly more than a week. And the pre-Christmas deficit projection was 10 billion above the November estimate.

Solutions. A freeze on all spending, including the Pentagon, would save 40 billion to 60 billion in FY '84.

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but the White House is more concerned about the deficits after '84. The goal of senior White House aides is to produce a credible budget in which the deficit peaks in 1983 or '84, with clearly declining deficits in the following years. Under the budget Reagan tentatively approved in December, the deficit would continue to grow in '85 and '86, according to the new OMB projections. Gergen calls an across-the-board spending freeze "a very attractive idea," but he adds, "The President has not come around to it at all." It strikes me as unlikely that Reagan would agree to an outright freeze in military outlays. Gergen reminds that Defense Secretary Weinberger remains "tenacious to the end." Meese, too, believes defense spending cannot be cut.

In the end Reagan may agree to some mix of modest tax increases and sizable defense and domestic cuts in order to project lower deficits.

State of the Union. Gergen lists the following new initiatives as possibilities for the State of the Union message, but he cautions that Reagan has not signed off on all of them: Trade initiatives to boost exports and make U.S. companies more competitive in foreign markets; health-cost containment legislation; measures to create more private-sector jobs but no public-works jobs program; the Caribbean Basin Initiative and some scaled-down form of New Federalism probably will be revived; measures to encourage "economic and legal equity for women"; another anti-crime

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package that would include sentencing and bail reform, changes in the exclusionary rule and in the insanity defense.

Elizabeth Dole. Dole's "promotion" to Transportation Secretary is a victory for Baker, who has been wanting to kick her upstairs for a long time. Senior aides regard her as ineffective in the White House. "There are a lot of people here who think she would be better cast at DOT," Gergen says wryly. Besides, the appointment was good politics. "It gives credence to the idea that [Reagan] is serious about women in positions of authority."

Dole's replacement, Faith Whittlesey, is someone Gergen met in Europe last year and was very impressed with. He has been promoting her for several months.

Gergen says he does not expect any other changes in White House personnel but he does not "exclude the possibility of other changes in the cabinet....This process of Drew resigning might be a catalyst" for other cabinet secretaries to take stock and move on. Gergen specifically mentions Raymond Donovan. But, again, this is wishful thinking. The fact is that Baker and other senior aides are hoping that Lewis's departure will encourage other unwanted cabinet members to take leave. [Whisper?]

MX commission. The prime mission of the commission, in the view of the White House, is political, not technical--to build a consensus behind a basing mode for the MX. A consensus in Congress "is almost more important than

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whatever particular basing mode the commission recommends." Gergen believes dense pack is dead and that the commission will recommend some kind of compromise basing mode that is acceptable to most parties.

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= Adelle =

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NOTE: THE FOLLOWING IS A SUMMARY OF THE RESULTS

OF THE SURVEY AND IS NOT INTENDED TO BE A COMPLETE

STATEMENT OF THE FACTS. THE RESULTS ARE SUBJECT TO

REVISION AND CORRECTION AS MORE INFORMATION IS

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

From: sjf

The following items come from a deep background interview with Rich Williamson, assistant to the President.

* President Reagan's aides have spent two months painting a gloomy budget picture for him, but they have made no recommendations for solving it. "It's an outrage. We all ought to be fired."

* Williamson says this problem is symptomatic of a "paralysis" within the White House, which he views as a "ticking time bomb."

* Reagan is beginning to indicate that he recognizes the magnitude of the problem. "On Monday (in the last budget meeting) he was finally asking the right questions." Plus, he has not yet ruled out a spending freeze.

* The current budget projections call for a 200 billion dollar deficit in fiscal 1984, and that includes 30 billion dollars in entitlement cuts and other savings.

* Martin Feldstein has been "low-balling" his forecasts, and George Shultz contends they are too pessimistic.

* The President has already decided on an export package to be presented in the State of the Union. New initiatives on jobs and health care are still under consideration.

Paralysis. Williamson was extremely upset when I talked to him. The White House has been paralyzed by internal problems, he says. This paralysis has rendered everyone incapable of making budget recommendations to the

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President. It's having an impact on all policy decisions, not just the budget. "If this is a test of the process, the process fails. There is no budget process."

Williamson does not blame the President. He claims that it is Baker's responsibility to develop a consensus on policy. (Technically, the responsibility belongs to Meese, who long ago allowed it to pass to Baker). But he notes that Baker does not have enough authority to bring everyone into line. This is why Baker is so "frustrated."

As orchestrated by Baker, Stockman and Darman, the entire budget process has been designed to frighten the President into accepting taxes and defense cuts. Everyone is painting the worst picture they can for the President in an effort to alter his policy. Baker, Darman and Stockman have abandoned hope that Reagan will reduce the deficits. They are counting on Congress to salvage the administration.

Williamson thinks Reagan's advisers have failed him by not proposing some options. No one has the guts to step forward and make a proposal. Everyone is feeling insecure. Everyone is afraid to speak up for fear of being shot down. "Stockman is weak. Jim (Baker) is scared--he's gotten shot down before. And then you've got some key players (Darman and Stockman) who want to propose a budget that Congress will reject so that they can play surrogate president by leading another 'Gang of 17' compromise."

"It's immoral," says Williamson. "A weatherman can tell you it's raining. We're the guys who are supposed to

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supply the umbrellas. But we just keep telling him (the President) it's raining."

Another problem: There is no agreement among Reagan's advisers on what should be done. "In a roomful of seven people there are seven different camps," says Williamson. "Everyone has his own agenda. There's no consensus, and this White House can't function without a consensus. We're constantly shadow-boxing. Feldstein is low-balling. He thinks everything should be cut. George Shultz honestly disagrees. He thinks everyone is being too pessimistic. Don Regan is all over the lot, but he seems to favor a tax increase." Even on the issue of a proposed spending freeze, which Williamson has been pushing, "there are seven different idea of what a freeze would be." Yet he claims that he has convinced Baker that a freeze would be a good idea.

Williamson is apalled that no final decisions have been made by the President less than a week to go before the deadline for sending the budget to the printer. He notes these decisions originally were to be made in December.

Budget Numbers. Originally, White House aides were projecting a 200 billion dollar deficit if current spending levels were maintained. In order to solve that, Reagan ordered entitlement programs cut by 26 billion dollars. He also called for cuts that would add up to 14 billion dollars in non-entitlement programs. In the appeals process, however, the cuts got reduced to 20 billion for

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entitlements and 10 billion for other programs. Thus the current figure for proposed savings is 30 billion dollars. In the meantime, revised forecasts have boosted the deficit upward. So even with 30 billion dollars in cuts, the deficit will still be in the 200 billion dollar range.

New initiatives. Several so-called "new initiatives" are being considered for the State of the Union message. They include legislation to (1) encourage exports, (2) cut unemployment, (3) dampen the increase in health care costs and (4) fight crime, particularly illegal drug trafficking.

