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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	SPM #4 (pages 18-33), 33 p	12/10/81	P5 COB 10/5/00

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
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- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

MEMORANDUM

(UNCLASSIFIED/SENSITIVE)

THE WHITE HOUSE

WASHINGTON

STRATEGIC PLANNING MEMORANDUM #4

TO: Edwin Meese
James Baker
Michael Deaver

FROM: Richard S. Beal

SUBJECT: Presidential Strategy - Phase 4

DATE: December 10, 1981
Updates Material provided on November 3, 1981

P R E S I D E N T R E A G A N ' S
1 9 8 2 W I N T E R C A M P A I G N

INTRODUCTION

This document is the first of three strategic planning memoranda (SPMs) dealing with Presidential activities during Phase 4 (January 25 to May 15, 1982). This SPM contains suggestions for the principal Presidential strategy during this time period in the domestic, foreign, and political arenas.

SPM #5 identifies a series of policy opportunities that should be considered during Phase 4. They should be viewed as complementary to the major Presidential strategy recommended in this memorandum. Each policy opportunity paper presents the policy goal, Phase 4 objective(s), background on the issue, and a proposed Presidential strategy.

SPM #6 contains results of interviews with key Administration officials about conditions and contingencies that should be considered for Phase 4 of the President's Strategic Plan. Included are brief descriptions of specific planning problems (best, worst, and expected case attributes of each problem), broad Presidential options, pro-active and reactive responses for Phase 4 strategy, and implications for future phases. A special section highlighting factors with the potential to disrupt Phase 4 activities concludes SPM #6.

Three basic objectives underlie the suggestions presented in all of these Phase 4 planning documents:

1. The President must continue to generate support for his Economic Recovery Program during the late winter and early spring of 1982.

2. The President must increase domestic and diplomatic support for the "peace" component of his "Peace through Strength" foreign policy.
3. The President must contribute to improving the prospects for Republican success in the 1982 elections.

Each of these objectives is designed to accomplish one overriding goal: the need for this Administration to manage, direct, and control the processes which it has started in the domestic, foreign, and political arenas. The President's efforts must be directed to keeping on track those policies that he has already initiated. The best means to do this is in a pro-active mode, a concept that underlies the Presidential strategy that follows.

The President will have to keep steady pressure on Congress throughout Phase 4. This includes ensuring that Administration positions on spending levels and needed program legislation are communicated to Congress in a timely fashion, and that Congress (and the public) are reminded of deadlines as they approach or pass.

Recent conflicts with Congress over the FY82 budget - including the continuing resolution and the President's veto of it, and the failure to pass the appropriations legislation within budget despite all the President's efforts - highlight precisely where the political contest will be in early 1982. Regardless of the recession and a more tense international environment, the President must ride herd on the budget and see it through to its completion. In the final analysis, the President's levers of power are limited and few. His greatest power is to persuade Congress by mobilizing public sentiment in support of those policies that he was elected to carry out. Under these constraints, the contest over the budget is the President's most important task in the new year. His efforts and success in getting the FY83 budget through Congress will constitute the debate for the 1982 elections.

The Phase 4 Presidential strategy presented in this SPM assumes that the President's detailed plan is presented in the FY83 budget and accompanying legislative proposals. This kind of planning (SPM #4) is "vision without power." It defines a sense of direction and objectives without specifying the resources to achieve those ends. The budget plan, however, allocates those resources. The budget has the power. The problem is that all too frequently it loses the vision. Unwittingly and without intent, the vision is fragmented and compromised in the piecemeal budget making process. What remains is a highly energized system without direction - void of vision.

With this in mind, we suggest the following foci for the President's Phase 4 agenda:

1. The domestic focus should be to plan and execute an agenda for Phase 4 focusing on the presentation and

explanation of the Federalism component of the Reagan Revolution. The objective of this focus is to: (1) stimulate Administration officials to think in a pro-active mode rather than the reactive one into which many are slipping; (2) mitigate, if not totally deflect, the one accusation that can do the Administration the most harm, namely: "Reagan is not in charge, and Presidential decisions are subject to indiscriminate reversals;" (3) have the President remain as the chief communicator to the people of the direction in which the country must go; and (4) anticipate events and issues so that (a) they can be coopted onto the Phase 4 agenda in terms of substance and timing, (b) they may be pre-empted if early warning signs indicate they are coming to the front of the calendar ahead of schedule or before desired, and (c) they may be effectively "counter punched" with substantive material should they surface too quickly to be pre-empted.

2. The foreign focus should be to continue to advance the peace component of the Reagan Revolution initiated in the President's proposal for real arms reductions made in his address to the National Press Club on November 18, 1981. Several areas of opportunity exist where the President can personally maintain the momentum of his "peace" initiative: (1) the TNF talks with the Soviets in Geneva, (2) a vigilant, humanitarian response to the plight of Poland, including the release of additional food aid through P.L. 480, the Catholic Relief Service, and the support of other initiatives that may seem appropriate, and (3) seize the initiative with regard to the Middle East peace process, especially with regard to Lebanon, the Habib mission, and plans for the continuance of a peace plan as elements of the Camp David process conclude.
3. The political focus should be to create and execute a comprehensive political plan for 1982 linked particularly to the Presidential agenda and the domestic focus on federalism. The plan must contain all of the necessary elements for success, even though many of these elements will not specifically involve the President, nor will they necessarily be the specific responsibility of the White House. Hence, a key element of the plan will be its coordination.

The objectives, considerations, strategies, goals, tactics, actions, Presidential styles, and communication strategies that should be considered in planning the President's strategy and agenda for Phase 4 are presented in more detail in the following pages.

DOMESTIC FOCUS: FEDERALISM

OBJECTIVE:

The President must continue to generate support for his Economic Recovery Program during the late winter and early spring of 1982.

CONSIDERATIONS:

1. The President's FY83 budget, to be submitted to Congress in January, 1982, will be the third effort by the President within one year to restrain the growth of the federal budget. Given continued budget cuts and the recession, it will be extremely difficult for the President to: (1) maintain the national focus on economic recovery, (2) build anew the consensus within Congress for additional cuts in federal spending, and (3) sustain his public credibility across a range of issues.
2. The critical difference in the President's relations with Congress in early 1981 and 1982 is that allowances by Congress were made for the "beginning" of the Reagan Administration in 1981, whereas Congress will be expecting allowances from the Administration in 1982 because of the mid-term Congressional elections.
3. The President will be faced with the condition that several of his most desirable goals will be competing for acceptance; hopefully they will be mutually reinforcing, but the more likely prospect is that they will be crosscutting.
4. The President's remarkable successes are raising expectations of Presidential performance which may not be possible to achieve in Phase 4.
5. The perception of massive changes in federal spending is inconsistent with the reality of "continuing resolution" spending levels. The public thinks that the President has won enormous victories when in fact the budget cuts are not yet in place. The reality of a tax cut coincidental with the lack of reality in the budget cuts will be readily apparent in Phase 4.
6. Special interest and single issue groups opposed to the President's overall policy goals and specific budget reductions will, by Phase 4, be highly organized and waging vigorous campaigns. They will be countering the President's initiatives on not only the substantive content (where their traditional opposition has been),

but on our legislative strategies where they have been outmaneuvered.

