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WEDNESDAY, OCTOBER 3, 1984 -- 6 a.m. EDT Edition

TODAY'S HEADLINES

TRIP

Administration Officials Face 'Lynch Atmosphere,' Reagan Charges -- President Reagan, acting defensive for the first time in his reelection campaign, responded angrily to the indictment of Secretary Donovan by charging that Administration officials faced a "lynch atmosphere." (Baltimore Sun, Christian Science Monitor, Washington Post, Washington Times, AP, Reuter)

NATIONAL NEWS

Donovan Pleads Not Guilty -- Embattled Secretary Donovan has vowed to fight charges of fraud and grand larceny. President Reagan rallied behind Donovan, the first cabinet member to be indicted while in office, but Democrats sensed there was a political issue in the making.

(Baltimore Sun, New York Times, Washington Post, Washington Times, Reuter)

INTERNATIONAL NEWS

Nicaraguan Leader Says U.S. Planning Invasion Oct. 15 -- The Sandinista leader said he fears U.S. military action in Nicaragua if President Reagan is reelected.
(Washington Post, Washington Times)

NETWORK NEWS SUMMARY (Tuesday Evening)

DONOVAN -- A defiant Raymond Donovan

style invasion on October 15.

became the first U.S. Cabinet member in office ever to be booked, finger-printed, and charged with crimes.	TRIP NEWS
CAMPAIGN President Reagan took reporters' questions about Secretary Donovan and then went on the attack.	NATIONAL NEWSA-5
	INTERNATIONAL NEWSA-9
MAFIA The attorney general is expected to announce new actions against organized crime tomorrow.	NEIWORK NEWSB-1
ORTEGA The Nicaraguan junta leader said the U.S. was planning a Grenada-	EDITORIALSB-9

This Summary is prepared Monday through Friday by the White House News Summary Staff. For complete stories or information, please call ext. 2950

TRIP AND CAMPAIGN NEWS

ADMINISTRATION OFFICIALS FACE 'LYNCH ATMOSPHERE,' REAGAN CHARGES

BROWNSVILLE -- President Reagan, acting defensive for the first time in his reelection campaign, responded angrily to the indictment of Secretary Donovan by charging that Administration officials faced a "lynch atmosphere." Confronting reporters under the wing of Air Force One soon after he landed here for a campaign speech, Reagan was asked about "the sleaze factor." Reagan also said he took complete responsibility for the Beirut bombing. Reagan's speeches were also unusually combative today. In Corpus Christi, Peagan contended that "our struggle to protect Central America from communist aggression was hampered by obstacles thrown in in our path by the liberal leadership of the Democratic Party." He said the party leadership is "out of step with...patriotic...Democrats." (Lou Cannon, Washington Post, A1)

Campaign strategists said Mr. Reagan decided to speak out to prevent reporters from hounding him for his reaction for days. They also realized that the case would continue to be major news, but said they hoped that public interest in the case would die down in two or three days. (Gilbert Lethwaite, Baltimore Sun, A14)

REAGAN, CAMPAIGN STAFF KEEPING DISTANCE FROM INDICTED OFFICIAL

An unusual cloud of silence has descended upon the normally talkative Reagan-Bush staff. Led by the President himself, campaign officials are working to keep their distance from the troubles of Secretary Donovan. In separate telephone interviews, one campaign official after another refused to discuss the likely political impact of the Donovan indictment. On the campaign trail, Reagan went briefly onto the offensive, striking out against a so-called "lynch atmosphere" that hectors his appointees. But at the same time, Reagan said the case was now "a matter of law," insisting, "I'm not going to comment further on them except to say that to my knowledge he is innocent until proven guilty."

(Maureen Santini, AP)

BOTH PARTIES CAREFUL AS DONOVAN CASE DROPS INTO CAMPAIGN

"There's no evidence or reason to believe this will be seriously damaging," says David Gergen, a former White House aide. "...It's an indictment, not a determination of guilt." But the indictment does raise anew the issue of ethics in government. And it could add to a perception among many that the Reagan Administration is vulnerable on ethical considerations.

(Christian Science Monitor, A1)

REAGAN RETURNS TO WASHINGTON FOR DEBATE PREPARATIONS

President Reagan, taking responsibility for the bombing in Beirut and put on the defensive by charges against his labor secretary, returns to the White House to begin preparing for his first debate with his Democratic challenger. Aides said he would study briefing materials, discuss debate strategy with is advisers and practice his technique by facing David Stockman in mock debate in the White House family theater. (Michael Putzel, AP)

BLAME FOR POMBING OF EMBASSY IS MINE, PRESIDENT DECLARES

BROWNSVILLE -- President Reagan said he alone is responsible for security lapses that led to the suicide bombing of the embassy annex in Beirut. The President also made a major pitch for his reelection bid and that of COP Senate candidate Rep. Gramm to the Mexican-Americans who constitute 70% of the population in the Rio Grande Valley. In the first of three speeches the President made in Brownsville, Corpus Christi and Houston, Mr. Reagan did everything but play the maracas to attract Mexican-Americans to vote for him and for Gramm. The President promised the working men and women of the valley to fight for their right to keep a bigger share of what they earn.

(Jeremiah O'Leary, Washington Times, A3)

HOUSTON -- Mr. Reagan, in a brief exchange with reporters, acknowledged that security arrangements at the Beirut embassy were inadequate. But he added there was no evidence of carelessness or a breach

(Gilbert Lewthwaite, Baltimore Sun, A1)

UNFORESEEN CALAMITIES START TO PLAGUE REAGAN

Like Mondale before him, it is now President Reagan's turn to wrestle with scandal charges and handle the impact of unforeseen calamities on an election campaign. The sudden indictment of Donovan hit just as Reagan was trying to defuse a furor over the bombing of America's Beirut embassy. While it remains to be seen whether these events will have much effect on Reagan's 15-30 point leads in opinion polls, the timing could hardly be worse for him.

(David Nagy, Reuter)

VICE PRESIDENT CRITICIZES MONDALE FOR 'TEARING DOWN THE PRESIDENT'

LUBBOCK, Texas -- Vice President Bush accused Walter Mondale of running a "meanspirited campaign" by seeking political gain from the "human tragedy" in Beirut and "inappropriately" exploiting the stalled arms talks with the Soviet Union. Speaking to 4,000 boisterous. flag-waving people at Texas Tech, Bush said Mondale's campaign amounted to "whining, tearing down the President and hoping there is going to be some bad news." Bush, apparently roused by one of his largest crowds, gave his most cutting speech of the campaign, and it was enthusiastically received.

