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STORY:DUBERST  
MA:60 FMT:

QUEUE:NRD-NRD

MSG:

HJ:

INI:

OPR:FW

;08/04,09:58

TC: MLS, LT, JF, BFP, DR, JG, GP, LH, DXB, DCP, JWM, SJF,  
PA, PGH, SXM, DLB, BK

FROM: RAK

RE: Background-only ivu with chief White House lobbyist  
Ken Duberstein

Tax bill. There is a ``50-50 chance,`` says Duberstein, that the tax package will clear Congress before the August recess, scheduled to begin on the 20th. To prevent hitches in the conference committee and to smooth the way for passage on the House floor, Reagan is prepared to go along with extending unemployment benefits from the current 39 weeks to 52 weeks. Such a compromise may prove to ``be the sleeper that gets the bill through.`` Extending unemployment benefits for 13 more weeks would pick up the votes of House members from such large delegations as Michigan, Illinois and California, where unemployment is especially high.

The White House will press hard to restore in conference the approximately 1.5 billion dollars in tax breaks for Puerto Rico that were repealed in the tax bill, and seek to make up the lost revenue elsewhere. The provision to withhold taxes on dividends and interest is in trouble because of a highly orchestrated campaign by the banking industry. Duberstein says lawmakers are receiving thousands of preprinted postcards opposing the provision.

Kemp rift. The once warm personal relationship between

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Reagan and Representative Jack Kemp has soured badly, principally because of Kemp's opposition to the tax bill. Duberstein says Reagan is "extremely disappointed" in Kemp for "cleverly manipulating" House Republicans to oppose the tax package. Kemp argues that Republicans should not take the heat by raising taxes while the Democrats are sabotaging the spending cuts contained in the first budget resolution. But the fact is that Kemp simply regards all tax hikes as bad economic policy and, as a purist supply-sider, does not believe deficits matter. "I think it's fair to say that Jack has become a prisoner of his own ideology," complains Duberstein. He discreetly suggests that Kemp might be thinking too much about his own political future as a presidential contender.

Reagan telephoned Kemp a number of times and called him in for more than one face-to-face meeting in futile efforts to persuade him to support the tax bill and the budget resolution. (Kemp voted against the Reagan-backed budget resolution and "walked off the floor" before the outcome of the vote was apparent, angering the President and many of his Republican colleagues.) While Kemp carried no votes with him when he opposed the budget resolution, he certainly can take additional votes with him when he opposes the tax bill.

The White House is trying to counter Kemp's campaign against the tax bill by stressing Reagan's eagerness to veto appropriations bills that exceed the ceilings

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contained in the budget resolution. In Duberstein's view, Republican defections on the tax bill will not endanger passage unless they are widespread. That's because Democrats will vote for the tax hike in large numbers "so long as there is a respectable Republican showing."

November. Duberstein asserts that Republicans will do better in November than generally believed. (Surprisingly, Jim Baker and others in recent days also have expressed greater confidence about the election.) Duberstein insists that Republicans have a good shot at breaking even in the House instead of losing 20 or more seats to Democrats. He cites these factors: The prime rate, now at 15 percent, will drop to 13 percent by November; Republicans have a lot of money to spend; Reagan's popularity remains stable; the Democrats have no economic alternative to offer; and "with this President campaigning, things are going to be very upbeat...Psychologically, things are going to be moving toward a recovery." Republican House members are putting on a lot of "pressure" for presidential visits to their districts in the fall, Duberstein claims.

Defense spending. Virtually everyone in the White House opposed Reagan's decision to disavow the '84-'85 defense cuts in the budget resolution. (Defense Secretary Weinberger was the principal proponent. "Cap just keeps coming back and back and back," says Duberstein.) He believes Reagan's decision "will have repercussions next year that in the long run are going to hurt defense

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spending...We're going to wind up with larger defense cuts and smaller domestic cuts." The angry reaction among Republican leaders on Capitol Hill was predicted by Jim Baker and Duberstein.

After the administration's 1984 budget is submitted, "there's going to be an explosion somewhere" because Reagan will attempt to make up the defense cuts with deeper cuts in domestic spending. Duberstein believes support in Congress for higher defense spending will erode quickly under those conditions. "Next year's going to be an absolute bitch," says Duberstein.

Already there are signs that lawmakers are losing their enthusiasm for big increases in defense spending. The administration won a key House vote last week to save the MX missile by only 212 to 209. On another vote, a majority of House Republicans joined in voting a 1 percent across-the-board cut in defense spending.

Reagan, however, shows no inclination to slow the growth of the defense budget. Duberstein says that Judge Clark wanted to involve the President personally in lobbying to restore 50 million dollars for development of chemical weapons. (The House voted to delete the funds.) Jim Baker and others persuaded Reagan that it was politically stupid to lobby for chemical warfare.

Reagan and Congress. Is the President not frustrated by parochial lawmakers and the discursive nature of the legislative process? Duberstein says Reagan "truly

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relishes the personal relationships and the legislative give-and-take." He would not spend so much time in meetings and on the phone with senators and congressmen if he did not enjoy it, says Duberstein. It is easy for him to schedule time on Reagan's schedule for lobbying and other congressional contacts.

Reagan takes such an interest in the Hill that he often watches the House floor debates on cable television over lunch in the residence. If a member says something that interests him, Reagan picks up the phone and calls the congressman. The number of members lining up to make one-minute speeches at the start of each day's session has grown since word got out that Reagan sometimes watches the floor debates.