7. By Phase 4, events could be driving Presidential behavior even more so than now. Short-term environmental conditions will dominate the policy formation process. The White House could be highly reactive, allowing the issue agenda to be driven by institutions, individuals, and groups whose goals are at best inconsistent with the President's.
8. The most serious test of the President's credibility on economic recovery will come early in 1982. Many elites have already begun to question the program, its design, scope, and likelihood of success; hence they are increasingly critical and cynical. The general public, while deeply concerned, is not cynical, but hopeful. But by January, 1982, when the President has been in office a year, they will begin to ask whether they are better or worse off as a result of Reagan's Economic Recovery Program. The test of the President's credibility will be made in answering this question in Phase 4.
9. It will be impossible to sustain the momentum of the restraint in federal spending without properly managing the Economic Recovery Program at the federal, state, and local levels as it is enacted. The "pass-through" effects of the Economic Recovery Program are enormous, and if the inter-governmental features are not managed properly in Phase 4 with demonstrable success, then the President's revolution in governing America will have little to no opportunity to take hold.

STRATEGY:

Plan and execute an agenda for Phase 4 focusing on the presentation and explanation of the Federalism component of the Reagan Revolution. The objective of this strategy is to: (1) stimulate Administration officials to think in a pro-active mode rather than the reactive one into which many are slipping; (2) mitigate, if not totally deflect, the one accusation that can do the Administration the most harm, namely: "Reagan is not in charge, and Presidential decisions are subject to indiscriminate reversals;" (3) have the President remain as the chief communicator to the people of the direction in which the country must go; and (4) anticipate events and issues so that (a) they can be coopted onto the Phase 4 agenda in terms of substance and timing, (b) they may be pre-empted if early warning signs indicate they are coming to the front of the calendar ahead of schedule or before desired, and (c) they may be effectively "counter punched" with substantive material should they surface too quickly to be pre-empted.

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With this in mind the following agenda option has been developed to meet the stated objective in view of the conditions the President is likely to face in Phase 4.

GOALS:

1. Broaden the people's participation in the President's Economic Recovery Program; create the sense of "America's Partnership for Economic Recovery."
2. Educate the public on the condition of the economy, the plight of the budget, and the need for everyone's participation.
3. Enlist the support of state and local officials in the Economic Recovery Program; continue to build the channels of communication between the Presidency and local communities.
4. Integrate private sector initiatives with the President's Economic Recovery Program.
5. Set the terms of the political debate in the mid-term election year.

TACTICS:

1. Do the unexpected: create a Phase 4 momentum by moving the focus from the FY83 budget as soon as possible to the Federalism component of the Reagan Revolution.
2. Sustain the Economic Recovery Program during the most difficult period when the credibility and prestige of the President is at stake.
3. Describe Reagan Federalism as the inter-governmental component of the Economic Recovery Program; treat it as a variation on the economic recovery theme.
4. Stay Presidential while stumping in the states; treat Phase 4 as a campaign to build the necessary relationship with the states, cities, and counties to implement and manage economic recovery.
5. Continue to take bold, decisive action; make big decisions and remain firm, but never rigid; compromise on the details, but insist that they be worked out.
6. Anticipate that the number, variety, and complexity of issues will continue to increase dramatically; the threat of being overtaken by events and other people's agendas increases every day.

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7. Shift the style of government from policy being driven by the budget to the budget being driven by policy.

ACTION:

1. January 25, 1982: Commence Phase 4 with the "State of the Union" Address. The goals of the Address will be to:
 - a. Assure and inspire the American people about the President's understanding, visions for the future, and leadership.
 - b. Enhance coalition-building as a necessary political process throughout 1982, and which is essential to maintain the Reagan policy agenda to the end of the term in 1984.
 - c. Set the tone and pace for policy focus and strategy of the President's legislative proposals and strategic plan.
2. Mid-January to mid-February: Concentrate on the legislative strategy for securing congressional support for the FY83 budget and passing, as quickly as possible, the appropriations legislation.
3. Mid-February to the end of April: Commence the Reagan Federalism phase by having the President make a series of visits to states (meetings with Governors, state officials, and legislators), counties, cities (large, medium, small; mayors and city councils), and perhaps local communities (especially those which have successively embraced the block grant programs and have political importance).
 - a. Snowbelt Phase: During the coldest part of the year, the President should use Washington as the base and travel to states and cities in the Northeast, Eastern seaboard, and North Central areas of the country. Suggested targets are: Pennsylvania, up-state New York, Cleveland (ADI covers 30% of the state), Allen County Commission (Fort Wayne, Indiana), and Providence, Rhode Island.
 - b. Sunbelt Phase: During the month of April, the President should visit the Southeast, South, Southwest, West, and Northwest. To maximize the President's time and effort, selected state and local officials could be invited to the President's ranch. Suggested targets are: meeting with selected Southern governors at Montgomery, Alabama; Orange County (Orlando, Florida); Governor of Texas and address to the Texas State Legislature at Austin;

Mayor and city council of Phoenix; meeting with selected Western mayors at the ranch; visit to Portland-Vancouver and Seattle, Washington; and, upon returning to Washington, D.C. a stop in Fargo, North Dakota and Moorehead, Minnesota.

4. May: The President should concentrate on getting the final appropriations legislation completed. There will be ample opportunity for other policy initiatives to be made during this phase.

PRESIDENTIAL STYLE:

1. December 1-31, 1981: President-as-Leader. During this time the President will be under tremendous pressure to change the thrust of his Economic Recovery Program. The President will, therefore, need to stand firm lest he lose credibility in the one unequivocal area where his strength is unchallenged - namely his leadership, firmness, and clarity of vision for the country. The attributes of Presidential leadership that are critical include: demonstrating that the President is informed, calm, confident, firm, opposed to quick fixes and strategies antithetical to his political philosophy, and resolute but willing to compromise.

Staff Support: During this period the President's staff should show that they are on top of the issues, are well informed and confident about the success of the President's plans, and above all, are strongly supportive of the President.

2. January 1-25, 1982: President-as-Communicator. The President's principal workload will be to get the FY83 budget prepared in final form and preparing and delivering the State of the Union Address. The address gives the President the opportunity to educate the public about the condition of the economy and budget, the thrust of his foreign policy, and the need to be persistent through adversity. The attributes of Presidential leadership are candor, persistence, future-oriented, educational, unfailing, and eagerness to resolve and manage the nation's problems.

Staff Support: The President's staff should acknowledge that he is preparing for the State of the Union Address, and that they are providing needed information. They should display consistency and coordination, while remaining somewhat low-key and in the background.

3. January 26 to mid-February, 1982: President-as-Persuader. During this period while the FY83 budget is pending before Congress, the President needs to use his Congressional time to extend the political foundation

that will be necessary to secure the appropriations legislation for FY83. Activity during this period does not have to be intense, high risk, and involve the President's credibility. Rather, the President should use this time to prepare the ground for later in the session when he will have to use his leadership to bring to closure legislative action on the budget.