(Juan Williams, Washington Post, A8)

MONDALE-FERRARO CAMPAIGN

NASHVILLE -- The Democratic ticket, after weeks of scrambling, is back on track and aiming straight for the Sunday Reagan-Mondale debate they hope is their main chance for political salvation. Mondale and Ferraro are unloading well-coordinated salvos of rhetoric upon President Reagan, softening him up for the debate. They are gambling they can parlay worry over the arms race, the catastrophe in Beirut and the deficit into an attack on what Reagan's handlers consider his strong suit: leadership. (John Omicinski, Gannett)

FERRARO CHALLENGES AUTO WORKERS ON WHY THEY SUPPORT REAGAN

BELVIDFRE, Illinois -- In a startling departure from orthodox campaigning, Geraldine Ferraro bluntly challenged workers at Chrysler here to explain "why one-third of you are going to vote for Ronald Reagan." Ferraro said she was "absolutely floored" by a poll showing strong support for the Republican ticket among the traditionally Democratic UAW, and she pleaded for "someone, anyone" to "let me know what the feelings are." Shortly, hesitantly, some of the 200 workers told her. "We blame Jimmy Carter for a lot of the problems," one worker admitted. "Iran, weak foreign policy," another added. Point by point, Ferraro rebutted, cajoled, challenged. The workers appeared to listen attentively, particularly when Ferraro asked, "Are we standing tall in Lebanon with a President who doesn't take responsibility for what's happened?...That's not leadership."

(Rick Atkinson, Washington Post, A1)

NEW FINANCIAL DATA RELEASED BY FERRARO

Geraldine Ferraro released amended congressional financial disclosure statements, making several additions and changes while maintaining her claim that she doesn't have to list her husband's holdings. (Charles Babcock, Washington Post, A8)

There were significant changes in virtually all of her forms filed from 1978 through 1983, which revealed rental income, bank accounts, housing bonds, expense-paid trips, and ownership and sale of property that had never been reported to Congress. Overall, the newly disclosed items carried a value of between \$350,000 and \$646,000. Ferraro characterized the mistakes as "sloppy errors," such as misidentifying the value of an asset.

(Washington Times, A1)

FFFPARO AND JACKSON CAMPAIGN IN TENNESSEE

NASHVILLE -- Geraldine Ferraro and Rev. Jackson joined up in Tennessee to campaign for a state in which the Democratic ticket is trailing badly. Both Ferraro and Jackson are considered by professional politicians to be the most attractive Democratic drawing cards in the South and their presence the most effective way of increasing the registration of women and blacks.

(Kevin Cooney, Reuter)

PLANNING THE REAGAN SHOW

Ronald Reagan is an "air hog" who has abused the presidential privilege of gaining direct access to the American people through television, according to House Democratic leaders. They will make that charge today when they release a 133-page report they commissioned on Reagan and the networks. Speaker O'Neill, who will make the nonpartisan Congressional Research Service report public, thinks the networks, especially CBS, have failed repeatedly to provide equal access for opposition views following Reagan's addresses to the nation.

(Tom Shales, Washington Post, B1 "Style")

NATIONAL NEWS

DONOVAN PLEADS NOT GUILTY

NEW YORK -- Secretary Donovan pleaded not guilty to a grand jury 137-count indictment accusing him and nine other men of grand larceny and fraud on a New York subway project. Walter Mondale reacted cautiously to the latest in a string of scandals affecting the Reagan Administration, saying Donovan should be presumed innocent until proven guilty. A number of leading Democratic politicians said they doubt Donovan's troubles will have an adverse effect on Reagan's reelection campaign.

(George Lardner, Washington Post, A1)

Donovan said he was "shocked to learn" that none of the questions he was asked during the testimony before a grand jury on Sept. 24 had related specifically to the charges. He said he had learned the grand jury voted on the charges the same day he testified. "The indictment was obviously prepared before I testified," he said. (Cene Goltz, Washington Times, A2)

Embattled Secretary Donovan has vowed to fight charges of fraud and grand larceny. President Reagan rallied behind Donovan, the first cabinet member to be indicted while in office, but Democrats sensed there was a political issue in the making. Some Democrats said the indictment could revive charges of a "sleaze factor."

(Andrew Geller, Reuter)

DEMOCRATS LEERY OF DONOVAN ISSUE

Only incautious Democrats tried to raise anew the cry of "sleaze." Democratic old pros predictably were more cautious. Said Rep. O'Neill, the Speaker who loves nothing better than scrapping with Ronald Reagan: "I trust the hope the indictment would not be political." Polls show people dislike Administration policies but like President Reagan, O'Neill said, and "the sleaze factor never rubs off." (News Analysis by Wesley Pruden, Washington Times, A1)

MONDALE: DONOVAN CHAPGES 'SERIOUS'

Walter Mondale, noting charges against Secretary Donovan are "very serious," said President Reagan should determine whether there is a "reasonable basis" for the indictments, and, if so, he should drop the labor secretary from the Cabinet.
(Alan McConagha, Washington Times, A3)

DONOVAN CASE SEEN AS ISSUE OF LEADERSHIP

Democrats charged the criminal indictment of Secretary Donovan is the latest example of President Reagan's failure of leadership, but none of those surveyed said it would have an adverse effect on his reelection campaign. Mondale criticized Donovan as "the weakest secretary of labor in modern history" but said he should be presumed innocent until proven guilty.

(James Dickenson, Washington Post, A13)

'YOU GOTTA DO WHAT YOU GOTTA DO, ' DONOVAN PROSECUTOR SAYS

NEW YORK -- District Attorney Mario Merola shrugged wearily at the suggestion that politics might have something to do with his prosecution of Secretary Donovan. "We backed into the Donovan operation," he said, noting that evidence surfaced unexpectedly during an investigation into a murder case. But Merola, who is generally respected citywide as a tough, unrelenting prosecutor, also made plain that he had no qualms about going after Donovan.

