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WEDNESDAY, JULY 10, 1985 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

NATIONAL NEWS

Razor-Tongued Stockman Buries Budget Knife, Resigns -- David Stockman, known for a tongue as sharp as his budget knife, resigned as the director of the Office of Management and Budget, effective Aug. 1.

(Washington Times, Washington Post, New York Times, AP, UPI, Reuter)

Wright: 'No Tampering with Social Security' -- President Reagan has given up his battle to freeze Social Security cost-of-living increases and accepted a defense spending ceiling for next year that he only recently said would hurt national security.

(UPI, AP, Reuter, Washington Post, New York Times)

INTERNATIONAL NEWS

President Describes Frustration of Finding 7 Lebanon Still Holds --

President Reagan said the United States has not been able to attempt a rescue of seven American hostages in Lebanon because they are being moved around quite often and a military operation might cost the captives their lives.

(Washington Times, Washington Post)

NETWORK NEWS (Tuesday Evening)

STOCKMAN RESIGNATION -- In accepting his resignation, President Reagan said, "David Stockman has served with dedication and distinction."
(All Nets Lead)

SECRETARY SHULTZ -- Secretary Shultz wound up his stay in Thailand by visiting a refugee camp just inside the border with Vietnam-occupied Cambodia.

DID YOU HEAR THE ONE ABOUT...

□ A story is going the rounds in the Soviet Union about a man who lost his parrot. After searching for the bird without success, he did what any prudent Soviet citizen would do. He went straight to the local KGB headquarters and said, "Pardon me, but I have lost my parrot. Just in case you find him, I want you to know that I totally disagree with his political viewpoint."

NATIONAL REVIEW / JULY 26

NATIONAL NEWS

STOCKMAN QUILTS OMB TO JOIN BANKING FIRM

David Stockman, the chief architect of President Reagan's effort to shrink the federal government and a center of controversy during 4 1/2 years as director of the OMB, resigned to join the New York investment banking firm of Salomon Brothers.

Larry Speakes issued a terse announcement of the resignation, due to take effect Aug. 1, and read a brief statement from the President lauding Stockman.

(Lou Cannon, Washington Post, A1)

Budget Chief Stockman Leaving to Take Job on Wall Street

Larry Speakes said Reagan accepted the resignation with regrets but understood Cabinet officials "owe it to their families and their careers to move on."

(Michael Gelb, Reuter)

Razor-Tongued Stockman Buries Budget Knife, Resigns

In a written statement, President Reagan said Stockman served "with dedication and distinction."

"His tireless efforts to bring fiscal discipline to the federal government and ensure economic stability for the country are deeply appreciated," the President said.

(Ralph Hallow, Washington Times, A1)

Stockman Heading for Wall Street; Speculation on Successor Begins

No successor for Stockman was immediately named, but a congressional source who spoke on condition that he not be quoted by name said the White House will announce that Joe Wright, deputy budget director, would serve as acting director until a successor is in place.

(Cliff Haas, AP)

Stockman Makes Long-Expected Departure

The announcement came as no surprise in the White House, where Stockman has been regarded for months as a prime candidate to join the staff exodus under way since the start of Reagan's second term.

Speculation swiftly turned to possible successors, with Reagan expected to look for someone adept at numbers and politics -- and less prone to controversy.

(Norman Sandler, UPI)

Stockman Resigns Top Budget Post; Going to Wall St.

White House sources said the list of possible successors included Commerce Secretary Baldrige; Drew Lewis, a former Transportation Secretary; Richard Darman, Deputy Secretary of the Treasury; Paul O'Neill, deputy budget director under President Ford; and John Svahn, assistant to the President for policy development.

(Bernard Weinraub, New York Times, A1)

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BUDGET CHIEF LEAVING HIS MAIN GOAL UNREALIZED

The big color photograph on the wall of David Stockman's office shows him in August 1981, warning President Reagan and his Cabinet in a Los Angeles hotel suite that the deficit for the next year would soar to an unheard-of \$60 billion.

That scene could serve as a symbol of Stockman's turbulent 4 1/2 years of director of the Office of Management and Budget.

He was the man who issued the warnings. He also became the most powerful domestic policy-maker of the Reagan era, drawing up the blueprint to put into effect Reagan's campaign promise to shrink the federal government.

But he leaves a legacy of the biggest federal debt in American history. (News analysis by David Hoffman, Washington Post, A1)

STOCKMAN: LIVELY MAVERICK IN ADMINISTRATION OF CONFORMITY

When Stockman goes off the government payroll at the end of the month, trading in his \$75,100-a-year salary for the big money to be made at one of the country's largest financial houses, he leaves as he came in: an outspoken maverick in an administration of gray conformity.

He is famed as the apostle of candor who revealed to a reporter that "none of us really understands what's going on with these numbers ... people are getting from A to B, and it's not clear how we got there."

(Harry Rosenthal, AP)

GOLIATH-LIKE BUDGETS AWAITING NEW DAVID

The federal budget process, marked by frequent stalemates during David Stockman's stormy tenure as budget director, is unlikely to change dramatically now that the 38-year-old number cruncher is heading to Wall Street, budget analysts say.

Gone, however, will be Mr. Stockman's fabled clashes with Congress and, some say, the rocky presentations that have marked the President's budget proposals each February. (Willis Witter, Washington Times, A10)

STOCKMAN SADDLES UP 'TROJAN HORSE'

Although the announcement of his departure had been expected for some time, the announcement Stockman would join the Salomon Brothers investment banking firm as a managing director for corporate and government finance on Nov. 1 caught many in official Washington by surprise.

But supporters and critics agreed that while Stockman's departure represented the loss of a great talent, the budget process would go on and President Reagan's agenda would be unchanged.