The President has already okayed two-thirds of a proposed new initiative to spur exports. This will be included in the State of the Union message. Williamson declined to say exactly what has been approved. The proposals that were put before the President were to strengthen the Export-Import bank, replace the Domestic International Sales Corporation with tax incentives for exports and revise the Foreign Corrupt Practices Act. My guess is that he accepted the first two proposals and rejected the third.

Reagan was to decide Thursday on a jobs initiative. The proposal before Reagan is a 7-point plan drafted by Martin Feldstein. (It was an 8-point plan before one of the points--taxing unemployment compensation--became public.) Williamson says there is a "high probability" that the President will embrace a proposal for a youth subminimum. He thinks it's less likely that the President will divert unemployment compensation funds for training.

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The health care package has not yet been approved either. The most controversial proposal calls for "co-payment" of government medical benefits--meaning that beneficiaries would have to pay the cost of certain medical procedures over a certain limit.

The crime package is simple. The President will ask for more money for the drug-busting task forces he's been trying to set up around the nation.

State of the Union. Williamson was reluctant to talk about the theme of the State of the Union. He notes that Reagan always rewrites every speech. But he did acknowledge that Mike Deaver has proposed that the President should emphasize what the private sector is doing to help. This idea is likely to wind up in the speech.

Elizabeth Dole. White House officials are relieved to be rid of Mrs. Dole. "Sending her to the Transportation Department accomplishes two goals," says Williamson. "It puts another woman in the cabinet and it gets her out of the White House. She's bright, but she's incompetent."

Political Department. Political director Ed Rollins has now returned to the White House on a part-time basis. No one knows what's going to happen to the political shop. Williamson thinks Reagan will allow it to lie dormant for a while longer. Ultimately, Rollins is expected to move over to the the RNC. Rollins was not destined to remain at the White House, even before his stroke. Williamson has often indicated that he'd like to be responsible for the

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political office, along with his current duties.

Williamson's future--off the record. Williamson is currently considering an offer to become a top official for Beatrice Foods Inc. He must decide by January 19. He says he's leaning toward leaving the White House. Baker once held out the promise of a promotion to Williamson if he stayed through the first of the year. Although Williamson declined to talk about it, I suspect that Baker has told him that cannot make good on that promise. This is obviously adding to Williamson's depression.

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STORY:WEUI
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

MSG:

INI:

OPR:SJF ;01/10,15:37

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

From: sjf

The following items come from a background lunch with
Margaret Tutwiler, assistant to White House chief of staff
Jim Baker:

* "A glimmer of light" is how Baker described recent signals from the President that he might accept defense cuts and a tax increase.

* Even the prospect of defense cuts has not eased the feeling of frustration among White House aides, who are caught between a stubborn economy and a stubborn President.

* Adding to the discouragement is the President's willingness to tolerate abuses such as those by Dennis LaBlanc and the Legal Services Corporation. "That's why we're going to lose and lose big," says Margaret.

* Margaret now thinks that Reagan will not run for a second term. She thinks he'd rather retire to the ranch.

* Even Jim Baker, Margaret's boss, did not escape her criticism. Her biggest complaint: He won't fire people.

Glimmer of Light. White House staffers are by no means confident that they have convinced Reagan to buy defense cuts or tax increases. One obstacle is Caspar Weinberger, who is resisting any cuts in defense. He's expected to say he can't find any more cuts. On the other hand, Senator Laxalt has been a great help to White House aides in convincing Reagan that something must be done. "At least

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everyone knows the President is not wishy-washy."

Mood. The White House has not been a particularly enjoyable place to work in recent months. Frustration with the lack of progress, combined with bickering, has made it difficult. Everyone is longing for some sort of change.

Abuses. Whenever Margaret complains to Baker about abuses like the LaBlanc and Legal Services cases, he replies that they are "penny-ante" matters. But she disagrees. She says there have been even worse abuses that have not yet come to light. These incidents create the impression that the Reagan administration is taking advantage of the taxpayers. She predicts this will defeat Reagan. It also could even open the way the more serious offenses in the administration. Margaret is so upset about this that she even asked Baker to allow her to prepare a list for the President of abuses that need to be corrected. Baker "just laughed."

Dennis LaBlanc moved from the White House to the Commerce Department payroll because he had a quarrel with his superior, Ed Hickey, director of support services at the White House. Dennis is a pleasant fellow who's been with the President for a long time. Hickey, who holds the title of assistant to the President, is a former California security official with a noticable drinking problem.

Reagan's second term. Margaret cites "gut instinct" when she predicts that Reagan will not seek a second term. Reagan is as sick of the the White House as most everyone

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else working there right now, she reasons. She thinks he would rather return to the ranch. She says he once told Baker, "You know, I've only got a few more years, I enjoy the ranch and I'm going to there as often as I can no matter what people think."

Baker. Margaret reinforced something I've noticed about Jim Baker lately. Baker is not the management whiz kid that we once thought him to be. "He can't fire anybody. He and the President are very much alike in that regard." Baker couldn't even bring himself to fire the White House hairdressers, says Margaret. He made John Rogers, White House director of administration, fire them. "I told him, 'you can't ask John Rogers to fire them. He's only 26 years old. They're old enough to be his parents'."

Faith Whittlesey. Margaret predicts there will be trouble when Faith Whittlesey, who's known to be an assertive woman, meets up with some of the male chauvenists on the White House staff.

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STORY: MCFARLA
MA: 60 FMT:

QUEUE: NRD-NRD
HJ: D 3 PP

MSG:

INI:

OPF: BW

; 01/12, 09:35

TC: MLS, LT, JF, BFP, DR, JG, GP, LH, DCB, DXB, JWM, SJF,
PA, PGE, SXM, DLF, DAW

FROM: RAK

RE: Background-only ivu with Robert C. McFarlane

McFarlane, deputy assistant to the President for national security affairs, is William Clark's top deputy and the brains behind the NSC staff.

Reagan-Andropov summit. McFarlane reports that Reagan does in fact want to meet with Yuri Andropov but that he shies away from a summit because of the general "expectations of subsequent breakthroughs" that have been attached to Soviet-American summitry ever since the days of Richard Nixon's meetings with Leonid Brezhnev. Reagan does not want to raise expectations of a thaw in Soviet-American relations.

What Reagan has in mind is a "meeting" instead of a summit. A meeting as defined by Reagan would not have a detailed agenda and would serve primarily as an opportunity for the two leaders to take stock of each other. "He thinks there is real value in just knowing the person. He would just like to know the enemy," says McFarlane. Reagan's view of the importance of personal relationships in international affairs has been reinforced by his friendships with Margaret Thatcher and Helmut Kohl. Reagan wants first to hold a "meeting" with Andropov and then

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later hold a "summit" if and when there is an arms-limitation agreement.

McFarlane does not anticipate a summit in 1983 but he says a meeting between Reagan and Andropov is a possibility if the opportunity arises. Reagan wanted to meet with Brezhnev and would have met with him had Brezhnev's health been better, according to McFarlane. You will recall that Reagan suggested a meeting with Brezhnev at the time of the UN disarmament conference in New York, but Brezhnev was unable to attend because of his health.