(Margot Hornblower, Washington Post, A13)

UNDERSECRETARY FORD TAKES HELM AT LABOR

Undersecretary Ford took charge of the Labor Department. The switch is not expected to result in substantial changes in policies. Ford is known to share Reagan and Donovan's support for eliminating many regulatory constraints on business and relaxing enforcement of health and safety laws by telling inspectors to act less like policemen and more like consultants to help businesses improve their work places.

(Peter Perl and Fred Earley, Washington Post, A19)

ASSESSING THE DAMAGE: REAGAN CAMP HOPES FUROR OVER CHARGES AGAINST SECRETARY FADES QUICKLY

The indictment of Secretary Donovan jolted President Reagan's reelection campaign, but officials said they hoped any damage would be eased by Donovan's decision to take a leave of absence. Both James Baker and Edward Rollins directed subordinates not to discuss the matter with reporters. Nevertheless, a senior campaign official, speaking on condition that he not be identified, said the indictment dismayed top campaign aides because it had come so close to the election.

(News Analysis by Steven Weisman, New York Times, A1)

STUDY RAPS REAGAN ON AGED AID

The Reagan Administration has reduced the growth of spending on programs for the elderly by nearly \$24B, or \$900 for every American over 65, according to a private analysis released yesterday. "Broken Promises: A Report on the State of the Elderly During the Reagan Administration," contends that no major program serving the elderly has improved its level of service under President Reagan. The National Council of Senior Citizens and the American Federation of State, County and Municipal Employes did acknowledge that the overall amount of money spent on programs for the elderly has risen under Reagan. (Washington Post, A2)

HOUSE PASSES PACKAGE OF ANTICRIME MEASURES

The House waded through an agenda of election-year crowd-pleasers and gave easy bipartisan approval to bills toughening anticrime laws and guaranteeing social security recipients a cost-of-living increase in January. The House also approved a Democratic-inspired measure requiring that the President submit a balanced budget, starting with fiscal 1986, or explain why he cannot and assess how it would affect the economy. (Margaret Shapiro, Washington Post, A4)

EPA ADDS 244 SITES TO PRIORITY-CLEANUP LIST

The EPA named 244 new sites to the priority list for "Superfund" cleanup, bringing to 786 the number of toxic-waste sites that the agency believes may pose an imminent threat to public health. The new sites represent a 45% increase in sites deemed to be the nation's "most hazardous." The EPA announcement came as a group of environmental lobbyists abandoned their briefcases for the streets in a last-ditch effort to move an expanded Superfund bill through the Senate. With banners hiding their three-piece suits and a bullhorn calling out chants, more than three dozen representatives of eight environmental and public interest groups staged an hour-long demonstration on Capitol Hill that looked more like Earth Day than coat-and-tie Washington. (Cass Peterson, Washington Post, A3)

URBAN LEADERS SAY SHORTAGE OF HOUSING IS REACHING CRISIS

Urban leaders told a House subcommittee that the housing shortage has reached critical proportions in American cities and that the Reagan Administration has done little about it. Secretary Pierce, who contends there is no nationwide housing shortage except in isolated areas, did not appear at the hearing. HUD officials told the subcommittee that Pierce was campaigning for President Reagan and that no representative was available. Subcommittee Chairman Barney Frank (D.-Mass.) said HUD appeared to be "dealing with the issue by not discussing it." (Howard Kurtz, Washington Post, A4)

RICHTS BILL DANGLING IN SENATE

The 98th Congress' major civil rights legislation dangled by a frazzled thread in the Senate last night as Republican leaders proposed to sidetrack it in hopes of clearing the way for passage of a spending bill to fund most government operations after they run out of money at midnight. Before the bill was pulled back from the cliff, the chamber echoed with some of the most emotional oratory of the session as Sens. Packwood and Kennedy, chief sponsors of the rights measure, parted company on whether to continue pushing the measure despite odds against success. Kennedy shouted his intention to continue fighting, declaring, "Shame on this body," (Helen Dewar, Washington Post, A1)

HILL WRESTLES BUDGET, CIVIL RIGHTS MEASURES

The Senate continued to struggle over a civil rights bill while House Democrats pushed through an anti-crime package and a bill calling for the President to submit a balanced budget. The House rammed through Democratic-sponsored balanced budget legislation that Republicans called a "toothless wonder" designed to gather votes for Democrats in an election year.

(Rita McWilliams, Washington Times, A1)

BENEFIT BOOST NEARS FINAL CONCRESSIONAL APPROVAL

Social Security beneficiaries will be assured of a cost-of-living increase Jan. 1 no matter what the inflation rate is, under legislation nearing final congressional approval and President Reagan's expected signature. The House approved the measure, 417-4. "This legislation neither helps nor hurts beneficiaries because the economic conditions are such that under present law beneficiaries will get the cost-of-living adjustment this year anyway," Rep. Pickle (D.-Tex.) told colleagues. Rep. Conable (R.N.Y.) said that if the bill weren't passed, "the Democrats would eventually claim that somehow the President manipulated the inflation rate to prevent the elderly form getting the cost of living." (Margaret Scherf, AP)

FED PROBABLY WON'T TAKE STEPS THAT SEND INTEREST RATES UP

With election day not far off, private analysts doubt Federal Reserve policymakers will take any strong steps that might send interest soaring. Politics aside, they argue there is nothing going on in the economy that calls for the central bankers to alter their current monetary course. (Sally Jacobsen, AP)

ANTI-AIRCPAFT GUN TEST CRITICIZED

The general in charge of weapons research criticized Army testers for placing radar reflectors on a target helicopter to help the aim of the controversial Sergeant York mobile, anti-aircraft system. "Although they tell me this is acceptable in the test community, I have to tell you I question really that's the way to go," said Lt. Gen. Louis Wagner Jr. He made his comments during testimony before the Senate Armed Services Tactical Warfare Subcommittee.