(News analysis by Mary Beth Franklin, UPI)

BIPARTISAN PRAISE FOR STOCKMAN

Congressional budget experts are united in their praise of David Stockman's ability to master facts but split on whether his departure as budget director will affect the House-Senate impasse over cutting the deficit.

Reaction on Capitol Hill to Stockman's decision to resign came quickly, with most lawmakers noting he has no peer in his knowledge of budget numbers.
(Joseph Mianowany, UPI)

REAGAN, HILL BREAK IMPASSE ON BUDGET

President Reagan and congressional leaders reached unexpected agreement on key Social Security and defense spending issues, paving a way for a possible compromise that could resolve the deadlock between Congress and the Administration on the fiscal 1986 budget.

House Majority Leader Wright said after a two-hour cocktail party at the White House that the two sides "are now substantially close because two of the big stumbling blocks have been removed."

(Lou Cannon and Helen Dewar, Washington Post, A1)

President Reagan meets with House and Senate negotiators amid signs of a break in the two-week-old congressional budget stalemate, including an apparent agreement not to tamper with Social Security benefits.

At a meeting with top congressional leaders, Reagan indicated a willingness to give up on a controversial proposal to freeze Social Security COLAs.
(Ann Devroy and Mark Rohner, Gannett)

Reagan to Accept Defense Spending Freeze, Democrats Say

Speaking after a two-hour meeting with Reagan and their Republican counterparts, the Democratic leaders said they understood Reagan had agreed to accept a \$267 billion military budget proposed by the Democratic-controlled House, which would allow an increase only to keep up with inflation.
(Reuter)

Democrats Say Reagan Abandoning Social Security Freeze

But Senate Majority Leader Dole had a different interpretation of the meeting. "There was no decision to take anything off the table," Dole told reporters.

"When you put together a compromise, it's not together until it's together," Dole added. "There were options discussed."
(Tom Raum, AP)

Wright: "No Tampering with Social Security"

"My clear understanding of the sense of the meeting was that the President and representatives of the Senate agreed that there would be no tampering with Social Security COLAs," Wright said.
(Ira Allen, UPI)

Leaders Report Budget Accord with President

The Speaker of the House, Thomas P. O'Neill, said he was extremely pleased with the outcome of the meeting. "I am very happy the President has acceded to the Democrats' position and taken Social Security off the table," he said as he left the White House.

(Gerald Boyd, New York Times, A1)

TAXES-HOUSING

President Reagan's tax plan would raise the cost of owning or renting a home, and in many cases the increase would outweigh any tax cut, the housing industry told Congress.

The after-tax cost of owning a home would be raised by 8.6 percent for a typical four-member family with annual income of \$25,000, the Mortgage Bankers Association said in testimony to the House Ways and Means Committee.

(Jim Luther, AP)

ADMIRAL TO HEAD JOINT CHIEFS

President Reagan will nominate Adm. William Crowe, currently Pacific commander, to become chairman of the Joint Chiefs of Staff, Pentagon sources said. If confirmed by the Senate, Crowe will replace Army Gen. John Vessey on Oct. 1, more than eight months before Vessey's four-year term is to expire.

The announcement is expected today.

(George Wilson, Washington Post, A1)

Admiral Crowe to Head Joint Chiefs of Staff

Rumors began circulating several months ago that Vessey wanted to resign for personal reasons, among them the reported serious illness of his wife. Pentagon sources also say he has been working up to this for the past six months because, "He was yearning to go back to Minnesota and fish."

(UPI)

Reagan to Nominate New Military Chief, Papers Say

The New York Times and The Washington Post said Reagan was expected to announce Crowe's nomination to succeed Army Gen. John Vessey.

(Reuter)

Sources: Admiral to Replace Vessey as Chairman of Joint Chiefs

White House spokeswoman Denny Brisley declined to comment on whether any such announcement was scheduled.

(Norman Black, AP)

NAVY REINSTATES ONE OFFICER IN SPARE-PARTS PRICING PROBE

Navy Secretary Lehman reinstated a California air base wing commander whom he relieved of duty six weeks ago because of purchases of over-priced spare parts, including \$659 aircraft ashtrays.

But Lehman reaffirmed his decision to remove the base commander and supply officer at Miramar Naval Air Station near San Diego, contending that they ignored high-level directives to correct "longstanding deficiencies" in such purchasing.

(Michael Weisskopf, Washington Post, A2)

MEESE ASSAILS HIGH COURT FOR CHURCH-STATE RULINGS

Attorney General Meese attacked recent Supreme Court decisions on the separation of church and state, saying the Constitution's authors would find the court's views "somewhat bizarre."

Meese, speaking at the American Bar Association convention, also criticized the justices for "ad hoc" rulings, based on "policy choices" rather than on "constitutional principles," and said the court continued "to roam at large through a constitutional forest."

(Al Kamen and Sandra Saperstein, Washington Post, A1)

Meese: Supreme Court 'Mistaken' on Constitution

"Far too many of the court's opinions, on the whole, have been more policy choices than articulation of constitutional principles," Meese said. The justices "continued to roam at large in a veritable constitutional forest."

(Andrea Neal, UPI)

Meese Criticizes High Court for Ruling with Political Eye

Meese's remarks before the American Bar Association's House of Delegates, which includes lawyers from every state, represented his most stinging criticism of the court since he was sworn in as attorney general.

(David Sellers, Washington Times, A1)

MAUREEN REAGAN BRANDS MEESE DECISION 'PATENTLY ABSURD'

President Reagan's daughter Maureen is denouncing as "just patently absurd" a decision by Attorney General Meese to hold up a \$625,000 grant to a group that operates shelters for battered women.

Meese decided to review the grant to the National Coalition Against Domestic Violence after he received a letter from several conservative congressmen asserting that the coalition advocates lesbianism.