The Soviets. The White House views Andropov as considerably more aggressive and ambitious than was Brezhnev. McFarlane showed some concern in discussing this subject. Moscow is "under new leadership that shows every indication of accelerating the drive to expand Soviet influence" and is doing so "with greater agility and diversity of targets than did the previous administration."

Under Andropov the Soviets have launched simultaneously major initiatives toward China, the Third World, the Middle East and stepped up the propaganda campaign against deployment of Pershing missiles in Europe. "The prior administration might have undertaken one of these [major initiatives]. Two at the same time would have been unusual."

The White House expects the Soviets to move soon "to reinvigorate their relationship with the PLO and renew

their ties to the radical Arab states." Moscow will offer the Arabs (including Syria) "new-generation weapons systems" and "a larger Soviet presence" on the ground.

Arms talks. In the next few weeks the White House expects Andropov to call for a moratorium by both sides on deployment of new nuclear missiles in Europe pending the outcome of arms negotiations. McFarlane concedes that such a proposal "is an appealing idea to throw out as propaganda" but would of course leave Moscow with a decided nuclear advantage.

It is an example of the kind of ambitious action that marks the difference between Andropov and Brezhnev. Rejection by NATO leaders of Andropov's arms-reduction proposals "hasn't caused him to let up. He sees an opportunity for exploiting the [peace] movement in Western Europe and, through it, subverting the political backing of incumbent leaders. He's pursuing that very aggressively." Western leaders are at a disadvantage because they have done a poor job of educating the public about complex arms questions, says McFarlane. Thus, Moscow's peace proposals are having an impact, even though they are only "clever ploys."

At the opening of the next round of START talks, the U.S. will offer a comprehensive plan that will cover intermediate and intercontinental weapons. The comprehensive plan will include "new materials but not a new initiative."

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VP Bush. The vice president's upcoming trip to Europe is largely a response to administration fears that Andropov may win the propaganda war. Bush was chosen to make the trip because he understands the issues very thoroughly. Bush attends the daily national-security briefing that Clark gives Reagan. The President trusts Bush's judgment on matters of national security, says McFarlane. Bush's primary mission is to demonstrate to the Europeans that Reagan is sensitive to their problems. In 1983 "we have to pay more attention to Europe than at any time in our history," because of the importance of NATO "political cohesion at a time when the Soviets are testing in several different areas."

MX commission. Has the demise of "dense pack" influenced the Russians' view of the START talks? "It is worrisome but I don't think we will know until the opening of the next session. They may be more inclined to delay."

The prime objective of the MX commission chaired by Brent Scowcroft is to "make its recommendation [for a basing mode] viable by virtue of their credibility, by virtue of their bipartisanship and their technical excellence."

McFarlane does not believe dense pack is necessarily dead, despite the "strong congressional tide" against it. Congress rejected dense pack, McFarlane complains, because of "the inattention paid to most issues in the lame-duck session."

Reagan is confident that Congress will approve a new

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basing plan and deployment funds by mid-April. Under the continuing resolution passed by the lame ducks, Congress must vote on MX within 45 days after the President submits his report to Capitol Hill (expected on March 1).

Middle East. Reagan is very confident that the Israelis want to pull out of Lebanon and that an agreement on foreign troop withdrawal can be reached in a short time. The Israelis have all but dropped their demand that Lebanon normalize relations. "In recent days there has been some evidence that Israel has accepted that it cannot establish normalcy by writ or fiat right after a war."

McFarlane flatly predicts that Phillip Habib will work out an agreement within a month and that the actual pullout of all foreign forces will be accomplished within two months.

The Bulgarian connection. At last week's press conference Reagan was restrained in his comments about the link between Bulgaria and the attempt to kill the Pope. Reagan wanted to be careful not to complicate the efforts of Italian investigators, according to McFarlane. But he quotes Reagan as saying in a private briefing, "If this is true it is a despicable act and ought to be identified as such." McFarlane adds, "If the evidence is confirmed, you can be confident that the President will be very emphatic about his view of it."

Soviet satellite. U.S. analysts have learned a few things about Russian technology because of the damaged satellite, but McFarlane says he cannot discuss it. The orbit of the

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satellite makes it unlikely that it will strike land but the Soviets had nothing to do with the orbit. "What an outrageous phenomenon," huffs McFarlane.

IUU. McFarlane is very receptive to our request for an on-the-record Q&A and "the sooner the better," he says, because the administration has done a poor job of explaining its positions on MX and the arms-control negotiations. But McFarlane must get Clark's approval before accepting.

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TC: MLS, LT, JF, BFP, DR, JW, GP, LE, DCE, DXE, JWM, SJF,
PA, PGH, SXM, DLB, DAW

FROM: RAK

RE: Background-only ivu with Ed Meese

Defense cuts. Meese, who opposes cuts in the defense budget, says the 8 billion dollars in cuts for 1984 is the extent of what Reagan intends to propose. He will offer no other specific cuts for later years. The savings in '84 will translate into some savings in later years, says Meese, but Reagan will not propose deeper cuts.

Margaret Heckler. Meese leaves the impression that John Svahn, the man named to be the new undersecretary of FPS, was appointed to keep watch on Heckler in the way that William Clark was given the number-two job at State to keep an eye on Al Haig. [Whisper?] Svahn is a true-blue Reaganaut who helped run the California welfare department when Reagan was governor. In addition, Svahn appeals to conservatives who are unhappy with Heckler's appointment because of her support for ERA and her opposition to a constitutional amendment banning abortion. "The combination [of Heckler and Svahn] makes a good balanced team," says Meese.

Donovan-Baker. Although he is delighted with the problems Jim Baker created for himself by complaining about Ray Donovan to a Texas reporter, Meese declines to criticize Baker or to discuss what the President's reaction was.

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Meese only notes that "if the person [Baker] who made those comments was trying to force [Donovan] out, the comments only make it harder for him to leave and even less likely that the President would replace him. In that sense, [the comments] were unproductive." [Whisper?]

1984. Despite pressure from Jim Baker and other Republicans such as Howard Baker and Bob Dole, Reagan is not likely to make an early announcement about his 1984 intentions, Meese says. The President won't respond to the pressure because by waiting to make the decision later "you can get a better look at what the economy will do." Besides, no major Republican candidate will challenge Reagan if he decides to run again, no matter how long he defers a decision, says Meese, noting the Bob Packwood is the only candidate who would challenge Reagan if he runs again. "And if Packwood were elected, I guess we could all move to New Zealand." Meese still believes Reagan will run again.

Legal Services. Meese got the kind of report he wanted from OMB--a clean bill of health for the Legal Services board members. But as usual, complains Meese, the liberal new media downplayed the findings after ruining the reputations of honest, hardworking people. "They are the real victims." Meese gripes that the New York Times was "outrageously irresponsible" to play OMB's findings on page D-3 after all the page-one attention it gave to the earlier charges of impropriety.