(Walter Andrews, Washington Times, A2)

NAVY NOW SEEKING MORE COMPETITION IN ENGINE CONTRACTS

The Navy will seek a second source to produce engines for its F18 fighter as part of a larger effort to increase competition in military procurement, Secretary Lehman said. (Fred Hiatt, Washington Post, A18)

DEVELOPMENT OF NEW CROPS SEEN NEEDED

U.S. agriculture needs to develop new crops to diversify its production and reduce its vulnerability, but federal researchers have virtually halted their efforts in that area, according to a new report. American farming is vulnerable to drought and reduced water supplies, increased soil salinity in irrigated areas, soil erosion and pests, said Paul Knowles, a retired University of California agronomist. (Jim Drinkard, AP)

INTERNATIONAL NEWS

NICARAGUAN LEADER SAYS U.S. PLANNING INVASION OCT. 15

NEW YORK -- Daniel Ortega charged in a U.N. speech that direct U.S. military action against Nicaragua, modeled on last year's invasion of Grenada, will be "ready to begin" Oct. 15. He later cited "intelligence information from various sources" and increased U.S. military activity near Nicaragua's borders as evidence to back up his claim. State Department officials here dismissed the charge as "nonsense." A Pentagon spokesman said the charge was "utter nonsense." (Joanne Omang, Washington Post, A1)

The Sandinista leader said he fears U.S. military action in Nicaragua if President Reagan is reelected. He also expressed concern over Walter Mondale's recent remarks that Nicaragua should be quarantined if the Sandinistas continue to aid lefist rebels in El Salvador. (Thakur Das, Washington Times, A1)

LATIN PEACE PACT CHANGES SOUGHT

El Salvador, Costa Rica, Guatemala and Honduras want modifications made in a regional peace plan proposed for Central America before they sign it, Honduran FM Barnica said. Mexico said earlier that the U.S. announcement that its allies and itself in the region would not accept the plan as written "confuses" the final weeks of critical negotiations and contradicts the previous American policy. (Washington Times, A1)

SANDINISTAS REFUSE TO POSTPONE NICARAGUAN ELECTIONS

RIO DE JANEIRO -- Nicaragua's November 4 election will take place as scheduled. A spokesman for the Sandinista government made the announcement after talks with leaders of the opposition alliance ended in failure. (Reuter)

HONDURAS CONSIDERS HOSTING U.S. COUNTER-INSURGENCY COURSES

TEGUCIGALPA -- Honduras is considering hosting U.S.-instructed counter-insurgency courses following the closure of an American military training school in Panama. A senior military official said a special civilian-military commission was appointed three weeks ago to study the transfer.

(Anne-Marie O'Connor, Reuter)

ENVOY SAYS LEADERSHIP STRUGGLE UNDER WAY IN KREMLIN

Despite the Soviets' decision to talk with the U.S., a leadership struggle in the Kremlin could hold up any progress in efforts to reduce nuclear weapons, says the U.S. ambassador to Moscow. After nearly eight months, President Chernenko still is unable to assert his authority, particularly on issues involving the Soviet military, Ambassador Arthur Hartman told reporters.

(Barry Schweid, AP)

U.S. BEGINS CRIME-FIGURE ARRESTS IN A CRACKDOWN WITH ITALY

Federal law enforcement officials, acting under a new extradition treaty with Italy, have begun to arrest 28 high-level organized crime figures sought by the Italian government in a crackdown on the Sicilian mafia. Attorney General Smith, meeting for the first time with members of the new Italian-American Working Group on Organized Crime and Drug trafficking, said the Italian operation is the "single most devastating assault on the Mafia in its entire history..." (Mary Thornton, Washington Post, A2)

SHULTZ REPUFFS LEBANON ON AIDING PULLOUT

NEW YORK -- Secretary Shultz turned down a Lebanese appeal that the U.S. take part in arranging withdrawal of Israeli military forces, saving "much more flexibility" and "quite a change in mood" on all sides would be required before such an effort would be undertaken. (Don Oberdorfer, Washington Post, A28)

U.S. CLAIMS PANEL SUSPENDS WORK AFTER IRANIANS BEAT JUDGE

THE HACLE -- The Iran-U.S. Claims Tribunal, the last forum for regular dialogue between Washington and Tehran, appears in danger of falling victim to the violent impulses of Iran's revolutionary politics after two Iranian members beat up a Swedish judge last month. The U.S. Government has insisted that the Iranian judges be replaced before arbitration work

(William Drozdiak, Washington Post, A23)

PEPES RRINGING SHOPPING LIST TO REAGAN

When PM Peres meets with President Reagan next Tuesday, he is expected to have with him a large shopping list of new requests from the U.S., including the initiation of a process aimed at eventually forging a formal military alliance between the two countries, according to diplomatic sources. Peres' major appeal, however, will be for economic aid. The Reagan Administration was ready to approve substantial aid to help Israel over its economic crisis, according to an Administration source. (Donald Neff, Washington Times, A5)

FIRST FORMAL SAUDI-EGYPTIAN CONTACT IN CAIRO SINCE 1979

CAIRO -- A meeting between a Saudi cabinet minister and the Egyptian leadership -- their first formal contact in Cairo since Egypt made peace with Israel -- was due to take place today. President Mubarak was to meet with the Saudi oil minister Yamani, who arrived last night but told reporters he was in Cairo strictly on behalf of OPFC. Western diplomats said the presence of Yamani could be taken as another sign of Egypt's reintegration into the Arab world. (Reuter)

NETWORK NEWS SUMMARY FOR TUESDAY EVENING, October 2, 1984

DONOVAN (ALL NETS LEAD)

CBS's Dan Rather: A defiant Raymond Donovan today became the first U.S. Cabinet member in office ever to be booked, finger-printed, and charged with crimes. President Reagan's Labor Secretary took unpaid leave from office and came to New York to plead "not guilty" to a 137-count criminal indictment.