Staff Support: The President's "team" should move out and into action according to a planned effort that complements the State of the Union Address. This will include coordination of a "mild blitz" of Congress, the public, state and local governments, federal departments and agencies, and selected foreign nations.

4. Mid-February until the end of April: President-as-Recruiter. The President needs to recruit a large segment of the American population to support his specific economic programs and domestic policies. The channel for this enlistment is the state and local officials and the Reagan Federalism strategy. The necessary Presidential attributes are Ronald Reagan's winning ways with people individually and collectively, his ability to explain and motivate, his ability to translate complex policy choices into clear actions that are understandable to the common American, and his ability to be "Presidential" while campaigning.

Staff Support: The President's "team" should hold strong in Washington while he visits states and local governments. The staff should continue high activity levels both in and outside Washington, and not let any Presidential promise remain unattended or "drop through the cracks."

5. May, 1982: President-as-Chief Executive. Congress will be pressing to finish its business as early as possible in 1982 because it is an election year. The Administration will have a host of issues before it, especially evaluations of where the economy is, what the status of the budget and appropriations legislation is, where major defense decisions are, and how the bureaucracy is implementing the President's policies. It is essential that the President demonstrate that he is not only capable of convincing Congress, state and local officials, and the public, but the bureaucrats as well. Coordination, management, follow through, control, planning, and evaluation will be Presidential attributes of importance during this period.

Staff Support: The image of the President's staff during this period should be one of efficiency, confidence, and cooperation with each other. The management of Federal departments and agencies must be

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seen as superior, as this is when the major budgetary decisions will be made, and the Administration must be seen as "in control" of its organizations.

COMMUNICATION STRATEGY:

1. December 1, 1981 to January 25, 1982: Pursue an "op-ed" strategy which focuses on continuity and consistencies in the President's Economic Recovery Program and foreign policy. Articulate more of the Reagan philosophy of government, and emphasize the need for effective government management.
2. January 26 to mid-February, 1982: Use radio, television, and RNC promotionals to sustain the impact of the President's State of the Union Address.
3. Mid-February until the end of April 1982: Establish a regular radio broadcast in which the President explains the content and progress of his policies. Use the visits to state and local communities to prepare media ads for the 1982 elections.
4. May 1-15, 1982: Have the President give Congress a report of his visit to state and local communities.

CONSTRAINT:

Very few Americans know what "Reagan Federalism" or "New Federalism" means. Recently, a national sample of voters was asked whether they had heard or read anything about the President's program called "Reagan Federalism." Only 5% could answer positively, and these were the better educated, higher income voters (D/M/I, Eagle Tracking IV, November 1981). Even among these respondents, only 36% could accurately define what the President's federalism program really is. This means that only 2% of the electorate have heard of the President's program and know what it means.

The long-term success of Reagan Federalism depends, therefore, on educating the public about what it means and why it is a critical element in the President's approach to government. The Reagan Federalism will not last the first two years of the Administration unless the time and resources of the Presidency are allocated to educate the public.

The essential key to building a coalition to support and implement the President's federalism is to articulate how the program will:

1. Increase accountability among public officials;

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2. Increase the effectiveness of government programs through better targeting of services; and
3. Increase public sense of control by having the level of government closer to the people themselves.

FOREIGN FOCUS: PEACE

OBJECTIVES:

The President must increase domestic and diplomatic support for the "peace" component of his "Peace through Strength" foreign policy.

CONSIDERATIONS:

1. Under all circumstances, United States foreign policy must be predicated on the fact that while there are two nuclear superpowers, the United States is the only truly global power.
2. The global reach of U.S. foreign policy and its long-term viability depends on the resurgence of the American economy. There is a direct relationship between the external relations of the United States and its domestic resources and productivity. American security and world leadership will not be satisfactorily achieved without a sound domestic economy.
3. The United States has a unique role in world affairs: it can never forfeit the initiative to another superpower or powers whose goals are antithetical to its own and to a host of other nations. The United States is perhaps the only world power with the resources, political philosophy, and tradition to advance the causes of the free world.
4. President Reagan must establish himself as a world leader - a vigorous champion of world peace.
5. The principal components of the President's world leadership are the consistency and resolve of his foreign policy decisions and the credibility of his Economic Recovery Program.
6. The President has already set the stage for his peace initiatives by significantly raising the level of defense spending and making fundamental decisions to modernize the strategic triad.
7. The President's four-point plan gives momentum and a START toward real arms reduction. The President's "zero option" puts the Soviets on the defensive, accommodates some of the European concerns, and allays the President's "warmonger" image.
8. In 1982, world affairs will, in all probability, be more dangerous than was the case in 1981.

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- a. Developments in Europe and the Middle East are likely to pose the most difficult choices and decisions. These regions have the greatest potential for surprise and sudden breakpoints.
- b. Trends in the first four months of 1982 will determine NATO's plan to deploy 572 Pershing II and ground launched cruise missiles in Western Europe. Moscow is confident that it can succeed in blocking the deployment of new missiles because of widespread public opposition in Europe, the divergence of perceptions and interests within NATO, and the crisis of confidence in incumbent European leaders, e.g., Chancellor Helmut Schmidt.
- c. In the next 6 to 12 months the limited accommodation between the Polish regime, Solidarity, and the Catholic Church will be extremely vulnerable to strikes, protest demonstrations, and provocations inspired by factional rivalries in both Solidarity and the Communist party. To understand Poland's economic problems and the Soviet attitude towards Polish instability, it is essential to know that a driving force in the conflict is the fact that the Communist party has lost control of the political infrastructure of the country.
- d. In the Middle East, the months leading to the final Israeli withdrawal from Sinai by April 25 are likely to be the most explosive period since October, 1973.
- e. Any escalation in the Arab-Israeli conflict will seriously jeopardize President Mubarak's chances of consolidating his leadership, controlling the Moslem fundamentalist tide, and retaining a pro-Western orientation in Egypt's foreign policy.
- f. The key questions about Middle East peace will become critical in Phase 4 because of the scheduled withdrawal by Israel from territory she has held in the Sinai Desert (April, 1982), the Palestinian autonomy talks, Egypt's anticipated rapprochement with Saudi Arabia and Jordan, the conflicts within the Arab world, the rise of radical fundamentalism, and the existence of military installations in Lebanon and Syria that are unacceptable to the Israelis.

There is no question that a strong American Presidential role is required. There is also no question that the issue of Palestinian autonomy remains unresolved and that the hopes for an association between the United States and the moderate Arab states will depend on whether the

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United States can give the necessary leadership on this issue. The United States must determine if the Camp David process can be expanded to include more parties, or in what other form the peace process ought to continue.