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Gergen is obviously upset that all of the columnists have started going after Reagan in the last week. He is furious that some White House staffers are telling reporters what Reagan ought to do differently. Off the record, he adds: "They've got an upside down view of things. They think the President is working for them. It's sheer arrogance for them to say 'this is what the President is doing wrong'." As a result, Gergen was the originator of the new crackdown on news interviews.

But Gergen thinks the State of the Union will help to turn things around. "We've got to get our program out there. We've got to be for something. That will help." He says Reagan's reputation for stubbornness will not hurt him "as long as he looks like a man who's grappling with reality." What bothers Gergen is that many people now think Reagan is not living in the real world.

Gergen insists that Reagan has not changed course. "It's very difficult to argue that an 8 billion dollar cut in defense is a radical departure," he says. "On taxes, the basic guts of his program--10-10-10--is still in place." Even with the defense cuts, the projected deficit for 1984 will still be in the neighborhood of 170 billion dollars.

What turned Reagan around? Laxalt helped to "legitimize" the defense cuts. The White House staff has learned it can have more impact by not "ganging up" on the President.

Because of all the leaks about the budget process, Reagan

(MORE)

briefly considered preempting his State of the Union with a television address this week. But that idea is fading.

Taxes. The President hasn't signed off on any tax plan yet, even though he has expressed interest in both the contingency tax and a proposal to overhaul the system. "He might go for both," says Gergen. All decisions will be made in the next two or three days. Repeal of indexing has been ruled out, even though it would make sense under the circumstances.

It has not yet been decided what type of tax would be "triggered on" under the contingency plan. Nor is there any firm plan for overhauling the tax system. These things would simply be mentioned in the State of the Union with details to be worked out later. A tax increase would be triggered if the deficits surpass a certain percentage of GNP. No figure has been set. The idea is that by factoring in the trigger tax increase, Reagan can project lower deficits in the out-years and help keep interest rates down. Gergen confesses the that prospects for avoiding the imposition of such a tax are slim, but he adds that there is still a chance for a "supply side" economic boom.

Reagan fears that his trigger tax plan will give Congress a "blank check" to restore cuts in social programs. Therefore, he's going to try to make it contingent on social program cuts. "We're going to try to make it dollar-for-dollar, a dollar's worth of tax increases for a dollars worth of budget cuts," he says.

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Defense. Gergen says the OMB would have preferred to cut 16 billion dollars from the defense budget. Stockman never actually recommended any specific figure, but he used 16 billion for "illustrative purposes" in a meeting with the President. Weinberger instantly challenged Stockman's assumptions. But by that time, "the handwriting was already on the wall." Reagan was leaning toward some defense cuts. Afterwards, Weinberger cleverly leaked reports that he was resisting any cuts. This made him look good when he volunteered 8 billion dollars in savings.

These defense cuts "make the budget politically salable." It enables the administration to "do other things"--make more cuts in social programs.

Still undecided are defense cuts in the outyears.

Other initiatives. Also to be included in the State of the Union are a number of initiatives designed to stimulate the economy. These include a summer youth subminimum wage and an export package. Health cost containment is still undecided.

Women. "We've gone a hell of a long way with three women appointees and our brief to the Supreme Court," says Gergen, who credits Baker with being the advocate of women's rights. "People say we're not doing any constituency building and that's a sign the President is not going to run again. Well, he's an example of a constituency building effort for 1984."

On women's issues, Gergen notes that Heckler is pro-ERA

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and anti-abortion while Whittlesey is anti-ERA and pro-choice. (Dole tries to say as little as possible on both subjects, but my talks with her indicate that she is neither anti-ERA nor anti-abortion.) So, they've now got some more closet feminists in the administration.

Donovan. Even though Baker probably assured Donovan a long run at the Labor Department, Gergen and Baker are taking an optimistic view. "At least it's planted the idea in the public press that Donovan ought to resign. Many people agree with that view." However, Donovan "still has a good friend in the Oval Office." Baker made his mistake by assuming that the Dallas Morning News was doing nothing more than a hunting story. The interview was conducted in a turkey blind.

Social Security. Both Jim Baker and Ken Duberstein interrupted the Gergen interview at different times. Both offered the same analysis of the Social Security negotiations. Even if no agreement is reached on Saturday, Duberstein says they have narrowed the issues and he thinks they will continue to deal with Social Security in a bipartisan way.

(END)

STORY:SIMS
MA:60 FMT:

QUEUE:NRD-NRD
HJ:

MSG:
INI:

OPR:PAE ;01/17,15:42

TC: MLS, LT, JF, BFP, DR, JG, GP, LH, ECE, DXE, JWM, SJF,
PA, PGH, SXM, DLB, DAW

FRCM: RAK

RE: Rostow, Weinberger and other notes

Rostow. Bob Sims, special assistant to William Clark, says on background that a prime reason for Rostow's dismissal is that he had had "private, out-of-channel conversations with the Soviets that may have led them to believe we were willing to give more [on arms control] than we were." Rostow had been "saying things that were not according to his instructions....He just was not a helpful member of the team."

Sims stops short of saying Rostow is too much of a dove to suit Reagan, but that is the implication of his comments.

A number of other "minor irritants" also contributed to Reagan's decision to fire Rostow. Pressure from Jesse Helms was not a major consideration, according to Sims.

The Europeans will not be happy with Rostow's departure, says Sims, but they should view the shakeup as evidence that Secretary of State Shultz, whom the Europeans do respect, is taking charge of arms control.

Weinberger. Although the joint chiefs profess to be upset about Weinberger's decision to freeze military pay, they would be equally upset if he had decided to cut back on hardware, Sims says. The military chiefs are complaining that they were not consulted about the pay freeze and that if they had been consulted, they would have recommended cuts in hardware instead of in pay.

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

From: sjf

The following items come from an on-the-record interview
with Craig Fuller:

* President Reagan has adopted the idea of a contingency tax for 1986 and 1987, but he will make no specific proposal for overhauling the tax system.

* Reagan's proposed jobs program will include a \$2.50 summer youth subminimum, some changes in unemployment compensation and a few dollars of new money for training.

* Not only are Reagan's budget decisions being made at the last minute, but preparations for his State of the Union are also running behind schedule.

* Fuller thinks it's odd that reporters are citing diarray in the administration at a time when--in his view--the President is finally getting a grasp on things.

* Fuller thinks the projected 1984 fiscal deficit will be in the neighborhood of 170 billion dollars.

Disarray? According to Fuller, the new economic package being together reflects an improved understanding of the problems by Reagan. In other words, he suggests that the administration is beginning to hit its stride after spending its first two years in disarray. For the first time, he says, Reagan fully understands the economic problems facing him. For the first time, Reagan himself is deciding to set a new course. He is no longer being

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bludgeoned into policy changes by aides and Congress.