(Maureen Santini, AP)

Maureen Reagan's Stand

Asked why Meese was holding up the grant, she replied tersely, "You'd have to ask him." When a reporter suggested she would be in a better position to question a member of her father's Cabinet, she answered, "I doubt it."

(Jacqueline Trescott, Washington Post, F3)

REYNOLDS NOMINATION VIRTUALLY DEAD

Republican leaders on Capitol Hill have all but abandoned hopes of reviving the confirmation of William Bradford Reynolds to become associate attorney general, congressional sources said.

(Christopher Simpson, Washington Times, A4)

REAGAN ADMINISTRATION SEEKS REVERSAL OF VOTING RIGHTS DECISION

The Reagan Administration is arguing that Congress never intended the Voting Rights Act to guarantee blacks would be elected to public office in direct proportion to their percentage of the population.

Instead, the Justice Department says, a 1982 amendment to Section 2 of the Voting Rights Act was designed to ensure "access to the electoral process -- not ensure victories for minority candidates."

(Merrill Hartson, AP)

FBI DIRECTOR FOLLOWS REAGAN TO THE BAR

FBI Director William Webster pushed the Administration's verbal assault on terrorism and said its practitioners are no more than criminals who should be arrested and tried for their crimes.

In a speech to the American Bar Association, Webster kept up the Administration's assault on terrorism, which the President started Monday in a heated address to the ABA.

(Henry Reske, UPI)

HHS ACCUSED OF IGNORING DES ALERT

The Department of Health and Human Services has neglected for more than five months the advice of its own task force to warn women exposed to the drug DES of recently revealed cancer risks, a consumer group charged.

(Susan Okie, Washington Post, A5)

U.S. BACKS BAN ON SUITS OVER MILITARY MEDICINE

After two days of hearings -- and hours of testimony from men and women who said they had received inept military care and had no hope of legal recourse -- Justice and Defense department officials said they believed that no law should be passed to allow active duty servicemen to sue for medical malpractice.

(Chris Spolar, Washington Post, A7)

POWELL

Supreme Court Justice Lewis Powell reluctantly has been forced to consider the possibility of retirement as he recuperates from two recent surgical operations, sources close to Powell say.

His decision will hinge on how well he recuperates through the summer from last January's surgery for removal of a cancerous prostate and a hernia operation he underwent Monday at the Mayo Clinic in Rochester, Minn., the sources said.

(Richard Carelli, AP)

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Powell May Retire After 2 Operations

The sources spoke only on the condition that they not be identified. Justice Powell has told people at the court he wants to continue his work as a justice but that the decision will hinge on his health.

(Richard Carelli, Washington Times, A1)

MAN LINKED TO REAGAN THREAT TO UNDERGO MENTAL TESTS

GRAND RAPIDS, Mich. -- A man who allegedly told the FBI he wanted to kill President Reagan over the TWA Flight 847 hostage crisis has been ordered to undergo psychiatric testing if he is indicted.

U.S. Magistrate Hugh Brenneman ordered John Edward Olson, 38, to be tested at the Federal Medical Center for Prisoners in Springfield, Mo., but only after an indictment or preliminary examination.

(Frederick Standish, AP)

EDITOR'S NOTE: "One in Five Military Doctors Lacks License," a story by Margaret Engel describing statistics which show 20 percent of military doctors are unlicensed, is on page A7 of The Washington Post.

"Hill actions point to more guns, less government butter" by Christopher Simpson and Stephanie Nall appears on page A3 of The Washington Times.

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INTERNATIONAL NEWS

'WE MUST BE CAREFUL'

President Reagan said that the seven Americans kidnapped in Lebanon in the last 16 months "are being moved around quite often" and that their lives could be endangered by precipitous U.S. action.

"... We must be very careful and not precipitate that threat being carried out," Reagan said in response to a question at a luncheon with out-of-town broadcasters.

(Lou Cannon and Al Kamen, Washington Post, A16)

President Describes Frustration of Finding 7 Lebanon Still Holds

"How do you rescue someone if you don't know where they are?" President Reagan asked. "How do you rescue them if at the same time you would have to reveal yourselves to the point that you might be bringing home a body instead of human beings?"

(Jeremiah O'Leary, Washington Times, A2)

BEIRUT AIDE SAYS SYRIA COULD FREE U.S. CAPTIVES

BEIRUT -- A senior Lebanese government source said there was little doubt Syria could bring about the release of seven Americans and five other westerners being held captive by Moslem radicals and the he expected Syria would obtain their release "at the right moment."

The statement, by a Lebanese official who spoke on the condition that he not be identified, came as Lebanese Moslem leaders announced a wide-ranging plan to improve security, with Syrian assistance, at Beirut International Airport and in Moslem west Beirut.

(Nora Boustany, Washington Post, A1)

CAMBODIAN REFUGEES SEEK AID

BANGKOK -- Secretary Shultz received a hero's welcome from displaced Cambodians at the Thai-Cambodian border but avoided a clear response to an emotional plea for greater U.S. support for their battle against Vietnam.

Shultz received the plea in a bamboo-and-thatch hut six miles inside Thailand that serves as administrative headquarters for 55,000 Cambodians driven out of a border camp by Vietnamese attackers last Dec. 25.

(Don Oberdorfer, Washington Post, A12)

Shultz, the highest ranking U.S. official to visit the embattled border, shook hands and patted babies as he waded through the throng of cheering refugees at the camp known as Site 7.