- g. Though it is extremely difficult to predict how or when, it should be anticipated that the Ayatollah Khomeini will not remain in control of Iran. Whether this will occur in the next few months is immaterial. What is important is that the United States formulate now a basic outline of its policy options toward Iran after the Ayatollah.
- h. Northern Africa is checkered with friendly and unfriendly nations. At no time in post-World War II history has tension and the potential for international conflict in the region been so high. The United States is not without its allies in the region - Somalia, Sudan, and Egypt - but the potential disruption caused by a weakened Egypt after the death of Sadat and the strident policies of Qaddafi's Libya are very high. Secretary Haig has described the alliance between Libya, Ethiopia, and the People's Democratic Republic of Yemen against Egypt and Saudi Arabia as the "unholy alliance."
- i. There is a very high probability that a major crisis will occur in Central America early in 1982. Irregular regime transfers have been common in Latin America for many years. The critical difference now is that they are being perpetrated by external forces.
- j. Fidel Castro is preparing for a confrontation with the Reagan Administration, probably over Central America.
- k. In Brazil, the military-dominated government is facing the prospects of a national election in November that it might not be willing to lose; consequently, it may retreat from its liberalizing policy of abertura.
- l. Sino-U.S. relations will be severely tested by Beijing's determination to maneuver Washington into a conflict with respect to Taiwan. The conflict will result because of the Administration's desire for strategic cooperation with China on the one hand, and for providing the FX fighter and other military equipment to Taiwan on the other.

STRATEGY:

The President's address to the National Press Club on November 18, 1981, was a master stroke for many reasons. It demonstrated the President could and would seize the initiative in U.S.-Soviet relations when it suited the purposes of the Administration, and not the Soviets nor the outside clamour for a foreign policy speech. In advancing the zero option, the President fulfilled his commitment to change the approach to arms negotiations from merely ratifying each side's nuclear arsenals, as in SALT II, to reducing the actual level of nuclear forces of the two superpowers, the objective for START. By proposing real arms reductions, President Reagan has made his first major foreign policy venture a peace initiative. This is the essence of the strategy which ought to continue throughout Phase 4. Without excessive zeal the President should continue to advance the peace agenda.

Several areas of opportunity exist where the President can personally maintain the momentum of his "peace" initiative: (1) the TNF talks with the Soviets in Geneva, (2) a vigilant, humanitarian response to the plight of Poland, including the release of additional food aid through P.L. 480, the Catholic Relief Service, and the support of other initiatives that may seem appropriate, and (3) seize the initiative with regard to the Middle East peace process, especially with regard to Lebanon, the Habib mission, and plans for the continuance of a peace plan as elements of the Camp David process conclude.

GOALS:

1. Create a world leader role for President Reagan; counter the "warmonger" image of the President.
2. Restore and maintain leadership by the President among the NATO allies.
3. Seize the initiative with regard to arms reduction and nuclear weapons; use this initiative as the basis for the bilateral relationship with the Soviet Union.
4. Determine the plan of action to ease the transition from the Israeli withdraw of the Sinai to the next critical phase of the Middle East peace process.
5. Extend the public role of the President in foreign affairs, but do not succumb to the temptation that international successes will translate into domestic political support for the President's Economic Recovery Program (especially in a mid-term election year).

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6. Prepare the American public for the prospects of instability in Central America and explain the role Cuba and Nicaragua have had in subverting the region.

TACTICS:

1. Do the unexpected: keep the Soviet Union in a defensive posture by maintaining the pressure for START and proposing novel solutions to traditional conflicts.
2. Delegate crisis management to special envoys and reserve the resource of the Presidency to critical face-to-face meetings with heads of state.
3. Develop an aggressive and sustainable communications plan to get more mileage out of the foreign policy initiatives we do take.
4. The State of the Union Address should touch on the theme of "Peace through Strength" but should not be seen as a vehicle for communicating foreign policy.
5. Keep the pressure on the Soviets in the TNF talks to gain significant Soviet concessions no later than late spring 1982.
6. Present the U.S. action plan for European involvement in the Middle East peace process and the plans for the Palestinian autonomy talks.
7. Develop and implement a plan for making a humanitarian response to the economic plight of Poland; this could be a private sector initiative which has the explicit support of the President.

PRESIDENTIAL STYLE:

1. Consistency, resolve, and firmness are the salient Presidential attributes that should be most evident in the President's handling of foreign affairs.
2. The President must remain Presidential regardless of (1) increasing tension in the world, (2) pressure to take foreign policy initiatives that the Administration thinks are unwise, premature, or ones we are ill-prepared to manage or (3) the disarray, perceived or real, that may exist in the foreign policy process.
3. The President must resist the trap of becoming too heavily involved in the daily management of foreign relations. However, the President can ill-afford to allow decisions to backlog in the national security system.

4. The President's long-term success in diplomacy depends upon a sustained systematic consultation strategy where the President's affable personality and practical political sense can be fully utilized. The bilateral and Washington-based consultations should be the principal Phase 4 channels.

COMMUNICATIONS STRATEGY:

1. The President's top national security advisors, not the President himself, should continue to alert the American people and world to the dangers we face internationally. This is especially true for Central America.
2. If the U.S. were confronted with the need to respond to an international crisis with force, it should be understood that there is currently not a general base of public support for such action. Without the necessary alerts and public education, the President would likely find himself in a politically awkward position should he need to order military interdiction. Without public support, the President's ability to act decisively and aggressively in a time of crisis is severely restricted.
3. An op-ed strategy needs to be developed and implemented, which outlines the record of U.S. foreign relations during the first year. The actual record is considerably more impressive than what the President is being credited with at present.
4. Much more should be made of the relations that have been established between the President and the leadership in Mexico and Canada.

POLITICAL FOCUS: 1982 ELECTIONS

OBJECTIVE:

The President must contribute to improving the prospects for Republican success in the 1982 elections by participating in a highly developed and comprehensive political plan for all of 1982.

CONSIDERATIONS:

1. 1982 will be highly political.
 - a. Political activity will begin early in the year with the filing periods in many states, and in some (e.g., California) the 1982 campaign has already begun. Over 3,000 partisan elections affecting control over the House, Senate, Governorships, state legislatures, and county governments will be held in 1982.
 - b. The early focus will be on Congress as the second session opens; it will shift to the states as the primary season begins; and by summer, the media will begin to focus on everything in terms of the 1982 elections.
 - c. Congress will be more political in 1982 with Congressmen even more cautious with their votes than in 1981. Some will perform ideological about-faces and most will try to avoid substantive issues.
 - d. The session will likely be short, ending in August. The Democrats may, however, attempt to prolong it if they see it providing political benefits. Absenteeism will be high.
 - e. The Administration's agenda will be highly politicized. Major policy goals may be put on hold. The press will read political motives into most activities by the Administration and Congress.
 - f. The 1982 political agenda may be difficult to control. Special interest groups will be striving to bring their issues to media and public attention (e.g., abortion) regardless of party impact.
2. 1982 must be faced realistically.
 - a. Economic conditions and the President's popularity will have the greatest impact on the elections and can be used to project various 1982 election

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scenarios (see Strategic Evaluation Memorandum #8). Various likely alternatives project GOP losses in the House in 1982 from 18 to 30 seats assuming best and expected case scenarios. The losses may exceed 40 in worst case scenarios.