The budget deliberations were designed, says Fuller, "to increase his understanding of the problems." No recommendations were offered by Reagan's aides because they assumed he would reject them. Although he prefers getting specific recommendations from his advisers, Reagan has a tendency to reject new ideas out of hand. Instead, he was presented with the unvarnished truth and permitted to develop his own solution.

"What people have mistaken for disarray is the conclusion of a process in which all the options were considered," he says. "The choices he faced were not easy. The frustrations and concerns result from the difficulty of the decisions that have to be made.

"It's been a process that's been designed for him to chart the course himself. Everyone in those meetings has seen the President's guiding hand. There was a much greater involvement by him in setting the guidelines at the outset, and thus we spend much less time listening to appeals from the departments. It will be a package which he really has designed. He's an outstanding decision maker once he has all the information."

Implied in Fuller's defense of the budget process are a number of criticisms of the way things have worked in the past. First, he implies that Reagan has not previously understood the economic problems facing him. Second, he implies that Reagan's advisers have previously been inept

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at getting their ideas across to the President. Thirdly, he implies that Reagan is being manipulated by a staff that cannot influence him with direct recommendations.

Taxes. Asked if Reagan had already okayed the idea of a contingency tax, Fuller replied: "I wouldn't warn you off of that." The details have not been worked out yet, however. He also cautioned that Reagan will do little more than invite Congress to overhaul the tax system. He'll proposed no specific legislation.

Jobs. Reagan's jobs program will be geared toward three types of unemployed workers: (1) youth, (2) the long-term unemployed and (3) displaced factory workers. Reagan has decided there should be something in his package for all three. For the youth, he has already okayed a summer subminimum wage. He will propose using some unemployment compensation funds for training, and also propose "some additional resources" for training.

Exports. Reagan has approved an export package that will include more money for the Export-Import bank and a tax incentive program for exports to replace the DISC program.

State of the Union. Last year, Reagan wrote his state of the union speech between Christmas and New Years. Right now, he's still gathering materials for it. Although no theme has been set, "he'll try to give people an understanding of what we're facing and how we got to where we are on the economy." He'll call on the private sector to make a bigger effort to help.

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Note. My interview with Fuller was unusual in one respect: It was on the record. Under the new White House rules, aides are encouraged to speak on the record.

(END)

STORY:GERGEN
MA:60 FMT:

QUEUE:NRD-NRD
HJ:

MSG:
INI:

OPR:PAE ;01/20,13:36

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

FROM: RAK

RE: Background-only ivu with David Gergen

Regan vs. Feldstein. While I was in Gergen's office he took a couple of phone calls to referee a dispute between Treasury Secretary Regan and Council of Economic Advisers Chairman Feldstein. Gergen refused to discuss it except off the record (in violation of the new White House press rules, I might add). All Gergen would say is that Regan and Feldstein disagree over a certain budget "option" that the President has yet to make a decision on (possibly whether to endorse contingency taxes for later years).

One of the two--I suspect it was Feldstein--wanted to give a speech promoting in public his side of the argument, and in the process try to influence the President's decision. The other guy--presumably Regan--cried foul. Gergen, backed by Jim Baker, apparently succeeded in preventing the speech from being delivered. "There's a lot of blood on the floor but I've taken care of it," said Gergen to someone who called to ask the outcome of the dispute. (I don't know who was on the other end of the phone.)

Feldstein is considerably more assertive than was Murray Weidenbaum, and Feldstein's influence in the White House is now something to be reckoned with. The strains between Regan and Feldstein are growing. Gergen seems to respect

Feldstein's acumen at playing White House politics. Gergen likes the CEA chairman but notes that Feldstein's aggressive manner was perhaps more effective in the academic world than it is in the White House, where Reagan places a high premium on all players being gentlemen at all times. Playing hardball rarely gets you anywhere with this President. Feldstein, nevertheless, is a player to keep an eye on, especially if David Stockman departs from the scene.

Disarray. Gergen believes it will take a long time to recover from the public perception of disarray in the administration. He asserts that the Social Security compromise provided a badly needed lift but he rejects the notion that Reagan caved in because he was desperate for a deal of any kind. Reagan backed the compromise, even though it is heavily weighted on tax increases, because "it was the best deal he could get and a better deal than we would have gotten if we left it up to the legislative process" to solve the problem.

And there is another reason why Reagan accepted a deal that was not very much to his liking: "It allows us to put Social Security behind us. If we had fought for the next six months over Social Security, we would never have solved the budget crisis" because of the poisoned partisan atmosphere that would have paralyzed Congress and the administration.

Unless there is a real economic recovery, Reagan will not

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recover from the setbacks of the past few weeks, says Gergen. He seems somewhat pessimistic that the recovery ever will be strong enough for the administration to declare that it is at hand. He somberly notes that he foresees "no Falklands-type event or another Mayaguez" that would rally the country behind the President regardless of economic conditions.

State of the Union. The speech "will be more thematic than a laundry list" of new initiatives. It will be "a speech of hope with emphasis on bipartisanship and a frank assessment of where we stand as a nation today." Gergen does not expect Reagan to finish the speech before Monday, the day before it is to be delivered.

Reagan still has not said for certain that he will go along with the proposal for contingency taxes. He will go for "freezes of various sorts but not a freeze applied to every program."

Leaks. Gergen obviously is spending a good deal of his time trying to enforce the new rules against White House aides giving unauthorized interviews to reporters. Theoretically, all press interviews and the subjects they cover must be approved in advance by Gergen. His two assistants, Joanna Bistany and Maxine Walker, keep track of all the requests for interviews on printed forms (with carbons) in a black loose-leaf folder. The requests are then given to Gergen for him to check off his approval or disapproval. Of 130 requests in a recent three-day period,

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Gergen approved only 90. (He would only discuss this subject, too, off the record.) Gergen specifically turns down requests from reporters who say they want to talk to an aide about what happened in a meeting with the President, or who are seeking details on the budget decisions. In addition, all aides must keep logs of their phone contacts with reporters and submit the logs to Gergen. All of this paperwork is supposed to discourage leaks and make it easier to trace them after the fact.

"People are being a lot more careful and responsible in their press relations," Gergen claims. "We haven't stopped [all leaks] but we've put a damper on people venting their frustrations in the press."

My own view is that this draconian policy will not last long. Gergen admits that it won't last forever but he says it will last longer than I think it will. Clearly, Gergen and other overworked aides are spending too much of their time on this nonsense. Moreover, the policy is being observed on a very arbitrary basis. It is riddled with holes. Leaks and expressions of disgruntlement continue unabated. I think a farce is being conducted by Gergen and Baker to humor the President, who is genuinely angered by leaks and blames them for contributing substantially to the perception of a panic-stricken White House.

Leaks are on the President's mind much of the time these days. When Reagan learned that Margaret Thatcher had taken a 24-hour secret flight to the Falklands, his reaction was, "How did she ever keep it from leaking to the press?" "He was really impressed with that," says Gergen. [Whisper?]