CBS's Rita Braver: Raymond Donovan went into a Bronx courtroom and pleaded "not guilty" to charges that he committed Grand Larceny and falsified information to the New York state government. (TV coverage: Donovan talking to reporters: "I commented yesterday --without having seen the indictment -- that it was not worth the paper it was written on. Now that I've seen it, I realize that I overstated its value.") The charges that Donovan and other officers of the Schiavone Construction Company stole money from the government on a multi-million dollar subway construction project. Ten percent of the contract was supposed to go to minority subcontractors, but it charged that Shiavone claimed to pay \$8 million more than it really paid to one of those subcontractors, partly owned by a reported mobster. The Bronx District Attorney, Democrat Mario Merolla, charged that Donovan was part of the scheme. (TV coverage: Merolla in his office, talking to newsmen: "Mr. Donovan was the beneficiary, the owner -one of the owners, one of the shareholders and operators -- and he certainly got the benefits of all the scullduggery.") But inside the courtroom, Donovan's attorney, William Bittman, shouted that the indictment was nothing more than a sham, drafted even before Donovan testified before the Grand Jury last week. And lawyers for Donovan and the others have argued all along that the Bronx case is just a rehash of information considered -- but not acted on -- by Federal Special Prosecutor Leon Silverman. In 1982, Silverman found no credible evidence against Donovan in an extensive investigation into his alleged corruption and ties to organized crime. Silverman today told CBS News that he'd looked only at federal, not state violations. And Merolla acknowledged that the Bronx Grand Jury used much of the information available to Silverman, including 892 FBI surveillance tapes. (Merolla: "We're able to put together what I perceive to be all of the pieces, or if you like, a mosaic.") But Merolla would not be specific about that evidence, and Donovan and the others have charged it's all partisan politics. (TV coverage: Attorney Theodore Geiser: "This is 5 weeks before election -- I would suppose it has something to do with that.") (Donovan: "Mr. Merolla may have won today's battle by the misuse of his office, but I guarantee you this -- he will not win the war.") If convicted on all counts, Donovan could face prison terms totalling 551 years. His attorneys say they'll file for immediate dismissal of the case.

ABC's Peter Jennings: It has never happened before. The Secretary of Labor, Ray Donovan, walked into a criminal courthouse today, he was finger-printed and photographed -- He is the first member of any President's Cabinet to be indicted on criminal charges while serving in office. Donovan and seven officials of a construction company of which he is part owner were charged today on 137 counts.

DONOVAN (continued)

ABC's Michael Connor: Raymond Donovan came to court today, fighting his way through a swarm of mean people, formally charged as a criminal. Inside, in a courtroom packed with almost 200 spectators, Donovan sat quietly as his lawyer answered a plea of "not guilty" to the charges in a 73-page indictment. According to that indictment and statements by the District Attorney, Donovan and his former company, Schiavone Construction, and its top executives, stole \$8 million from the New York City Transit authority. They did this, allegedly, by having a minority subcontractor falsify records and submit phoney bills for work that was never done. D.A. says the subcontrator was not a legitimate minority enterprise. Afterwards, Donovan said he wanted a trial as soon as possible. (TV coverage: Donovan addressing reporters: "It is essential that this matter be laid to rest so that I and 90 other innocent people can remove ourselves from the clutches of this inquisition.") Basic allegations against Donovan were investigated two years ago by a special Federal Prosecutor, Leon Silverman, who found insufficient evidence to indict. But Silverman's mandate was prosecuting violations of federal, not state, law, and the Bronx District Attorney says he had more information available than Silverman. (TV coverage: Merolla: "We were able to put together what I perceive to be all of the pieces or, if you like, a mosaic -- we got the entire picture.") Merolla's case grew out of a murder investigation of two reputed mobsters. One of them, William Masselli, did business with Schiavone, and was named in today's indictment. He was also charged in a separate indictment with murder. Merolla was vague about Donovan's role in the theft of the \$8 million, and he had to be pressed for details -- (TV coverage: Merolla: " -- His people -- signed these false documents -- and these people were employees and officers of the corporation -- " Reporter asked: "Did he take part in such a scheme?" Merolla: "The answer is ves.") For his part, Donovan vowed to continue the fight. (Donovan: Merolla may have won today's battle by the misuse of his office, but I guarantee you this -- he will not win the war.") Donovan says that in all of this, he wants to minimize the political damage to the President. But he is, also, at risk personally. If convicted on all the charges, he could face a sentence of life in jail.

NBC's Tom Brokaw: Labor Secretary Raymond Donovan appeared in court today and said he was not guilty of 137 counts in a criminal indictment. President Reagan used the Labor Secretary's case to complain about the treatment of other members of his Administration, and NBC News has learned that there are serious charges about FBI conduct in the Donovan investigation.

NBC's James Polk: Donovan, surrendering at the Bronx courthouse today, to be finger-printed and photographed. (TV coverage of Donovan in New York.) This afternoon, Donovan entered a courtroom and sat quietly in the front row while his lawyer said for him, "He enters a plea of not guilty." The indictment charges Donovan and 9 others with one count of larceny and 136 counts involving false business statements. Donovan said he wasn't asked about any of that when he went before the Grand Jury last week. (TV coverage of Donovan addressing reporters: "The indictment was obviously prepared before I even testified. Now you tell me -- whether or not I have been afforded basic fairness under due process of the law.")

DONOVAN (continued)

Polk continues: He had harsh words for Bronx District Attorney Mario Merolla -- (Donovan continued: "Mr Merolla may have won today's battle by the misuse of his office, but I guarantee you this -- he will not win the war." Merolla: "Nobody's above the law. We have a job to do -- we had to do it.") Merolla said Donovan's construction company falsified its books in what Merolla called an \$8 million fraud on a New York subway project. (Merolla continued: "Mr Donovan was the beneficiary, the owner -- one of the owners, one of the shareholders and operators -- and he certainly got the benefits of all of the scullduggery -- ") But what did Donovan do, personally? (Merolla: "We're saying to you that he knew about all of these illegal transactions.") The indictment includes company transactions which continued through Donovan's three-and-a-half years as Labor Secretary. Donovan was released without bail and faces trial sometime after the election.

FBI INVESTIGATION

NBC's Brian Ross reports that in January 1981 an FBI headquarters memorandum informed top officials of the FBI that there were serious allegations in New York that Raymond Donovan had business and social ties with William Masselli, the very Mafia member with whom he was indicted today. But two weeks later, an FBI official who received the memo, Francis Mullen, went before the Senate committee considering Donovan's nomination to be Secretary of Labor, and testified the FBI had "surfaced no information which would reflect unfavorably upon Mr. Donovan in any manner." A Justice Department official now says Mullen simply did not tell the truth. A short while later, Mullen was promoted to head the Drug Enforcement Administration. Six law enforcement sources, involved in the Donovan case, including some in the FBI, told NBC that Mullen's testimony was just one example of a serious breach of the FBI's integrity in handling the Donovan case. One FBI agent assigned to the case took the unusual step of sending a letter to FBI Director Webster, alleging serious improprieties -- and a high Justice Department official, who has reviewed the case, savs that since 1981 there has been a cover-up -- a cover-up of FBI incompetence. Today, FBI Director Webster denied there had been any FBI cover-up. (TV coverage: Webster: "I say this is absolutely not true. I haven't seen the new indictment -- I can't comment on its provisions --Everything we had was given to the special prosecutor in that case.") Many of the kev FBI agents and supervisors originally involved in the Donovan case have now been disciplined or transferred, and some within the FBI now say that police in the Bronx have made a case that FBI agents could have made four years ago -- if they had been permitted to. (NBC-2)

MFROLLA

Jennings: (TV coverage: pre-taped interview with Merolla) We quoted Donovan to him -- that he (Merolla) was a Democrat, and that this was a political hatchet job.