- b. Historically, mid-term elections see the party in power in the White House losing seats in the House.
 - c. The press will try to set the standards for judging the results of the 1982 elections by playing their own version of the "numbers game."
3. 1982 offers the opportunity to reverse tradition.
- a. Reapportionment will likely alter the 1982 results in favor of the GOP.
 - b. A large number of Democratic Senators up for reelection will likely be vulnerable. Not only are Senate gains anticipated, but vulnerable Democrats at the top of the ticket in some states may influence House votes as well.
 - c. The number of vulnerable Democrats in the House is larger than usual.
 - d. Republican fund raising efforts are going well.
 - e. Candidate recruitment is reportedly going well in many states.
 - f. Boll Weevil switches may make the task of reversing tradition easier. Any of these conservative Southern Democrats who switch to the GOP provides a gain that the GOP would not likely make electorally and forces the Democrats to win an extra seat outside the South just to offset the loss.

STRATEGY:

Create and execute a comprehensive political plan for 1982 linked particularly to the Presidential agenda and the domestic focus on federalism. The plan must contain all of the necessary elements for success, even though many of these elements will not specifically involve the President, nor will they necessarily be the specific responsibility of the White House. Hence, a key element of the plan will be its coordination. Other components that should be included are: 1) assessment of overall possibilities as well as region-by-region and state-by-state possibilities, 2) formulation of goals, 3) national debate agenda, 4) early (Phase 4) Presidential activity, 5) national advertising, 6) Presidential support for candidates, 7) specific plans

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for each house of Congress, 8) general plans for state and local elections, and 9) comments and responses to the media.

GOALS:

1. Maintain pressure on the Democrats by controlling the political agenda and timing through effective use of the President.
2. Set the level of expectations for the 1982 elections rather than abdicating this to the press.
3. Unify the several voices of the Republican party so that maximum coordination at all levels can be achieved.
4. Have sufficient options available to shift gears during the campaign as situations dictate.
5. Involve the President, the Republican's biggest political asset, in as many politically relevant activities as possible.

TACTICS:

1. Spell out, in political terms, that the Federalism component of the Reagan Revolution is based on traditional American and Republican principles.
2. Constantly maintain the economic recovery theme as a long-term cure for a Democratic illness. Point to every improvement in the inflation rate as a sign that the disease is being brought under control.
3. Create situations to maximize the influence of the President's immense personal popularity.
4. Use the power of the Presidency to impact regional, state, and local events and economics in ways consistent with the President's overall philosophy (e.g., block grants).
5. Focus on Tip O'Neill as the alternative to President Reagan and voting Republican.

ACTIONS:

1. Coordination: Currently the GOP efforts for 1982 are not well coordinated, the various organizations are often at odds with one another, and there appears to be inadequate communication between them. To solve this problem, the White House must take the lead in recognizing the importance of each of the Party's

entities. The key elements in the party's structure are:

- a. Republican National Committee (RNC)
- b. Reapportionment Committee of the RNC
- c. National Republican Senatorial Committee (NRSC)
- d. National Republican Congressional Committee (NRCC)
- e. The White House
- f. State Central Committees
- g. Independent Political Action Committees (PACS).

Before the campaign begins, the goals of the Party organizations must be coordinated. Liaison between and among all elements must be developed, particularly between the White House and each individual entity. Someone must be in charge or at least take the lead in coordinating activities. It is worth considering that a Director of Coordination be set up in the RNC with specific, high level people from each of the other entities assigned to sit on a Coordination Council to help facilitate this task.

The Republican Party must speak with one voice during the 1982 campaign. This is especially true in regard to the Presidential agenda. The White House must be as careful as possible not to undercut the efforts of the other organizations of the Party with politically damaging off-the-cuff statements or ideas.

The problem with coordination is the independence of each branch of the Party. No unit can coerce another unit into compliance with its own particular wishes or designs. Thus, there will be a potential problem in this regard throughout the campaign. Hence, the suggestion to establish a major political operative in the capacity of liaison between the various Party units. His function would be only to share information. Thus, he would avoid the charge of acting as a dictator for the White House or the RNC, but at the same time would be able to provide information of a nature which would minimize the chance of not working in concert.

2. Assessment of Possibilities: Only three things are possible. First, we could suffer losses, possibly serious enough to end the Reagan Revolution. This would be interpreted as a repudiation of the Administration. We must take this possibility seriously given the

terrible consequences and the likelihood of its occurrence.

The loss of 20 House seats and/or the loss of the Senate means that we will no longer be able to enact our agenda. This will totally change the outlook of all persons involved with the Presidential agenda in any way. It will be a brand new ballgame; one in which we are not now prepared to play.

It would mean going on bended knee to Tip O'Neill for his support on issue after issue. Given the previous situation, it would surprise no one if O'Neill told us all to get lost. This means substantial use of the veto power with its bunker mentality.

Finally, a loss of this sort will cause great concern over the reelection prospect in 1984. While the off-year election usually has little bearing on the upcoming Presidential election, pundits are never aware of this fact. In short, the last two years of the first term could be rather miserable in comparison to the first two.

The second possibility in the election is a Republican victory. The chances of this happening are not nearly as great as the other two possibilities, but we must consider it anyway. A victory of this sort would mean Republican control of the House or at least substantial gains. It would mean greatly augmented control in the Senate, with probable Senate control throughout the decade.

Such a victory would make it much easier to enact the Reagan agenda. In fact, it might be possible to run through the agenda rather quickly, much like Johnson was able to do with the Great Society after the 1964 election.

Another aspect of a major victory in 1982 is that the news media will concede the 1984 election for all practical purposes. Democratic fund raising will dry up except among the left-wing extremists.

Finally, the Republican party will gain much needed overall strength. We could very easily be even with the Democrats on a national basis, something which hasn't occurred since before the Depression.

The third possibility is that the election could (and will likely) have mixed results with neither party gaining much advantage. This can be advantageous to the Administration. If this is the case, there might be a gain or loss in Congress, but no real change in our

voting coalition. In other words, we would not be functionally hurt by this outcome although the media's perception of it as a defeat could harm the party's image, and that of the President as well.

An election of this type is open to a wide variety of interpretations. Both sides could claim victory by the clever use of statistics. We must be ready for this event. We must be able to put a happy face on the election and plan for 1984.

3. Formulation of Goals: The foremost goal in 1982 is to take as much control as possible of the federal government in order to enact the Reagan program. We do not have this kind of control. Specifically, we need an increased majority in the Senate (one which will be able to withstand almost certain losses in 1984 and 1986) and organizational control of the House. This goal can be achieved only under optimum circumstances.

Failing this objective, the second goal should be to prevent significant losses in either or both houses. This is a less difficult, but somewhat more realistic goal.

Failing this objective, the third goal should be to retain control of the Senate, while holding Democratic House gains to the lowest number possible (less than 15).

4. National Debate Agenda: The national campaign debate should center on the improvements of the Reagan Administration over the Carter Presidency. This would include both perceived and genuine improvements. In other words, we need to publicly pose the question: "Are you better off today under the Reagan Administration than you were under the Carter Administration?" and provide the answer.