January 21, 1983

Memo To: ~~mis~~ lt jf bfp jg dr gp dxb dcb lh rak pa pgh daw ljl bk

From: sjf at the White House.

Re Consumer Prices

"Inflation is very much under control," declared President Reagan's chief economic adviser on Friday.

Reacting to the new Consumer Price Index report, Martin Feldstein told reporters: "The progress made against inflation in the past year is truly remarkable. It provides compelling evidence that the administration and the Federal Reserve have pursued a successful anti-inflationary strategy. There is good reason to believe that we have finally ended the upward spiral of inflation that began in the mid-1960s."

But Feldstein acknowledged in response to questions that the CPI is probably understating the real inflation rate. Reason: The decline is being exaggerated by the drop in home mortgage interest rates. Using a rental equivalency to measure home ownership costs, he says the overall inflation rate for the past year would be closer to 5 percent. He indicated he views 5 percent as a more accurate measure. He said the Bureau of Labor Statistics is switching to a rental equivalency next month.

Feldstein predicted that both inflation and unemployment will "move in the right direction" in the next year--even as the economy begins to recover. But he warned that the recovery is not yet underway. There will be no recovery, he said, until "a couple of months after we see an upturn in consumer sales."

SJF

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

From: sjf

THE FOLLOWING ITEMS COME FROM AN ON-THE-RECORD INTERVIEW WITH MIKE DEEVER:

* President Reagan rejected as "unacceptable" the first draft of the state of the union speech that he received from his staff. Reason: "It was too harsh on the Democrats."

* Reagan's more frequent press conferences have proven to his staff that they made a mistake by keeping him under wraps for the past two years.

* Lee Iacocca turned down an offer to become Transportation Secretary, but he never was offered the job of Defense Secretary. His reply: "I wouldn't go to Washington if they offered me the presidency."

* Reagan still makes impromptu phone calls, writes letters and sends personal checks to hardship cases. Example: He offered recently to buy a color television for a sick woman whose story he read in Parade magazine.

STATE OF UNION. The drafting of the state of the union speech began five weeks ago under the auspices of a steering group headed by Mike Deaver. The first draft was extremely partisan, says Deaver. It blamed the Democrats for creating such a big mess that Reagan could not be expected to solve it during his tenure. The President rejected it because he wanted to be more bipartisan. The speech has since gone through four or five additional drafts. The final draft will be ready on Friday afternoon for Reagan to take with him to Camp David, where he will work it over in his usual fashion. As of Friday, they were still trying to develop a catch-phrase for the speech.

The final draft is very conciliatory toward the Democrats. It cites the Social Security compromise as an example of the kind of cooperation that Reagan would like to foster with Congress over the next two years. It begins with an outline of his new recommendations, then goes on to talk about the problems

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facing the nation.

Even though Reagan's aides are describing his proposals as a "bold, new approach," Deaver says the President will NOT portray it as a change of course. "It isn't a radical departure from the policies of the past," says Deaver. He will outline his proposals for education, health, crime, jobs and overall spending. At the same time, "he will not go into deep detail." Nor will he repeat this week's theme: That the problems are worse than he imagined.

When Reagan talks about the economy, he will emphasize that America is in a "transitional stage." He'll say that "we need to start looking at the economy in different terms"--emphasizing the need for "structural changes" such as development of high-tech industries instead of smokestack industries.

Even though he's trying to be conciliatory toward the Democrats, he's going to force them to share the blame for the high deficits. According to Deaver, one important part of the speech will be "how did we get to these deficits over the last 40 years and how do we get out of them."

Deaver rejects criticism that Reagan postponed many important budget decisions until the last minute, thus making his decisions in haste. He blames Congress. He says the budget process in the White House was delayed by the lame duck session.

REAGAN AND PRESS. Reagan's new openness with the press reflects a genuine desire on his part to defend himself. "It's a reflection on Ronald Reagan's attitude," says Deaver. "He wants to do more to answer media attacks. He has great confidence in himself. I'm not sure it is a change on his part. His natural inclination would be to get out there and speak for himself. We believe he's our best spokesman." He says Reagan has felt good after his recent sparring with the press. He likes the short briefings better than the formal press conferences. Deaver wishes they had hit on this formula much earlier. (It

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was Deaver's overprotectiveness that kept them from doing it earlier.)

TELEPHONE CALLS. At my request, Reagan's secretary, Kathy Osborn, has prepared a list for me of Reagan's recent impromptu telephone calls to American citizens. Deaver says Reagan has been making calls like this for years. He says it stems from his Hollywood days when he used to reply directly to fan mail. "He is a warm-hearted, generous man," says Deaver. "He's been doing it every since I've known him."

Just this week, Deaver says, he walked into the Oval Office while Reagan was calling the families of FBI agents killed in a plane crash in Ohio. The President was talking to the daughter of one of the dead agents. The woman was obviously sobbing. Reagan's side of the conversation was so intimate that Deaver remarked: "I was almost embarrassed to be there." He told her he father was "every bit as much a hero as if he had been killed in combat." Deaver added: "It was very touching."

Sometimes, Ann Higgins, White House chief of correspondence, will call certain letters from citizens to Reagan's attention. These are letters she knows that he will to respond to personally. Often Reagan will come to work in the morning with a yellow legal pad full of hand-written replies to such people—
some of them three pages long. "It's not just 'thank you for writing.' He responds to questions in detail and offers advice." He's carried on correspondence with some people like this for 30 years. He also sends personal checks to people who need money. Not long ago, he wrote a check for 100 dollars to a "destitute" woman, but she refused to cash it because she wanted to keep it as a souvenir. Reagan wrote a second check for her to keep.

Deaver recounted two such stories from Reagan's days as the governor of California: (1) He once sent two of his own tailored suits to an 80-year-old man who was getting married and had nothing to wear and (2) he left the

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governor's office one day with a driver, bought a bouquet of flowers along the way and drove 22 miles to Carmichael to visit a woman whose husband was serving in Vietnam on their wedding anniversary.

Also during his days as governor, Reagan once invited the president of his former fan club to be present at a dinner he attended in Indiana. "She showed up with her hair all done up," says Deaver, condescendingly. "She had never met Ronald Reagan, even though she'd been president of his fan club for 25 years. Her husband was with her at the table. I remember his hands were big and rough." After dinner, Reagan recognized her from the podium. She was thrilled. Her husband said: "I hope your satisfied."

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STORY: SJF2
MA: 80 FMT:

QUEUE: NRD-NRD
HJ:

MSG:
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OPR: PAE ; 01/21, 17:23

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

From: sjf at the White House

SJF

Re REAGAN TALKS TO TEENAGERS.

President Reagan, in a question and answer session with a group of teenagers broadcast on C-Span Friday, made two potentially controversial statements--

* Of government social workers, he said: ``They're not interested in doing anything to help the people get off welfare.``

* On the subject of nuclear proliferation, he remarked: ``I think that we're pretty well on our way to--if not entirely eliminating nuclear proliferation, holding it down to where a country might have a weapon or two, but they're not going to have enough to threaten the world.``

It was an unusually poor performance by Reagan. He spoke down to his audience, something he rarely does. He ended by challenging the teenagers to ``check out`` his facts. Ironically, his talk contained more obvious factual errors than usual.