MEROLLA (continued)

Merolla: Well, I think that the timing was most unfortunate, and the only thing that I can say to that — that I recognize it's 5 weeks before the election, and we would hope that this matter would have been resolved by the early Spring of this year. We have to get many orders, many federal court orders — that delayed us. We're now faced with a statute of limitations problem. So we have to do the best we can. I think we also ought to recognize the fact that one of the individuals who has been indicted here is a state senator from the Bronx — he's a Democrat — and I think that hurts me more.

Jennings: You well know that the special prosecutor found no reason, on two occasions, to prosecute.

Merolla: I don't think the special prosecutor said that. He said he found insufficient credible evidence. That means that the special prosecutor says he found some credible evidence. We have tried to indicate that we've got something on several months of tapes, we've got testimony from 25 people, which we did not lay out at a press conference -- nor should we, nor can we. However, we will lay that out at a trial.

Jennings: And you are absolutely convinced that you have the evidence to produce a guilty verdict?

Merolla: I say to you that we have the evidence -- that, presented to a Grand Jury, has resulted in these indictments -- and that he has to stand trial on these particular charges. (ABC-4)

Brokaw: (Interview with Merolla) Did Raymond Donovan personally gain anything from these charges against him?

Merolla: I certainly believe that he did gain something -- certainly, the corporation gained something. He is the major stockholder, and certainly is one of the officers of the corporation. We're talking about a time when he was not the Secretary of Labor --

Brokaw: The Secretary says there is nothing in this indictment that pertains to the questions he was asked before your Grand Jury last week. He charges that this indictment was prepared before he had an opportunity to state his case.

Merolla: We invite all public officials to appear before a Grand Jury. This Grand Jury has been listening to evidence a few months. We have talked to his attorney on at least two occasions prior to him coming in. We certainly told him the scope -- the dimensions of the investigation. However, we did not give him questions and answers. (NBC-3)

CAMPAIGN

CBS's Susan Spencer: Does the indictment of Ronald Reagan's Secretary of Labor help the Democrats by resurrecting the so-called "sleaze factor?"

CAMPAIGN (continued)

Spencer continued: (TV coverage of the President deplaning Air Force One today: "The only 'sleaze factor' that I've seen in all of the things that have been going on in these four years, if there is one --it's on the other side, with their baseless charges and accusations, that have all been proven false.") The Democrats have hammered away this election year at the ethical controversy surrounding more than 40 Administration officials. Some high officials have quit. (TV coverage: Mondale in Albuquerque in March 1984: "Almost every couple of weeks another rotten apple falls out of the tree, and it's just -- what I call the 'sleaze factor' that's going on here.") Today, Mondale was more restrained. (TV coverage: Mondale: "I believe there has been a tacky element to this Administration. The President has a duty right now to investigate -- ") The outcry over his own running mate's family finances may make Mondale reluctant to dwell on the "sleaze factor" again. Ferraro acknowledged today she's wary. (TV coverage: Ferraro addressing reporters: "I've been the subject of a lot of unfair accusations over the past couple of months and I don't think it would be right for me to comment on that.") (TV coverage of Democratic commercial) -- But Congressional Democrats who ran this commercial last spring are considering reviving it, adding Donovan's name to the list. coverage: Rep. Coelho: "There's a tendency on the part of this Administration to have a moral blindspot when it comes to the standard set by their country club cronies.") But can the Democrats make this stick against the President? Some doubt it. (TV coverage: Speaker O'Neill: "The President has some kind of a mystique that overcomes anything of that nature.") Some Republicans question the timing of the indictment. (TV coverage: Sen. Orrin Hatch: "I'd be willing to bet that maybe politics has a little bit to do with this.") Other Republicans agree -- but no one from the Reagan campaign would do an interview on the subject today, clearly waiting -- like the Democrats -- to see how this all plays with the voters. (CBS-2)

ABC's Sam Donaldson: President Reagan, having moved like summer lightning yesterday to roll the stricken Donovan out of the political spotlight, stepped off Air Force One today intent on mopping up any lingering taint. He took reporters' questions, and went on the attack. (TV coverage: The President addressing reporters after deplaning: "I don't think there are many precedents for all the attacks and assaults that have been made on so many people of our Administration -- with allegations and charges that were without any foundation in fact and which would later reveal this having no foundation in fact -- and the people were cleared. There's a kind of a lynch atmosphere in that.") The President said he wouldn't comment specifically on the Donovan case since it's in court, but he was sure Democratic charges about a new "sleaze factor" wouldn't stick. (TV coverage: The President: "The only 'sleaze factor' that I've seen in all the things that have been going on in these four years -- if there is one -- it's on the other side, with their baseless charges and accusations. that have all been proven false.") In addition to dealing with the Donovan case, Mr. Reagan seized the moment to tackle Lebanon once again -- and who bears responsibility in the Beirut embassy bombing. (TV coverage: The President: "I am responsible, as I said that I was on the previous tragedy. I was responsible, and no one else, for our policy and our people being there.")