(Ted Chan, UPI)

Shultz Sees Cambodian Refugees, Thai Base

"You take into your gut what you know in your head about the ... tragedy" of Cambodia, Shultz said of the visit. The Secretary is scheduled to leave this morning for Kuala Lumpur, Malaysia, where members of the Association of Southeast Asian Nations are hammering out the latest political proposal to end the crisis in Cambodia.
(Stephanie Voss, Washington Times, A6)

Shultz to Begin Talks with Southeast Asian Nations

In Kuala Lumpur, Shultz and the ASEAN foreign ministers are expected to discuss the issue of normalizing relations between the United States and Vietnam.
(Reuter)

Shultz at Cambodian Border: A 'Gut' Understanding

In the Cambodian refugee camps and at the Thai village of Ban Thap Thai, children and adults lined the roads in front of their recently built bamboo-and-thatched-roof houses. The Cambodians carried posters and signs pleading for help in ridding their country of the Vietnamese soldiers who have occupied it since 1979. The Thais waved American and Thai flags.
(Shirley Christian, New York Times, A2)

CAMBODIAN REBEL AID CLEARED

For the first time, the Democratic-controlled House went on record in favor of overt military or economic aid to non-communist forces fighting the Vietnamese occupation of Cambodia.

The 288-to-122 vote, on an amendment to the 1986 foreign aid authorization bill, allows the Reagan Administration to provide \$5 million next year and \$5 million in fiscal 1987 to two non-communist resistance groups.
(Margaret Shapiro, Washington Post, A4)

Rep. Solarz said the foreign ministers of many Southeast Asian nations will hail the action "because they believe it will contribute to an eventual solution to the problem."

The New York Democrat repeatedly denied accusations by opponents of the measure that it would inevitably lead to military aid falling into the hands of the Khmer Rouge.
(Lawrence Knutsen, AP)

House Vote Opens Door to New U.S. Role in Cambodia

It also voted to cut military aid to the Philippines and Turkey and to freeze overall spending in both years at the 1985 level of \$12.7 billion.
(Carol Giacomo, Reuter)

House Gives OK to \$5 Million to Aide Cambodian Resistance

The spending freeze, which exempted Israel and Egypt, was proposed by Rep. Fascell. Some observers saw it as a tactic to increase support for the bill when it comes up for final passage, possibly late today.
(Thomas Brandt, Washington Times, A2)

House Approves a Measure to Aid Cambodian Rebels

Solarz offered his amendment as a substitute for one proposed by Rep. Leach that would have limited the \$5 million to humanitarian assistance. (Jonathan Fuerbringer, New York Times, A3)

VIETNAMESE MAY ALLOW MIA SEARCH

Vietnam has indicated a willingness for the first time to let U.S. technicians search for the remains of missing American servicemen at sites where U.S. aircraft crashed during the Vietnam war, a senior defense official said.

Assistant Defense Secretary Richard Armitage said the United States previously failed to obtain Hanoi's approval to "excavate" the several hundred places where U.S. planes went down in the 1960s and 1970s. (Michael Weisskopf, Washington Post, A12)

VIETNAM TRYING TO LURE U.S. TIES BY USING POW-MIA ISSUE AS BAIT

Vietnam wants to trade information -- and occasional bones -- about missing American soldiers for normal diplomatic relations with the United States, a State Department official said.

"Basically, Vietnam is trying to use our interest in the POW-MIA issue to get recognition," said the official, who spoke on the condition that his name not be used. (Bill Outlaw, Washington Times, A1)

SOVIETS SEND UP TRIAL BALLOON ON 'STAR WARS'

Soviet officials apparently have launched a trial balloon in the arms talks with the United States, floating the idea that the Kremlin might now be willing to accept some "Star Wars" anti-missile research.

Spokesmen for the State Department and the White House say they have no knowledge of the Soviet suggestion. (Matthew Quinn, UPI)

SOVIETS 'STONEWALL' ARM TALKS OVER STAR WARS -- ROWNY

The Soviet Union is "stonewalling" progress at the nuclear arms talks in Geneva by continuing to insist that the United States abandon all research on a space-based missile defense system, Edward Rowny, the President's special adviser on arms control, said.

The ambassador dismissed a report in The New York Times that Soviet negotiators in Geneva had indicated for the first time they would be willing to accept an arms treaty allowing research on the Strategic Defense Initiative. (Walter Andrews, Washington Times, A4)

U.S. VOICES CONCERN ON SUDAN PACT

The United States expressed its "grave concern" about Sudan's new military pact with neighboring Libya, which Washington considers a chief sponsor of international terrorism.

Larry Speakes said the Administration had so far received only "sketchy" information about the agreement, which press reports said involved Libyan aid to Sudan for logistics, transport, air defense and training in the military field. (David Ottaway, Washington Post, A15)

New Sudan-Libya Link Sounds Alarm in U.S.

"We have shared our views with the Sudanese. We have been assured that no arrangement would be at the expense of relations with the United States," Larry Speakes said.

(Dave Doubrava and Jeremiah O'Leary, Washington Times, A1)

U.S. Says It Has 'Grave Concern' Over Sudan-Libya Military Pact

In Khartoum, the Sudanese capital, the pact was widely viewed as a sign that the Sudan's ties with Libya were warming at the expense of links to Egypt and the United States. A Western diplomat in Khartoum said that "at the very least, it shows that the new government here is determined to adopt a more neutral, less pro-Western stance."

(Bernard Gwertzman, New York Times, A1)

NEW U.S. REPORT CITES SANDINISTA TIES WITH 'RADICAL ARABS'

A new State Department report says Nicaragua has developed close ties with Libya, Iran and the PLO, resulting in "increasing dangers of violence for the entire hemisphere."

The report, which has not yet been officially released, says the Sandinistas' links with these Arab entities establish "Nicaragua's connection with international terrorism." (George Gedda, AP)

U.S.-CHINA NUCLEAR ACCORD CLOSE AFTER 14-MONTH DELAY

After a 14-month delay, the Reagan Administration is close to a final agreement with China that would clear the way for the sale of U.S. nuclear reactors and other nuclear technology to the world's largest communist nation, several sources report.

The nuclear accord has remained as unfinished business from President Reagan's visit to China last year. (R. Gregory Nokes, AP)

EDITOR'S NOTE: A "Perspectives on the World" column by Edward Neilan, "U.S. should continue aid to the Philippines," appears on page A7 of The Washington Times.