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STORY:ISRAEL
MA:90 FMT:

QUEUE:NRD-NRD
HJ:

MSG:
INI:

OPR:BW ;01/24,16:35

TO: MLS, LT, JF, DR, GP, LH, WLC, SJF

FROM: RAK

RE: Changing attitudes of American Jews

The White House is counting heavily on the support of American Jewish leaders to exert leverage on Prime Minister Begin as the means to reverse Israeli opposition to the Reagan peace plan.

The administration is very encouraged by the widespread support for the peace initiative from American Jews who generally oppose nearly all other Reagan policies. But there is some disappointment at the White House that American Jews "have not come out of the closet," in the words of NSC aide Geoff Kemp, to openly pressure the Begin government. (Kemp, the National Security Council's chief Mideast specialist, does interviews on deep background only. This means his comments are to be attributed to an administration official, not to a White House aide.)

Quiet diplomacy? While most Jews in this country (and many Jews around the world) support Reagan's concept of trading captured territory for peace, they have yet to exert effective pressure on Begin, as the administration hoped would be the case. There are several reasons for this. Foremost is the fact that Begin is very obstinate and for the most part immune to lobbying by Americans, no matter how influential they may be in the world Jewish community. In private meetings with American Jews, Begin tends to rail with indignation, according to Kemp, at the mere suggestion that a non-Israeli should offer advice on what is best for Israel's security.

Another problem for Reagan is the longstanding practice by American Jews of not criticizing Israel publicly. "The bitterness [toward Begin] in the U.S. Jewish community is muted, but it's there," says Kemp. He believes public

criticism would be more difficult for Begin to shrug off. He notes that Begin is "trying to stem the tide of concern over his policies that is growing in the world Jewish community."

White House strategists believe the day still will come when Jews in this country are instrumental in changing Begin's policies. If and when Jordan's King Hussein agrees to join in the peace talks, American Jews will have a "legitimate" cause for which to openly break ranks with the Likud government, Kemp says. This break, if it occurs, would be accelerated by the fact that most American Jews are, after all, "liberal Zionists" with close ties to Labor Party leaders in Israel. They have never been especially close to the Likud leadership.

Limitations. How effective can Jews be in advancing the U.S. peace plan? By making their views known to Begin in private, American Jews "have set in motion a trend which has generally served American interests, but it's too early to tell whether they will have any decisive effect on Israeli policy," says Kemp. The White House does not expect the views of American Jewish leaders to sway Begin on the key issue of building new settlements on the West Bank. Begin has strong support in Israel for establishing new West Bank communities because today's settlers are largely "middle-class Ashkenazim who want a decent home to live in."

Reagan and Shultz. The President and the Secretary of State have held a number
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of meetings with American Jews to line up support for the peace plan. In the next few weeks Reagan will meet with a group called the World Jewish Conference to foster its support. In these meetings Reagan always stresses the positive aspects of his peace plan and the benefits it would provide for Israel. He never, never puts overt pressure on American Jews, or even on Begin for that matter. It's just not RR's style to get tough in face-to-face sessions.

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American aid. The only circumstances under which Reagan ever would consider a

suspension of U.S. aid to Israel is in the event that Begin were to annex the West Bank outright, according to Kemp. For all intents and purposes, Reagan considers it counterproductive to even hint at a reduction in U.S. aid as a prod against Begin. If the U.S. made such threats, says Kemp, the entire Jewish world would rally behind the prime minister. Besides, it is problematical whether any President has enough power to enforce a decision to cut back aid to Israel even if he wanted to.

Re the Evans & Novak column asserting that Reagan is prepared to cut off Israeli military aid: Larry Speakes, at today's regular White House briefing, threw cold water on the claim that the NSC has prepared papers for Reagan's signature executing a cutoff of American aid. Speakes did not flatly deny the column; he said only that he "would steer you away from it." My guess is that he was being coy because someone in the administration used Evans & Novak to put subtle pressure on Begin. I don't think Reagan is seriously contemplating a reduction in aid, barring some dramatic change of circumstances in the Mideast.

Congress. The President's room to maneuver on U.S. policy vis-a-vis Israel remains as limited as ever due to the strength of the Israeli lobby in Washington. One of Reagan's objectives in wooing the support of American Jews is to block the "bypass mechanisms" through which the Israeli government can thumb its nose at the President and still get what it wants from Congress. Kemp concedes, however, that Reagan has failed thus far to check Begin's ability to work directly with Congress. For example, the lame-duck Congress approved military and economic aid for Israel that was higher than Reagan requested (although the final figure was much less than what the Senate passed over the strenuous objections of the State Department). How can Begin take any implied threats from Reagan seriously when Congress controls the purse strings and is

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very independent on the highly politicized question of Israeli aid? Looking on the brighter side, Kemp adds, "Begin's influence in Congress will be undermined if Hussein joins in peace process."

The future. Kemp seems to hold out considerable hope that Begin will be replaced as prime minister by virtue of a number of different circumstances. The recent death of his wife may make the burdens of the office less tolerable, says Kemp. And he speculates that the Labor Party may someday make a resurgence, but that change in Israeli politics is not going to occur any time soon. Begin is still popular enough to be re-elected.

The Marines. Defense Secretary Weinberger is seething over the recent incidents between the American peacekeeping forces and the Israeli military, Kemp reports. The administration believes Defense Minister Sharon is trying to provoke the Marines in order "to establish a track record that the U.S. is not capable of keeping the peace." That explains Israeli charges that PLO guerrillas are escaping through the American defense lines. Destroying the credibility of the international peacekeeping forces, says Kemp, would make it easier for Begin to keep his troops in Lebanon over a protracted period.

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STORY:DUBERST
MA:60 FMT:

QUEUE:NRD-NRD
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OPR:PAE ;01/27,17:44

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

FROM: RAK

2 C. Kennedy

RE: Background-only ivu with Ken Duberstein

Bipartisanship. Reagan, recognizing the new limitations on his power imposed by the weak economy and the customary handicaps of a President in his third year, has decided that a bipartisan approach is the only way he will accomplish anything. Hence, the White House is launching what Duberstein calls "an outreach effort" to improve relations between Reagan and key Democrats on Capitol Hill.