CAMPAIGN (continued)

Donaldson continued: And having said that, Mr. Reagan said no one else will be held accountable, since no one did anything wrong. (The President continued: "No, I'm not going to deliver somebody's head up on a platter — which seems to be the request of so many when things like this happen." Reporter: "There will be no fault-finding here, sir?" President: "No, we've had an investigation. There was no evidence of any carelessness or anyone not performing their duty." Reporter: "Case closed?" President: "Yes.") Case closed on Lebanon? Unlikely. Lebanon represents a festering political sore and the President's aides know it. But the Donovan case is another matter. The prompt action — not too much, but not too little — tends to put Donovan and his Democratic critics on hold — at least, until after the election. (ABC-2)

APC's Brit Hume: Walter Mondale was bound for Arkansas today, to say the President has handled farm issues badly, but at the airport he was bombarded with questions about how Mr. Reagan handled the Donovan case. (TV coverage: Mondale addressing reporters: "His first reaction was instinctive political defense. I don't think that is nearly good enough. In this case, the Secretary of Labor has been indicted on several counts that are very, very serious. The President has a duty right now to investigate whether there's reasonable grounds for those charges. If he doesn't do that, then I think that will strengthen the case that they're inattentive to the public trust, and it will become a stronger issue.") Mondale said if the President finds some basis for the charges, Donovan should be fired -- not because of guilt or innocence, but for reasons of what Mondale called "public administration." If that seems a little unclear, Mondale's running mate, campaigning in Illinois today, had a reaction that was even less definite. (TV coverage: Ferraro addressing reporters: "I've been the subject of a lot of unfair accusations in the past couple of months, and I don't think it would be right for me to comment on that. I think Mr. Donovan did the right thing in stepping aside, and I don't know how the President's handling it.") If the Democratic candidates seemed not to be making much of the first indictment ever of a sitting Cabinet member, it may be because by the time they got around to saving something about it, Donovan had stepped aside, and there wasn't much left to say. (ABC-3)

Brokaw: It took no time at all for the Donovan indictment to become an issue in this Presidential campaign. Democratic Party Chairman Mannatt today called for the President to fire Donovan. Walter Mondale didn't go that far, but he did say that he presumes Donovan is innocent until proven guilty, and he still questions the way Mr. Reagan handled the matter. (TV coverage: Mondale: "It is a serious matter. It has to be taken seriously. The President must -- his first reaction was to immediately endorse his Secretary -- I think that was wrong. I think he should immediately determine whether there's validity to these charges. But the mere matter of an indictment -- as such -- if there's no basis for it, would not be a grounds for removal.") Campaigning in Texas today, President Reagan also says he considers Donovan innocent until proven guilty, and he charged that his appointees have been victims of what he called a lynch atmosphere.

CAMPAIGN (continued)

NBC's Chris Wallace: As the President arrived in Texas, he tried to blunt two troublesome issues. Just off Air Force One, he said he will let the legal process decide Ray Donovan's place in his Cabinet -- but there will be no finding of fault to the Beirut bombing. On Donovan, Mr. Reagan resisted call the Labor Secretary resign, saying a leave of absence is (TV coverage: President at airport, addressing reporters: "There is a tradition in the law of our land that's as old as this country: that you are innocent until you are proven guilty.") The President said he would not comment on the case against Donovan, but that past allegations against his aides were part of a lynch atmosphere. He used the Democrats term against him -- the "sleaze factor." (TV coverage: The President continued: "The only 'sleaze factor' that I've seen in all of the things that have been going on in these four years -- if there is one, it's on the other side -- with their baseless charges and accusations, that have all been proven false.") Mr. Reagan brought up Beirut himself -- apparently disturbed by charges he's tried to avoid blame for the incident. (The President continued: "I am responsible, as I said that I was on the previous tragedy. I was responsible, and no one else, for our policy and our people being there.") As with last year's Marine headquarters bombing, he said no one will be held accountable. (The President continued: "I'm not going to deliver somebody's head up on a platter -- which seems to be the request of so many when things like this happen -- there was no evidence of any carelessness or anyone not performing their duties.") The President campaigned across Texas, never again mentioning either subject. His advisers hope they stopped damaging Beirut questions -- and they don't want the Donovan matter to hound Mr. Reagan either. But they'll keep their options open on Donovan 'til they know more about his case. As for their granting him a leave of absence as their strategy 'til the election -- one top aide said, "That's our strategy -- 'til tomorrow morning." (NBC-5)

CBS's Bill Plante: When President Reagan arrived at his first campaign stop today, he had something he wanted to get off his mind even before Secretary Donovan's problems -- the bombing of the U.S. embassy in Beirut. Since that incident, no one in the Reagan Administration has taken any blame for lax security, nor had anyone accepted the responsibility, until Secretary Shultz did so Sunday. Today, the President came forward. (TV coverage: President addressing reporters after deplaning Air Force One: "It was typical of George, and I appreciate it very much, but the answer to the question is -- I am responsible, as I said that I was on the previous tragedy. I was responsible, and no one else, for our policy and our people being there.") However, Mr. Reagan still refused to affix blame. (The President continued: "No, I'm not going to deliver somebody's head up on a platter -- which seems to be the request of so many when things like this happen.") Challenger Mondale was quick to point out that it had taken the President 12 days to acknowledge this, and Mondale wanted still more. (TV coverage: Mondale: "I'm glad he's taken responsibility, and I accept I think he now has to really take responsibility and tell us what happened, what went wrong, and what he's doing to prevent a recurrence.")

NETWORK NEWS SUMMARY FOR TUESDAY EVENING, October 2, 1984

CAMPAIGN (continued)

Plante continued: Mr. Reagan's campaign managers claim that their polls show the public doesn't blame him for the bombing in Beirut. They also say that whatever happens to Secretary Donovan, they don't think it will cost the President many votes. Their only real concern at this point, is that Mondale have as little ammunition as possible from either issue going into Sunday's debate. (CBS-3)

MAFIA

ABC's Ken Walker: (TV coverage: Attorney General Smith: "What has happened here constitutes the single-most devastating assault on the Mafia in its entire history.") The cause for all the excitement is an unprecedented wave of arrests in Italy of alleged Mafia bosses. The Attorney General is expected to announce new actions against organized crime tomorrow, but suggestions that all this might cripple the Mafia is met with skepticism among professionals at the FBI. They say they see nothing yet that would threaten the Mafia's influence.

(ABC-5, NBC-6, CBS-5)

ESPIONAGE

Jennings: The FBI today announced arrests in two apparently unrelated cases of espionage. An East German woman was picked up at New York's Kennedy Airport last night. She's accused of trying to smuggle classified information out of the country to the Soviet KCB. The FBI also arrested a Naval intelligence analyst -- charged with selling classified pictures to a British defense magazine. (ABC-7, CBS-6, NBC-8)

HOME SALES

Rather: According to figures released today, sales of new single family homes slumped badly in August. They fell more than 8% from July. Mortgage rates have dipped about a point since June, but realtors say they're still too high to entice a new buying surge. (CBS-8, ABC-13)

ORTEGA

Brokaw reported that Nicaraguan leader Ortega made an alarming charge before the U.N. General Assembly today -- a charge that was immediately denied. Ortega said the United States was planning a Grenada-style invasion of his country on October 15 of this year. James Baker said Ortega's claim about a military offensive was absolutely not true.