This focus will be suitable if things are going well, but will be less so if the economy worsens. The point is to draw as many favorable comparisons as possible. This comparison debate would have to focus on only those items with which the public will have both a clear comprehension and perception. Thus, it is likely that the comparisons would be rather broad in nature and, of course, to our advantage.

Currently, we are able to make favorable comparisons in regard to inflation, taxes, relations with Congress, immigration policy, and most importantly, respect for America abroad. Immediately prior to the election, we have to be able to make more economic comparisons.

Another major focus of the campaign debate should be the "Reagan Reforms." While related to the comparison strategy, it is nevertheless slightly different. It entails pointing out the major changes for the better which have occurred in the first two years of the Reagan Administration.

These reforms would include such items as budget reductions, elimination of government regulations, a much needed (and popular) defense build-up, federalism, and the reduction of waste and fraud in government. The comforting aspect of this strategy is that the economy does not have to perform well to use it effectively. If the economy is in bad shape, the "reform" strategy should take priority over the "comparison" strategy. Many of these reforms have already been accomplished or are close to being accomplished.

If the Reagan program grinds to a halt, another type of campaign and debate theme can be used. Assuming that Congress is to blame for the halt, we should adopt the theme that the President needs help. This entails the President asking for a Republican House, and also for help with the "Reagan Revolution." It would no longer be politics as usual. This approach can only be used if the public clearly sees Congress as the reason for the failure to accomplish the Reagan program. We would need to specifically identify which items Congress failed to pass.

If things become worse under Reagan than Carter, it will be necessary to totally change the focus of the campaign. We will have to talk about broad categories of traditional values. This will mean greater reliance on the social issues whether we like it or not and an attempt to play on the national security and defense issues.

Another tactic to use, in case the situation worsens under Reagan, is to discuss agenda items in the context of long-term permanent solutions. This means demonstrating how bad things have been over a long period of time. We would then stress the fact that the Reagan Administration has at least begun to turn things around, even though it may take several years to see any real difference.

It then follows that we should campaign on the theme of not turning back the clock to the old solutions. We should vividly remind the people of the previous programs of doctrinaire liberals and just where those programs got us. We would, of course, concentrate on Democratic excesses of the past.

Another important theme which we must use if we are to be successful in 1982 is that of clarification. We must make it clear to the American public that the GOP controls the Senate and the Democrats the House. Public opinion polls show that there is a great deal of confusion in this regard, and we must see to it the public is informed. A significant part of the national advertising budget should be earmarked to solve this problem.

We should point out that this is the first time that the Republicans have controlled the Senate since 1952. We must tell the people that the Democrats have been in control of the House since 1954. We should also say that the Republican party has controlled the House only twice since the twenties (1946 and 1952). This is likely to surprise many voters and may help focus their wrath on the Democratic party. There is no way that the Democrats can muster the funds to rebut our efforts in this matter.

Finally, if we emphasize the President's call for help and a Republican House, we must be prepared to commit to an all-out campaign. There is the problem of raised expectations with which we must deal. We cannot make it look like we have much of a chance to achieve our goal. The problem can be somewhat solved by saying that even if we cannot gain enough seats for control, the Boll Weevils could give us control.

The theme of this all out effort could be along the lines that it is a chance for the average person to cast a meaningful ballot for once, to really make his vote count for a change. We could even make it sound like we are trying to make history (which we would be if we gained House seats).

We will be asking the voter to cast his vote against an incumbent liberal Democrat to help the President keep the country on the right track. Since usually 80% of the House constituencies are not competitive, we will be asking the American public to make an extraordinary commitment. We will be asking him to vote against an incumbent for whom he has probably voted many times in the past.

5. Early Presidential Activity (Phase 4): The White House must be prepared to commit itself to an all out effort on behalf of Republican candidates in 1982, regardless of the possible consequences of repudiation at the polls. This means that the President and Vice-President, as well as other cabinet officers and operatives, must engage in early (Phase 4) political

activity in 1982. This will include appearances in key states by all concerned.

In committing to an all-out effort on behalf of Republican candidates, the Administration must be careful not to offend various Congressmen who have been supportive of the President's legislative program. This does not mean that every Democrat who voted once or twice with the President should get a free ride. On the contrary, we should go after those Democrats who try and hide behind one or two pro-Reagan votes.

It is absolutely essential that the White House coordinate with the NRCC on which Boll Weevils get a free ride. This could become a source of friction between the two political structures. As it looks now, the most loyal Boll Weevils are likely to be left alone by the NRCC because of their obvious popularity or lack of a viable opponent.

The first six months of 1982 will be crucial to Republican prospects in the November election. It is during this time period that fund raising and candidate recruitment will determine the outer limits of Republican success at the polls. If we do not have excellent candidates and adequate funds, we will not unseat incumbent Democrats, regardless of national trends. Likewise, we must be prepared to go the extra mile on behalf of our vulnerable incumbents.

One of the most important things the President can do is to attend a large number of fund raisers in key states. By attending these fund raisers, he is guaranteeing a "big take" for the state GOP and various candidates. Also, a number of incumbents can take advantage of the President's presence early in the year for fund raising without having to run on his coattails later in the year when it may or may not be advantageous to do so.

The number one priority for the money raised should be the protection of our vulnerable incumbents. However, money should also be used to unseat Democratic incumbents. An incumbent is seldom unseated if he outspends his challenger. Since most of the fund raisers will be before the state primaries, some of the money raised should be considered "seed" money for the eventual nominees.

In the past, Republicans could have mounted greater challenges to incumbent Democrats if only there had been more money available. We should realize at this time that success may very well depend on our ability to go after less obviously vulnerable Democrats (such as in the South).

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These fund raising trips should be done in conjunction with regular Presidential duties, especially those related to his articulation of federalism. The news media will focus on the official aspect of the trip, while the fund raiser occurs rather quietly at night in the same city.

The following are early priority recommendations for fund raisers. These are the states that are the most important in terms of the November elections:

PRIMARY TARGETS

New England States
New York
Pennsylvania
North Carolina
Florida
Texas
Ohio
Indiana
Michigan

SECONDARY TARGETS

New Jersey
Tennessee
Oklahoma
Colorado
Washington

The Vice-President should also be active during this time period. He should finish the list of priorities wherever the President cannot attend. His emphasis should be on the Northeast and the urban Midwest and, of course, Texas. It may be possible for the Vice-President to make actual appearances in the districts of some of our vulnerable incumbents to give them an early boost and fend off the circling Democrats.

Another early activity should be preparation to control the national debate during the election. Agenda contingency plans should be formulated with realistic options. These plans can be part of the normal planning process or in addition to it.

The White House agenda must be under control in a pro-active rather than a reactive mode during the campaign. We cannot afford to be buffeted by events of the fall. If anything, we should plan positive events to coincide with the election. Above all else, the agenda must avoid conflict with congressional and senatorial tickets. We must also realize that the news media will favor the Democrats and will constantly seek to emphasize the negative.