NEWS FROM THE STATES

CASTRO BLASTS REAGAN OVER TERRORISTS SPEECH

MIAMI (John E. Newhagen, UPI) -- Cuban President Fidel Castro lashed out at President Reagan during a three-hour speech, calling him "the biggest terrorist in the history of humanity," Cuban Radio Rebelde reported Tuesday. In a Monday press conference before delegates of the Fourth Congress of the Latin American Journalists' Federation in Havana, Castro called Reagan "the biggest terrorist in the history of humanity, and the biggest liar in the history of the United States." He departed only briefly from a lengthy three-hour discussion of the debt crisis facing Latin America. Castro has taken up the cause of debt-strapped Latin American nations in nearly every official statement he has made for the last several months, calling on them to stop paying back billion-dollar debts to U.S. and other Western banks. However, a recent report prepared by the Cuban National Bank shows that Castro is quietly trying to refinance its own \$3.4 billion debt with Western banks.

WHAT ARIZONA NEWSPAPERS ARE SAYING

ARIZONA (UPI) -- Arizona Gov. Bruce Babbitt is on target when it comes to President Reagan's tax reform proposal. The governor, who was one of the first Democrats to support an earlier tax-overhaul plan known as Treasury One, told Mr. Reagan and his advisers the White House proposal is fraught with inequities. "The President's proposal would give excessive tax breaks to corporations and the wealthy. His plan has slid back into the morass of gimmicks for corporate taxpayers and it isn't fair," commented the governor.

Babbitt, chairman of the Democratic Governors Association, was among eight governors at the White House meeting. Babbitt reportedly told the President Democrats would consider compromising to allow repeal of the deductibility of state and local taxes if his plan were altered to require wealthy taxpayers and corporations to pay their fair share. The governor told the President he should add a fourth bracket to his plan that would apply a 40 percent tax on the income of those making more than \$200,000 annually. That has been suggested before and likely fell on deaf ears.

FARM BILL MAY GO TO SENATE JULY 15

WASHINGTON (UPI) -- Sen. Edward Zorinsky, D-Neb., said Monday he hopes the Senate Agriculture Committee will have a farm bill to the full Senate by July 15 or 17. Zorinsky, ranking Democrat on the committee, said "seven or eight" versions of a farm bill are pending before the committee. The Reagan Administration's bill was eliminated from consideration last week, Zorinsky said. "We felt it was very unrealistic," he said. "It dealt with the demand side."

Zorinsky's bill, which included mandatory wheat allotments and targeted and tiered deficiency payments for feed grains that would be triggered by referendum, also was voted down. Zorinsky said the committee likely would take the best parts of each bill and put them together in a single bill.

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OHIO DEVELOPER TESTIFIES BEFORE WAYS AND MEANS COMMITTEE

OHIO (UPI) -- A southeastern Ohio developer planned to speak against President Reagan's tax reform proposal Tuesday in testimony before the House Ways and Means Committee in Washington. John L. Matthews, president of the Marietta-based Silver Heels Development Co., said Monday he is opposed to a part of the plan that would eliminate the federal investment tax credit. Matthews says eliminating the tax credit would halt several planned corporate and retail expansion projects. He says it also could set back community development programs and cost developers a valuable financing option.

STUDENT TO GET 10 MINUTES WITH REAGAN

CLEARWATER, Fla. (UPI) -- Persistence will pay off next week for Scott McQuigg, a 17-year-old Clearwater High School senior, when he has a 10-minute interview with President Ronald Reagan in the Oval Office of the White House. A spokesman for Rep. Michael Bilirakis, R-Fla., says McQuigg will be given time to ask three questions during the interview either July 18 or 19. The interview will become part of a documentary McQuigg and six other students plan to produce to explain to young people how Washington works. McQuigg has been trying to arrange an interview with Reagan for four years, ever since he was an eighth grade student working on a junior high school team producing an in-school television program.

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NETWORK NEWS SUMMARY

(Tuesday Evening, July 9, 1985)

STOCKMAN RESIGNATION/BUDGET

CBS's Dan Rather: President Reagan's first and only Budget Director, the controversial David Stockman has resigned. It happened late today as Mr. Reagan and congressional leaders were about to grapple again with federal budget gridlock -- the key impasse being the fight that will decide whether millions of Social Security recipients get their cost-of-living increases next year.

CBS's Bill Plante: David Stockman, the often-controversial Budget Director of the Reagan Administration, resigned, effective August 1, to take a job on Wall Street with an investment banking firm. Stockman took the lead for the President's tax and spending cuts and was often in hot water, but he leaves with warm praise from the President for his efforts. He'll have one more job -- helping with the new push by the President to break the deadlock on the budget for the coming year. With the House and the Senate stalemated over Social Security and defense spending, Mr. Reagan today turned up the heat.

(President: "The main problem lies in the House, which has proposed a budget that juggles funds back and forth between accounts, invents savings, and simply wishes away massive costs -- a budget that would be laughed at by bookkeepers in any well-run shop or business in the country.")

The sticking points are a Senate Republican freeze on Social Security COLAs and a House Democratic freeze on military spending. Mr. Reagan suggested he could be flexible on defense spending, but he still wants the Social Security freeze and still insists that he won't allow a tax increase. Republican congressional leaders say it's now or never.

(Rep. Michel: "-- weeks here, we're just up against the deadline here and something's got to give.")

Sen. Dole: "And it's backing up everything, whether it be tax reform, appropriation bills, whatever we're doing -- till we clear the decks on the budget resolution, everything else is going to be jammed up.")

Democrats rallied around the explosive Social Security issue, presenting what they said were two billion petitions -- six tons' worth -- asking Congress not to tamper with Social Security.