The targets of this campaign are not boll weevils but rather members of the Democratic leadership, such as Tip O'Neil, Dan Rostenkowski, Russell Long and Scoop Jackson. Reagan is inviting six members of Congress to the White House Wednesday night for a "stag dinner" in the residence. The men, without their wives, will spend the evening relaxing and talking informally about the economic dilemma and other problems facing the country. Reagan plans to hold other dinners in the future. He hopes the more intimate exchanges will foster cooperation between the White House and Congress and perhaps improve the climate for legislative compromise. "It will be a non-lobbying night," says Duberstein. (The guests for next week, off

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As an example of Reagan's new-found bipartisan zeal, Duberstein cites the fact that Mike Deaver invited O'Neil to go along with Reagan to Boston. The speaker, however, declined the invitation. RR probably found irresistible the bipartisan symbolism of drinking beer in an Irish pub with O'Neil. Duberstein also notes that Reagan and O'Neil agreed in advance on a particular phrase in the State of the Union speech in which Reagan said he looked forward to working with the speaker on enactment of the Social Security package "by Easter." Reagan originally wanted to say "within the next hundred days." (early May) but O'Neil felt it would make it easier on the Democrats to push through the package if Reagan imposed the earlier deadline of Easter.

Quiet bipartisan negotiations between the White House and Democrats on a host of issues will begin early and be conducted in earnest, unlike last year when the behind-the-scenes budget negotiations did not begin until the spring and did not get really serious until May.

RR's agenda? "The agenda certainly is ours. The debate is going to be on our turf," asserts Duberstein. He maintains that Reagan will continue to control the legislative process by being conciliatory and ready to compromise.

There is a slim chance that a budget compromise could be worked out early between O'Neil and the President, but Duberstein thinks it more likely that another protracted "Gang of 17" exercise will be conducted in an effort to

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reach a deal on the budget.

One thing is certain: There is no recognizable conservative coalition that Reagan can depend on to get his way with Congress. Duberstein thinks it possible for Reagan to patch together different coalitions for different issues, and the White House is hoping that O'Neil will lean so far to the left that he leaves many moderate Democrats behind for Reagan to pick up.

One budget scenario. Senate Republicans are likely to succeed in forcing the administration to accept larger defense cuts, says Duberstein, and the Democrats probably will abandon their efforts to repeal the third year of the tax cut, because they don't have the votes. And in order to get the Democrats to go along with freezes and cuts in domestic spending, Reagan may ultimately agree to delay indexing.

Contingency taxes. Duberstein believes this idea is a non-starter for several reasons, the most important being that Reagan will put it on the back burner almost immediately. The President wanted to send a signal to the financial markets that he recognizes the need to raise taxes, if necessary, to keep the deficit on a declining path. But now he has accomplished that by virtue of proposing the contingency taxes. Duberstein does not expect Reagan to really push for the taxes now that he has made his point to Wall Street. [Whisper?] Moreover, Congress is less enthusiastic about the idea than is Reagan.

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Corporate taxes. There is almost unanimous agreement among senior White House aides that Reagan committed a political blunder by blurting out his views on abolishing the corporate income tax. It was an example of Reagan shooting from the hip that the White House staff has come to fear. During his presidential campaign aides spent considerable time keeping Reagan away from reporters because of the blunt manner in which he would express his views.

At last night's Washington Press Club dinner I heard Margaret Tutwiller, Jim Baker's assistant, bemoaning to pollster Dick Wirthlin the fact that all three networks led their newscasts with Reagan's remarks on abolishing corporate income taxes. Many White House aides believe the idea deserves serious consideration, but the politically incompetent way in which Reagan brought up the proposal ensures that it will never be considered by anybody. Larry Speakes and other aides went out of their way today to make clear that the idea is not receiving any serious study at the White House. All Reagan accomplished was to reinforce the perception that he only cares about the rich.

Social Security deal. Duberstein believes the compromise is durable and easily pass Congress over the objections of the AARP, federal employees and other special interests.

(END)

STORY:EGYPT
MA:60 FMT:

QUEUE:NRD-NRD
HJ:

MSG:
INI:

OPR:PAE ;01/27,18:10

TO: MLS, LT, JF, BFP, DR, JG, GP, LH, DCB, DXB, JWM, SJF,
PA, PGH, SXM, DLB, DAW, GY, DM

FROM: RAK

RE: Reagan and Mubarak

The following points were made at a background-only briefing by Assistant Secretary of State Nick Veliotis after two hours of talks between Reagan and Egyptian President Mubarak at the White House:

* Mubarak "made a major point" of emphasizing to Reagan that, with Israeli troops in Lebanon, time is running out on prospects for salvaging the peace process. Events in Lebanon are threatening the entire peace process, Mubarak stressed. The first priority for all parties must be to get the foreign troops out of Lebanon.

* Reagan and Mubarak agreed that the onus is on Prime Minister Begin to resolve the impasse in Lebanon, and that Israeli settlements on the West Bank "are a major obstacle to peace." Veliotis asserted that once the Israelis get out of Lebanon, an agreement on the pullout of PLO and Syrian forces could be achieved quickly.

* Mubarak stressed to Reagan that "it was viewed universally as an American responsibility" to get the Israelis out of Lebanon. Reagan "indicated his own impatience" with Israel's reluctance to agree to an early withdrawal from Lebanon. "President Reagan is very

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impatient with the lack of progress so far in the Lebanon situation," said Veliotis.

* Mubarak "emphasized Egypt's commitment to peace with Israel and to the [Camp David] peace treaty...His comments were clear, emphatic." Mubarak restated his intention to return Egypt's ambassador to Tel Aviv after there is an agreement on Israeli withdrawal from Lebanon.

* Reagan expressed a willingness to assist Egypt in a number of water, sewer and agricultural projects, and he is receptive to Mubarak's request for more flexibility in spending U.S. economic assistance.

(END)

STORY:FELDSTEIN
MA:60 FMT:

QUEUE:NRD-NRD
HJ:

MSG:
INI:

OPR:PAE ;01/28,13:44

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

FROM: RAK

RE: White House notes

ECONOMIC INDICES. CEA Chairman Feldstein told reporters at a White House briefing that the 1.5 percent rise in December's leading economic indicators "provides good support for our cautious optimism" that the recovery will begin early this year. "A recovery beginning in early 1983 looks increasingly likely," he said.

But Feldstein refused to be pinned down on exactly when the recession will end. "I don't know when the recovery is going to begin...It's difficult to be confident whether it is going to begin in January or February."

The rise in the indicators was widespread, affecting most sectors of the economy, said Feldstein. In response to questions, he said the White House still anticipates a very modest decline in unemployment over the next year, and he did not rule out the likelihood of the unemployment rate topping 11 percent. He also said that the "reduction in interest rates over the past six months has undoubtedly contributed to a strengthening of economic activity." There are ample reasons for interest rates to continue to fall, Feldstein said.

JOBS BILLS. Larry Speakes said at today's regular briefing that Reagan remains firmly opposed to public-works jobs

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programs, despite the growing pressures from Capitol Hill for jobs-creating legislation. Reagan will stick to the jobs proposals he outlined in his State of the Union speech. "That's the program he intends to pursue."

ISRAEL. Asked about Israeli Defense Minister Sharon's assertion that Israel should develop closer ties to Moscow, Speakes said, "We think that's the business of the Israelis." The White House does not take Sharon's comments seriously.

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