Another matter of paramount importance is the continuing reapportionment struggle. Many of the key states will not complete reapportionment until early 1982. The White House must show continuing interest and exert pressure whenever needed. The GOP needs a good gerrymander in Pennsylvania, Colorado, and Washington.

We also need satisfactory compromises in Ohio, Michigan, New York, and Florida. We must also seek to overturn the California, Oklahoma, and Illinois maps.

6. National Advertising: As in 1980, there will be a national Republican congressional advertising campaign. The White House must be closely involved in all phases. The content of the commercials needs to be agreed on early in the campaign.

There has never been a national ad campaign in an off-year election by the party in power. It will be difficult to determine what effect it might have. It is reasonable to assume that a strong campaign could raise the overall Republican showing by at least one percentage point. This could translate into ten extra House seats won (or not lost).

In 1982, more than ever, there will be a great need for regional particularism in the advertising. We could be looking at a situation in which the Northeast and urban Midwest are still in a severe recession, while the rest of the country has felt only mild effects. As in Presidential campaign advertising, regional advertising spots are a must.

Perhaps one of the most effective ways of conveying the Reagan message is the use of half-hour TV broadcasts by the President and the Vice-President in key states or regions. This medium was used effectively by George Bush in the 1980 primaries and general election. These broadcasts could have substantial positive impact.

These half-hour broadcasts should originate from the state in question, but if this is not possible, the President could broadcast from Washington. The important thing is that the broadcasts be tailored to a particular state or region and deal with the specific concerns of the people there. The broadcast buy must achieve a blockade in each media market.

The purpose of the broadcasts is to reassure people in a specific region and to get them to rally around Republican congressional nominees. It would be part of the President's all out program to capture the House. At the very least, it would give a shot in the arm to our vulnerable incumbents.

Here are some possible regional broadcasts which the President could do:

1. Farm States (Dakotas, Kansas, Nebraska, Iowa, and parts of Minnesota, Illinois, and Wisconsin. It could originate from Dixon, Illinois)

2. The Carolinas
3. Florida
4. Texas-Oklahoma

Here are some possibilities for the Vice-President:

1. New England
2. New York
3. Pennsylvania
4. Michigan
5. Texas

Such a plan could effectively kill a farm revolt on the Great Plains or blunt the effects of the recession in Pennsylvania. The time commitment will be minimal, the benefits could be substantial, and the plan is cost effective.

7. Presidential Support for Candidates: The President must be deeply involved in the campaign. He cannot be above the battle. To pretend business as usual at the White House is no longer a viable off-year election strategy. To say the President is not concerned about the election will not work. The news media will involve the President deeply regardless of our intent.

This means a rather large time commitment to the campaign effort, one that should begin in August as opposed to the middle of September. The use of the President's time should be determined by what will elect the most Republicans as opposed to which state party shouts the loudest.

The use of the President should be highly selective. He should appear on behalf of only those Senate candidates which he can definitely help. Since Senate elections are rather individualized contests, the intrusion of the President may not always help.

In regard to the House, the President's emphasis should be on the South and West, as well as parts of the Midwest. The main emphasis should be on the House candidate. Certain gubernatorial candidates should command the interest of the President, such as in Illinois, Ohio, and perhaps Texas.

The Vice-President should be even more involved than the President. He should go out into a significant number of individual districts. His first concern should be to prop up vulnerable incumbents, but he should also serve as the cutting edge in the attempt to unseat some incumbent Democrats. While he should travel throughout the country, his primary focus should be on the Northeast where we stand to gain or lose the largest

number of seats. He should also be used extensively in Texas.

8. Specific Plans for Each House of Congress: The President's efforts here must be carefully coordinated with the NRCC and the NRSC who have the major responsibility for the party's efforts in electing Republicans to the House and the Senate. These committees can indicate where and how the President can do the most good. Phase 4 activity should be directed towards setting up the communication lines between the White House and the committees. Also, plans and options should be considered for the various circumstances that could arise during the political year.

For instance, depending on the President's popularity and the economic conditions, the number of Democratic seats in the House deemed vulnerable will fluctuate between as few as 15 to as many as 102. In an indirect relationship, GOP vulnerability will vary between 16 and 73 seats. Hence, the maximum impact potential of the President will change with conditions and it will be the NRCC who can give the President the best indication of where and with whom he can do the most good at any point in time.

A similar condition exists in the Senate. Depending on Presidential popularity and the economic conditions, the number of vulnerable Democrats will fluctuate between 4 and 11. There will be places the President can go at any time and places he can go to assist the Republicans only under certain conditions. The NRSC is in the position to best inform the White House as to these places and conditions.

9. Plans for State and Local Elections: One of the most important aspects of the 1982 elections will be the battle for control of the state legislatures in certain key states such as Illinois, Ohio and Pennsylvania. Republican control of both houses in these key states will make significant contributions towards Republican ascendancy at the national level in the future. Whereas a Democratic victory would make it difficult to achieve the goal of a GOP majority nationwide. Furthermore, there are a number of states (e.g., Michigan and Wisconsin) that once elected Republican legislatures in which the GOP is slowly losing ground. Until the tide is turned in these states, the national battle cannot be won. During Phase 4, the White House and other national party entities should include the election of Republican legislatures in these competitively partisan states as significant Republican political goals and should allocate some resources accordingly.

10. Comments and Responses to the Media: We must be extremely careful in our public pronouncements in regard to election expectations. We must not let the media establish the context in which the elections will be viewed, but rather we must create the expectation ourselves.

We must take the public position that we expect to suffer losses in the House given mid-term election history. By this positioning, minor House losses can be played as a victory for the President. Similarly, we must not paint the picture of expected gains in the Senate. Rather, concern over maintaining control of that body should be our public posture.

There is one problem with being publicly pessimistic. It could have a negative impact on our own campaign efforts. However, we must face reality, which points to losses at this time. Our "realism" need not exclude comments that our efforts will be to reverse tradition and win House seats, but that we understand that history is against us. Also, it is easier as the campaign advances to move from pessimistic pronouncements to more optimistic ones as polling data show the fruits of our efforts.

PRESIDENTIAL STYLE:

The Presidential styles described in the domestic strategy section are appropriate for both the President's efforts to bring about his renewed federalism program and his political strategy. However, during Phase 4, whenever the President participates in a partisan activity (e.g., fund raiser, regional broadcast) he should assume the role of campaign leader. As such, he becomes the chief articulator of Republican positions and is in the position to constantly remind the people that the struggles he faces as President in carrying out their wishes is at heart a political struggle between Republicans and Democrats. The President must be partisan at the appropriate times.

The President has often been characterized as a friend of the rich, selfish, one who is not concerned with those beyond his immediate circle, and harsh. In short, he is criticized as not being "humane" and empathetic towards many Americans. This is not true, and the President needs to be linked in style to being more humane. This is best done through demonstrating the end result of his policies and programs with everyday Americans. It is not done by contrived visits to ghetto schools or meetings with welfare recipients.