(Rep. Pepper: "And, Senator, the House is going to stand like Stonewall Jackson of your state not to let Social Security COLA be cut.")

Deficit-reduction is stalled on Social Security COLAs. The White House says that if the cuts aren't made there, they have to be made somewhere else. They say they're willing to compromise, but they fear that if it isn't done now, it will never get done in 1986 -- an election year.

(CBS-lead)

STOCKMAN RESIGNATION/BUDGET (continued)

CBS's Bruce Morton reports President Reagan came to office promising a major change -- a lessening rather than a growing role for government in Americans' everyday lives. As Budget Director, David Stockman was the point-man in that effort. The Reagan revolution had perhaps its biggest success that first year -- \$40B in cuts whisked through Congress by a Stockman-inspired strategy. But the sometimes-abrasive Stockman got in trouble, too, telling Atlantic magazine, We didn't add up all the numbers about the budget. He offered to resign, got a Presidential chewing-out instead. What this means, Stockman acquaintances said, was that the deficits kept mounting. He pressed for more defense cuts, but lost out to Secretary Weinberger. This year, in what he may have known was his last effort, Stockman went to Congress attacking Sacred Cows -- like military pensions. He got chewed out for that one, too. Today, colleagues were assessing Stockman's time in office. Stockman, as Budget Director, ran into a hard reality. This democracy, he said recently, wants low taxes and substantial spending. People didn't mind the resulting deficits. Stockman did. On the other hand, he added, nobody is running around these days calling for big new government spending programs either. (CBS-2)

ABC's Peter Jennings: President Reagan's Budget Director said today he will be quitting on the first of August. David Stockman will go to work in the investment firm of Solomon Brothers. He has been among the most controversial figures in the Reagan Administration, and, on occasion, the most outspoken.

ABC's Sam Donaldson: He was the youngest man to ever occupy the Budget Office, the longest-serving Budget Director since World War II, next to Bert Lance, the most controversial, next to no one, the most outspoken. In accepting his resignation today, President Reagan said, "David Stockman has served with dedication and distinction." And Larry Speakes called Stockman's leave-taking at this point in the budget process, "absolutely logical." Which, in fact, it is, for someone who had let it be known all year he would soon be going. But that doesn't mean that some high Administration officials aren't relieved to see him go. Stockman's blunt and candid public talk often got him in trouble at the White House, beginning with his admissions in the December 1981 issue of Atlantic Monthly that "none of us really understands what's going on with the numbers. Laffer sold us a bill of goods," he said of the father of supply-side economics. For that, the President called Stockman in for a man-to-man talk.

(Stockman: "I grew up on a farm and I might say, therefore, that my visit to the Oval Office for lunch with the President was more in the nature of a visit to the woodshed after supper.")

But Stockman was too valuable to let go. If no one understood the numbers, at least he understood them better than most, and he fought tenaciously for budget reductions, often causing both the public and his own Administration colleagues to scream with pain. The man who swings the budget ax is not Mr. Popularity. Last February, he even took on the Sacred Cow of the military pension system.

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STOCKMAN RESIGNATION/BUDGET (continued)

Donaldson's report continues: (Stockman: "It's a scandal, it's an outrage.")

That caused the new White House Chief of Staff to call Stockman's outspokenness a problem.

(Mr. Regan: "It's a problem insofar as he does these things, and then it looks like we have conflict within the Administration.")

Then ten days ago, the New York Times got hold of a Stockman speech to Wall Street that sounded like a rerun of the Atlantic Monthly revelations, Stockman being too candid once again. But the President said it wasn't so....The President said he still had confidence in Stockman, but now he'll have to find someone else. No successor was announced today. And Stockman goes on to Solomon Brothers, to a higher salary, if not a higher position. Here he was the sole Budget Director. There he will be a managing director -- along with 80 others. (ABC-lead)

ABC's Brit Hume: Stockman's resignation comes as congressional leaders are hurrying back and forth to the White House looking for a way out of the current budget deadlock. But despite the impasse and despite the growing deficit, Sen. Dole's favorable assessment of Stockman was typical.

(Sen. Dole: "And I know members of Congress and others may have disagreed with David Stockman -- I certainly have from time to time -- and we didn't accept everything he proposed in budget matters or anything else -- but at least he knew what he was talking about, and that in itself is refreshing around this town.")

Speaker O'Neill: "His figures -- sometimes the President would send down wouldn't always jibe with the figures we had, but I think he was extremely truthful in our head-to-head conversations and particularly what he always said to the press."

Sen. Domenici: "He's done more to educate the Congress, the American people and even this Administration on the realities of budgeting and of fiscal policy."

Sen. Chiles: "I'm personally disappointed. I think David Stockman had certainly rehabilitated himself from any problems he had early on in the Administration."

Sen. Hollings: "I'm glad to see this end. They can't find a fast-mover like him again, I'm confident. And we'll slow down and look at the truth.")

But Hollings, long a bitter Stockman critic, was almost alone today, suggesting the budget atmosphere here may have improved.

President Reagan said today he would accept a lower House defense number to try to break the impasse. As for Stockman, he'll be around until after Congress leaves for its August recess. Most people here think if there's no budget by then, it won't matter any more. (ABC-2)

Jennings: Late today, a compromise was reached between the White House and Congress on the 1986 budget -- there will be no freeze on Social Security COLAs. The President has agreed to accept a lower figure for defense spending in the next fiscal year in exchange for more defense spending in later years. (ABC-3)

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STOCKMAN RESIGNATION/BUDGET (continued)

NBC's Tom Brokaw: David Stockman, one of the most powerful and controversial figures in the Reagan Administration, is leaving government for Wall Street. As director of the OMB for the past 4½ years, Stockman has been the point-man for the President's economic policies, and in that job he managed to upset nearly everyone at one time or another.