(NBC-7, ABC-10, CBS-4)

SOVIET COSMONAUTS

Rather: Three Soviet cosmonauts came back to home ground today, finishing their mission in orbit on the 238th day. (CBS-7, ABC-8, NBC-9)

FFRRARO

APC's Charles Gibson reports that Geraldine Ferraro has amended her financial returns from 1978 to the present -- which are filed with the House of Representatives. (ABC-6)

FDITORIALS/COLUMNISTS

REAGAN/GROMYKO

The Gromyko Report -- "...it is a fact that Ronald Reagan has a barrier to cross in getting the Soviets to negotiate. They see him as a stimulus for America's new mood of buoyancy and self-confidence, with what they see as a strain of ultranationalist militarism mixed in. We hope Mr. Gromyko reports back that the Kremlin has good reason to resume constructive talks with the Washington leadership."

(Christian Science Monitor, 10/2)

The Reagan-Gromyko Talks -- "Politically, the Gromyko meeting had a clearer significance. The attention it has gotten works to President Reagan's advantage, and even the Soviet Union's official coolness does not hurt him, because he has been saying it all along they were tough customers. Even the Soviets' gestures in Mr. Mondale's direction only seems to emphasize what the Republicans have been saying about his inclination to be too accommodating to international adversaries. As encouraging as it was to see the President and a Soviet leader discussing their differences together and as tempting as it is to find a turning point, the pattern of relations for the next four years cannot be established until after November, when the political significance of these gestures diminishes and both sides are free to set a course." (Chicago Tribune, 10/2)

Monument to Failure -- "As it is, all that Mr. Reagan has to show in three years and nine months is a promise from the Russians to 'keep in touch.' What a pathetic monument to his incompetence in handling the nation's most important foreign policy challenge." (St. Louis Post-Dispatch, 10/1)

Hopeful Signs -- "All that can be said for now is that the Kremlin appears to be signaling a recognition that Reagan may be around for another four years, and that it no longer rules out the possibility of dealing with him."

(Los Angeles Times, 10/1)

Window for Opportunity for Reagan -- "Reagan now has a window of opportunity to respond positively and creatively to Gromyko's call for deeds and not words. Submitting the SALT II and two nuclear-testing treaties to the Senate for ratification presents the President with the simultaneous opportunity to strengthen his domestic and international stature concerning the most important single issue of our time, to test the Soviet desire to improve the prospects for peace and, most important, actually to lessen the danger of nuclear war."

(Dan Caldwell, Los Angeles Times, 10/2)

BEIRUT BOMBING

Reagan Accusation Out Of Line -- "As welcome as the Artful Dodger's mea culpa to a much-abused Jimmy Carter was, Reagan has a lot more to apologize for. But that can wait. His first priority must be to ensure that our people in Beirut are not so readily snuffed as they have been. There are vicious types in Beirut and Damascus who would jump at the chance to humiliate America once more, especially before our election. Shortly after last week's bombing, the Islamic Jihad put us on notice that we haven't seen the last of them. Are we ready this time, Mr. President?"

(Atlanta Constitution, 10/1)

Editorials/Columnists (continued)

Another Beirut Terror Bombing -- "The blood feuds in Lebanon run too deep for either the Israelis or for the U.S. to stop them...The U.S. should avoid taking sides between the feuding religious factions. We should do what's right in Lebanon, not out of fear but out of strength and commitment to justice for all the peoples of the tortured Middle East. We must continue to maintain an official presence in Lebanon, and we must take more effective measures to protect our people there."

(San Diego Tribune, 9/24)

Losing The War On Terrorism -- "The president, like Gulliver, finds himself fettered by the world's Lilliputians -- be they the Islamic Holy War in the Middle East or the Sandinistas in Nicaragua. Even retaliation, as the Israeli experience suggests, wouldn't change matters. Power, Jimmy Carter knew, has its limitations. Reagan ridiculed him for that, but this debate is no different from all others. Reality has the last word."

(Richard Cohen, Denver Post, 9/25)

Where The Buck Stops -- "Lost in this Presidential evasiveness is the simple truth, attested to by U.S. officials in Beirut: The embassy was bombed not because of CIA weakness or any other intelligence failure. It was truck-bombed, as the West Beirut embassy and the Marine head-quarters were truck-bombed before it, because American security precautions were inadequate. Period..." (Miami Herald, 9/30)

Mideast Realism Gains Ground -- "A new realism may be afoot in the Middle East. Jordan's surprise announcement of its intention to renew diplomatic ties with Egypt is the major development. But there is hope of a breakthrough as well in Israel's apparent acceptance of Syria's dominant role in Lebanon....The U.S., hopeful of persuading at least one of the outside forces to disengage from Lebanon, has the role of intermediary. In spite of the flurry of diplomatic activity, intemperate rhetoric will continue to drench the region. There are signs, however, that the new realism may play the more significant part. (Plain Dealer, 9/28)

REAGAN'S CAMPAIGN SPEECH

The Speech -- "President Reagan gave 'The Speech' to the Detroit Economic Club yesterday -- his basic, patented, Opportunity Society. America-is-back campaign speech, focused almost entirely on the Reagan economic record.... Several things were striking. For one, the President, even at the age of 73, looks good....Second, he is indeed a Great Communicator. Like most public speakers, he lost his place once or twice, but the pace, style, and resonant voice are a marvel to behold. And the message does indeed add up to a coherent whole, at least in our minds. At its most basic, it's a message of trust in the people. Trust that they can manage their own affairs, trust that over time they will learn from their mistakes and do the right thing, trust that the proper incentives will call forth the best within us. That's a view of his fellow citizens that's perfectly consistent with Mr. Reagan's specific policy prescriptions for less government spending, reduced regulation, and lower taxes.... In listening to The Speech, it became obvious that there's a world of difference (between Reagan and Mondale), and it's showing in the polls."

(Detroit News, 10/2)