The aim should be to show the President as human because he makes government more responsive to people's needs and

circumstances. Hence, he reduces their alienation as well as improving their circumstances. The effort, then, should be to publicize the success of Reagan's programs, including those when he was Governor of California. For example, it should be constantly pointed out that welfare recipients in California received substantial increases in benefits while the taxpayers were also being saved billions of dollars.

Another example is the President's recent questioning of Medicaid regulations that required a girl in Iowa to be hospitalized at a monthly cost of \$10,000 to \$12,000 to the taxpayer, when her doctors agreed that she could be better treated at home for one-tenth the cost. Secretary Schweiker was able to override the regulations, in order to make government more responsive to individual needs.

COMMUNICATION STRATEGY:

The strategy presented in the domestic focus section covers much of the political focus as well. This strategy calls for coordinated efforts by government officials, as well as the President to focus on the philosophy and substance of policies and programs. The party is to produce promotionals to sustain the impact of the Administration's efforts and point to the partisan nature of the debate.

The communication strategy should also focus on the successful applications of block grant programs so that the federalism thrust and the political underpinnings thereof can be linked. This would also show the use of federal funds to help people based on priorities established at the state and local levels.

The political communication strategy should also establish and execute a plan to preempt criticism of the President's non-issue oriented speeches and interviews as being indicative of his lack of concern over substance and people (some called his Thanksgiving interview "light") by pointing out that the President's role is far larger than just dealing with day-to-day issues and problems. The press, in particular, needs to be sent the message that the President's role includes being a leader in the basic value structure of American society and that discussions about relations with parents and children are often as important as discussions about budget cuts or B-1 bombers. The "mystery" needs to be taken from the President's style in this regard so the people can focus on the President's overall goal - improving people and their circumstances at every level - and not just on what the President thinks about any issue topic on any given day.

Finally, a communication campaign to juxtapose the president against Tip O'Neill should be considered and planned during Phase 4 to use in the last part of the campaign should

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circumstances indicate its usefulness. The Speaker makes a perfect antagonist and a communication campaign depicting him as the foil to the President being able to get his programs passed in Congress could benefit many GOP candidates.

A Federalism Whose Time Is Now

Special to The New York Times

WASHINGTON, Jan. 25 — Last September, someone at a White House meeting raised with David A. Stockman the idea of transferring welfare, food stamps and other programs to the states in return for a Federal takeover of Medicaid.

By one account, the embattled budget director had on his face the expression of a man trying to bail out a leaky rowboat who had just been asked to do a time-and-motion study of rowing techniques.

Now, however, according to sources close to the White House, President Reagan aims to bring to fruition his concept of "new federalism" with just such a proposal. And along with it, he plans to execute his federalism "dream" with a bold measure to transfer the revenues of existing taxes to the states to help finance their expanded responsibilities.

Taken together, the "new federalism" schemes are expected to serve as the chief domestic legislative initiative of Mr. Reagan's second year in office as well as the centerpiece for the State of the Union Message he will be delivering to Congress and the American people Tuesday night.

Cabinet Cliché

The story of the evolution of this initiative offers a revealing glimpse at the working dynamics of the Reagan Administration at the time of its first birthday. And that glimpse, in turn, demolishes some clichés about how Mr. Reagan runs his Presidency.

First is the cliché of the importance of "Cabinet government." Tonight's proposal to reshape welfare, Medicaid, food stamps and other programs is a product, not of such Cabinet agencies as Health and Human Services or Agriculture, but of a tight circle of advisers at the White House.

Indeed, the top White House aides who are most closely associated with the Cabinet agencies, Edwin Meese 3d, the White House counselor, and Martin Anderson, director of policy development, reportedly became involved late in the process, and then in secondary fashion.

The initiative was generated by a little-known entity at the White House called the "legislative strategy group," which operates under James A. Baker 3d, the White House chief of staff. The main figures have been Mr. Stockman, Richard G. Darman, group coordinator, Craig Fuller, assistant for Cabinet affairs, and Richard S.

Williamson, assistant for intergovernmental relations, who is described as the chief theoretician and energizing force.

Timetable Advanced

Another cliché is that the President's "dream" of transferring Federal programs to the states would have to be deferred until a distant time when revenues could be turned over as well. The timetable has been advanced by a peculiar mix of forces in the last couple months.

First, according to knowledgeable officials, Mr. Stockman became persuaded early that the initiative could serve as a vehicle to lower the budget deficit.

This was because Mr. Stockman was then preparing his proposals to in-

'It's important we have something to say besides budget cuts'

crease excise taxes on gasoline, alcohol, tobacco or other consumer items. He is understood to have seen quickly that he could "sell" the idea to his colleagues by suggesting that the new tax revenues be spun off to the states along with responsibility for certain programs.

The biggest foe of tax increases had been Treasury Secretary Donald T. Regan. But he was said to have come round and endorsed tax increases a few weeks ago upon seeing how neatly they fit in with the federalism concept so dear to the President's heart.

Jazzing Up the Speech

Politically, the federalism scheme also recommended itself to Mr. Baker, Mr. Meese and Michael K. Deaver, the trio of top White House advisers, because, Administration sources report, it offered a way to jazz up an otherwise grim State of the Union Message.

"It's important that we have something to say besides budget cuts, budget cuts and more budget cuts," said a White House official.

Meanwhile, Senator Paul Laxalt of Nevada, chairman of Mr. Reagan's task force on federalism and the President's best personal friend in Washing-

ton, had concluded that the "dream" of transferring programs to the states would never get off the ground without a transfer of revenues. Also dead in the water, for the same reason, was the goal of consolidating more programs into "block grants" to be turned over to the states.

"There is no way politically that the 'New Federalism' can work without adequate resources," Mr. Laxalt observed the other day.

Thus the "New Federalism" became an idea whose time had come, at least for the Administration. A question that remained was which, if any, tax revenues would be raised and transferred.

'Terribly Ironic'

Mr. Reagan has now apparently resolved the question in favor of raising no new taxes at all, but simply transferring existing taxes and then possibly even phasing those revenues out.

"The federalism concept is not a budget saver any more," said an Administration official, "which is terribly ironic because that's why Stockman bought it in the first place."

To carry the concept further, the idea of a "swap" — with Medicaid being assumed by the Federal Government, and welfare and food stamps being assumed by the states — was essentially borrowed from some governors, mostly notably Gov. Lamar Alexander of Tennessee. Mr. Alexander, a Republican, had long urged the Reagan Administration and the states to "sort out" some of their mutual responsibilities.

Finally, while all the recent planning has gone on at the White House, officials in different agencies were asked to research the effects of the options under review. Care was taken to insure that they would not know how their research would fit into a whole program.

For this reason alone, "leaks" of details of the new program were minimized. But the main reason seems to have been that Mr. Reagan was genuinely uncertain about details until the last minute, as is frequently the case with him, and did not want premature disclosures to force his hand.

Then, too, the President is said to have wanted at least something in his State of the Union that would surprise his listeners. The odd thing is that only a few months ago, he himself would have been surprised to learn what he was going to propose.