NBC's Chris Wallace: Stockman was headed for another budget meeting this afternoon, only hours after telling the President of his decision. Next month he'll leave government, go into the Wall Street investment firm of Solomon Brothers in November. A spokesman said Mr. Reagan accepted the resignation of his controversial Budget Director with deep appreciation and profound regret. Stockman told NBC News, I always planned to leave this year. There is absolutely no policy dispute. Stockman made close friends and bitter enemies with his outspoken efforts to cut the budget. Reaction to his resignation reflected that.

(Alan Greenspan: "Without question, he's been the most effective Budget Director since the office was initiated just after World War I."

Sen. Hollings: "He tricked the American people, and of course we in the Congress were glad to go along with the trickery."

Sen. Grassley: "I think from the standpoint of the farmers of Iowa, they'll cheer the fact that he's resigned."

Rep. Michel: "--Boy, you get burned out after awhile.")

Back in 1981, Stockman dazzled Washington with his encyclopedic knowledge of the budget.

(Stockman: "I don't think there is any budget within the federal government that can't be squeezed.")

He pushed major spending cuts through Congress, and was the President's chief economic adviser. But, in an interview that fall, he expressed serious doubts about the program he had been selling, saying, None of us really understands all these numbers. The President called him in.

(Stockman: "My visit to the Oval Office for lunch with the President was more in the nature of a visit to the woodshed after supper.")

Stockman lost credibility in Congress and lost clout within the Administration. But officials said his knowledge of the numbers made him indispensable. Over the years, he grew frustrated with Congress's failure to cut spending, and this winter, in what he clearly saw as his last chance, he took on such Sacred Cows as farm subsidies and military pensions.

(Stockman: "It's a scandal, it's an outrage. Institutional forces in the military are more concerned about protecting their retirement benefits than they are about protecting the security of the American people.")

Stockman was blasted for those remarks, even within the Administration. But as congressional leaders now seek another budget compromise, there is considerable distress that the man with all the figures is leaving.

(Rep. Bill Gray: "I was awfully surprised at the timing of the departure of David Stockman in light of the fact that we're at a critical juncture in the budget process.") (...continued)

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STOCKMAN RESIGNATION/BUDGET (continued)

Wallace continues: No successor has been named, but whoever is chosen will have a hard act to follow. Stockman may be remembered primarily for his controversial remarks, but his real legacy is far more important -- as a prime mover in Ronald Reagan's effort to shrink the federal government. (NBC-lead)

Brokaw: Speaker O'Neill often tangled with Stockman, but said today he is now prepared to tell the President that he's willing to work out a compromise in this year's budget. But as for tax reform, the Speaker said that he doubts that Congress will approve a bill this year. (NBC-3)

TERRORISM

Jennings: President Reagan's strong language on international terrorism yesterday has brought some pretty strong responses from the countries he accused. The President was talking about terrorism again today, and what we have here now is a war of words.

ABC's Jean Meserve: Speaking to a group of news editors at the White House, the President was asked about the likelihood of a military mission to rescue the remaining seven hostages. (President: "We do know that there is a threat hanging over them and that we must be very careful.") Meanwhile, the President's verbal attack of yesterday accusing some countries of forming an international terrorist network has provoked a response from some of those named. From Nicaragua: Nicaragua condemns any and all forms of terrorism because our people are suffering the scourge of U.S. state terror. From Libya: It is the U.S. that is committing terrorism, not us. And from Cuba's Fidel Castro: Reagan is the worst terrorist in the history of mankind. The State Department was asked to comment. (Robert Smalley: "No, I don't think we would even dignify those with a response.") The U.S. was also faced today with the first overt challenge of its boycott of Beirut Airport -- a Romanian jet became the first foreign aircraft to land there since the boycott was announced. But from King Hussein, word that the Jordanian state airline will not fly to Beirut. Jordan itself was victimized when hijackers at the Beirut facility seized one of its airliners and blew up the cockpit only days before the TWA skyjacking. State Department officials say privately Hussein has a second motivation -- a \$50M aid package pending on Capitol Hill. Jordan becomes the first Arab country and only the second in the world to back the U.S. effort to close the Beirut Airport. (ABC-8)

Jennings: In any number of speeches about international terrorism, President Reagan has used some pretty strong language, called some people a lot of names. Does it help his cause or does it hurt?

ABC's George Will: I think when you have nothing but talk, talk is worse than nothing, and it is especially bad when, as in the case of the President's speech the other day, he listed nations involved in state-sponsored terrorism and left off two of the big culprits -- Syria and the Soviet Union.

TERRORISM (continued)

Sen. Richard Lugar: The fact is the President spoke before lawyers about law with strong rhetoric. The President laid the groundwork for specific action against the perpetrators of the hijacking and also the nation-states that might have sponsored it.

Will: He's the one who started the list. And when he leaves two nations off, as obviously culpable as those two, it suggests that there is a reason -- it suggests that we're paying the price of leaving the Soviet Union off the list in order that we can have a better atmosphere for the summit. And it appears that we're leaving Syria off the list as the price we paid sanitizing Syria to get them to help with the release of the hostages.

Lugar: Syria probably was helpful, maybe even the Soviet Union was helpful in this instance. The specific thing the President assumed to do is saying that we will act unilaterally if we do not have cooperation of our allies, specifically in shutting down the Beirut Airport, and that we will act if due process does not occur in Lebanon to cough up the perpetrators of the murder of our Navy man.

Will: You see all of the intelligence reports relevant to this issue. Do you have any doubts whatever that the Soviet Union and Syria are actively involved in state-sponsored terrorism?

Lugar: I have no doubt that they have been actively involved in state-sponsored terrorism, but I also am of the judgment that in this particular instance, our firmness, the fact that we had set the stage and they could count on retaliation, led them to be cooperative in making certain our 39 got back to us.

Will: What I think is a real danger for the President is the worst thing that can happen in politics, and that's laughter. People may begin to laugh at the President when they see that he's indignant, but that he's selectively indignant.

Lugar: I find nobody laughing there in the Arab world as they try to keep that airport open. I find nobody laughing who may have been involved in perpetrating the criminal acts against us, and who are likely to be caught and sent to us. I find nobody laughing, as a matter of fact, in Syria or the Soviet Union as they contemplate what could have occurred had they not been cooperative in this instance.

Will: I think we have a point of agreement -- the way to stop the laughter -- or to keep it from happening in the first place -- is for the rhetoric to be followed by some action, and I gather you're saying it will be.

Lugar: I do say that. I believe the speech was important yesterday in setting the stage and the legal framework for that action. (ABC-9)

SECRETARY SHULTZ

Rather: Secretary Shultz wound up his stay in Thailand by visiting a refugee camp just inside the border with Vietnam-occupied Cambodia. One placard that greeted him said, "Please help us turn Vietnamese killing fields into Cambodian farming fields. We want to go home."

CBS's Bill McLaughlin: From the air, it looks like a sprawling city in the jungle, but it's just a place for the displaced -- a holding area for 54,000 Cambodian refugees who are homeless, helpless and often hopeless. They were visited today by Secretary Shultz, and it was a very big day for these Cambodians. Shultz is the highest-ranking U.S. official to go to the sometimes deadly and always dangerous Thai-Cambodian border. These refugees sang America's praises and pleaded for American military support to push the Vietnamese out of their country. They are not alone in asking the U.S. to act. The U.S. is under heavy pressure from its Asian allies to supply these Cambodian refugees with weapons to fight the Vietnamese occupying their land. But Shultz, who also visited a Thai army camp on the border and clambored into an M-48 tank, is one of the Administration voices arguing against U.S. military support for the rebels. Visible shows of support, like Shultz's trip to the border and this current U.S.-Thai military exercise -- the largest ever held by the two countries -- are designed to give the Vietnamese second thoughts about moving into Thailand. There was one bright spot on Shultz's border tour -- he also met with refugees from Cambodia, Laos and Vietnam whose long wait was over, who have been told they have a new home in America waiting for them. (CBS-9, ABC-12)

ATTORNEY GENERAL MEESE

Rather: President Reagan's newly-confirmed Attorney General, Edwin Meese, today blasted Justices of the U.S. Supreme Court. He accused them of weakening the U.S. Constitution. Meese called some of their rulings "bizarre." He especially criticized recent decisions reaffirming strict Constitutional separation of Church and State -- decisions that went against President Reagan's views. In his speech to the ABA, Meese did praise recent high Court rulings expanding the powers of police to search without warrants. (CBS-10, NBC-5)

SOUTH AFRICA

Rather: Police killed at least seven blacks in a township near Johannesburg early today. It was the worst racial killing in more than three months. (CBS-4, ABC-11, NBC-7)

DIVESTMENT

Rather: Today's racial violence comes amid growing debate over President Reagan's refusal to cut ties to South Africa, especially financial investments, to protest apartheid. Such ties, Mr. Reagan argues, promote racial equality and give the U.S. clout to demand change. But on campuses and among companies across the country, pressure is growing and decisions are being made to refuse to do business with South Africa. (Jane Bryan Quinn reported on divestment in South Africa.) (CBS-5)

EDITORIALS/COLUMNISTS

HOSTAGES

Assad and the U.S. Seven -- "On one hand, Assad tries to make the United States think he's a swell fellow by leaning on Shiite Moslem hijackers to free the 39 airplane hostages. On the other, he obstructs efforts to revive Middle East peace talks supported by the United States, plays footsie with the Soviet Union, and gives aid and comfort to terrorists in general. If Assad is sincere about wanting to improve his image with the Reagan Administration and the American public, he will get his cutthroat friends in Lebanon to turn loose the seven U.S. citizens who have been held hostage for as long as 17 months."

(Pittsburgh Press, 7/7)

Act Now to Prevent Next Hostage Ordeal -- "One good result of the hostage ordeal is that the United States has shown its ability to negotiate successfully on issues involving Lebanon, Israel and Syria. This advance for the diplomatic process could encourage a renewed U.S. peace effort involving the basic conflicts between the Israelis and Palestinians."

(Buffalo News, 7/2)

An Ordeal Ends -- "What is clear -- and ought to be reiterated in every capital -- is the need to make future terrorist actions of this sort more difficult to pull off. We can begin by taking sanctions against countries -- starting with Greece -- that do not enforce tight security against skyjackings. Publishing an international blacklist of dangerous airports would help. A more ambitious project is to draw the civilized governments of the world into a compact against terrorism, and then ostracize any non-participants as international outlaws."

(Shreveport Journal, 7/2)

Rewards Risky Business -- "There is no question that the U.S. needs to begin confronting the menace of terrorism far better than it has to date. But the consequences of a major policy misstep in the quest for justice could be severe. Hiring international bounty hunters may be just such a misstep; in any case, it is an area in which the Administration should tread very carefully."

(Dallas Times Herald, 7/7)

Let Terrorists Understand Principles of Law We Live By -- "...Our first obligation is to get the hijackers and other terrorists to understand that we are not disgraced by what is done to us. Disgrace comes only if we accept it. Every civilized value we hold rejects the notion that innocent lives can be used to attain diplomatic or criminal ends. We cannot compromise, or give away, or sell the principles on which our state and our civilization are based."

(Dayton Journal Herald, 7/2)

SUMMIT

Summitry -- "If (Mr. Reagan's) purpose is simply to establish some sort of working relationship with Gorbachev, the trip could be a useful development. The goal should be getting acquainted. To imagine that it can open any long-locked doors is to assure disappointment and frustration."

(Cincinnati Enquirer, 7/3)