When Duberstein suggested in a memo to Reagan that he call Senator Laxalt on his 60th birthday recently, the memo came back with a notation by Reagan: "Call made. A guy needs a little cheer when he turns 60. Take it from the voice of experience." Duberstein says that Reagan makes similar calls to others on the Hill whom are not such good friends. Earlier this year he invited Tip O'Neil down for lunch in the residence on O'Neil's birthday. "It was great because we had these two Irishmen together doing nothing but telling stories and talking politics." Duberstein insists that Reagan has no hard feelings toward O'Neil. But Reagan "has some problems with Tip and the Democratic leadership being so wedded to a philosophy that has been clearly

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repudiated....Sometimes he gets uptight when the Democratic leadership tries to screw him procedurally. He just says, 'Give me a fair shot.' '' Reagan also gets frustrated that ''everything has to go through so many committees, that there are so many chances for things to get screwed up. Sometimes he will say, 'We just got it out of committee, why does it have to go to another one?' '' Reagan still dreams of a day when Presidents would have a line-item veto as he did in Sacramento.

In Duberstein's view, Reagan's success as a lobbyist is due largely to the personal relationships he fosters with members of Congress. When a problem arises--such as Bob Michel's unhappiness over the Soviet gas pipeline decision--Reagan picks up the phone immediately tries to smooth ruffled feathers. ''He doesn't let problems fester. He hops right on them.'' Reagan also makes phone calls when he is unhappy with someone--as when Republican Senator Durenberger called the New Federalism plan a ''fig leaf'' to cover Reagan's lack of compassion for the poor. Reagan called Durenberger and ''chewed his ass,'' says Duberstein.

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

FROM: RAK

RE: Reagan vs. Begin, and other notes.

Middle East. Despite the President's condemnations of the fighting in Lebanon and his daily pleas for a legitimate ceasefire, there is little prospect that he will take strong action against Israel for the assault on West Beirut that now appears inevitable. While Reagan would hope to avert a bloodbath by arranging the evacuation of the PLO, he will not attempt to block Israel from completing its military objectives if special envoy Habib's negotiations fail. The pressure Reagan has put on Israel to date was aimed more at buying time for Habib than at warning Israel against ultimately imposing a military solution to the crisis.

Bob Sims, special assistant to Bill Clark, makes it clear on background that Reagan has made no threats, implied or explicit, to Prime Minister Begin about the possible consequences of an invasion of residential West Beirut. Sims knows of no serious consideration being given to suspending arms deliveries or imposing other sanctions.

Asked what Reagan is doing to restrain the Israelis, Sims cites only Habib's mission, the suspension of cluster-bomb shipments and Reagan's refusal to smile at Israeli Foreign Minister Shamir during Tuesday's photo session in the

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Cabinet Room. What steps might Reagan take if the Israelis move on West Beirut? Says Sims, "What options has he got? We support Israel and its right to exist...[An Israeli invasion] would probably constitute something of a fait accompli...My assessment is that he would condemn the action, but they are still our ally in the Middle East...The crucial thing is that we don't control Israel." Sims suggests that the reaction to the invasion among the Arab states, while unpredictable, would not be as severe as some fear. Because of the oil glut, the Arabs are not in a very good position to impose another embargo, says Sims.

At today's White House briefing, Larry Speakes refused to say whether sanctions against Israel were discussed at a one-hour meeting of the National Security Council chaired by Reagan this morning or at an earlier two-hour meeting of the Special Situation Group chaired by VP Bush.

In a written statement today, Reagan for the first time warned the PLO about the consequences of not leaving Beirut. "Through governments which have direct contact with the PLO, I have expressed my strong conviction that the PLO must not delay further its withdrawal from Lebanon," the statement said. "At the same time, I have expressed to the government of Israel the absolute necessity of re-establishing and maintaining a strict ceasefire in place so that this matter can be promptly resolved."

Today's statement marks a shift in emphasis from the White

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House statement issued two days ago after Reagan met with Shamir. That statement placed more of the burden of responsibility on the Israelis. It said, in part: "The President stressed the need for a complete end by all parties to the hostilities in and around Beirut as a prerequisite to allow ambassador Habib to pursue his urgent work. The world can no longer accept a situation of constantly escalating violence. The President highlighted the humanitarian needs of the large civilian population of West Beirut..."

Does Reagan countenance the Israeli invasion of Lebanon? "He recognizes that the root cause of the problem is partially the PLO," says Sims (on background). "We all realize that the PLO departure from Beirut would indeed stop the blood shed...He realizes that most of the attention is on the Israelis, because they're winning. But I think his view is that you can't say the Israelis started this...I think he does see the Israeli viewpoint very clearly, in a balanced way...He does not see it as 'these mean old Israelis doing these terrible things.'" Sims reminds of Reagan's response at last week's press conference when he said that the PLO has started much of the shelling. Sims also notes that the closest Reagan has come to threatening Begin not to invade West Beirut was the time he warned that such an invasion "would result in [unfavorable] repercussions in Congress."

The one wild card if the Israelis move into West Beirut is

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what the Soviet reaction will be. Sims says the White House does not have a firm idea of what the Russians might do. He complains, by the way, that President Brezhnev's letter to Reagan was released publicly before it reached Washington. "They gave it to us by Tass and then confirmed it by message."

Nuclear freeze resolution. Reagan has been calling members of the House to lobby against Foreign Affairs Committee Chairman Zablocki's nuclear-freeze resolution. But the vote is expected to be so close that even Judge Clark has taken the unusual step of writing personal letters to some members to urge them to vote against the Zablocki resolution. In Reagan's view, passage of the Zablocki resolution "would undercut our negotiators" in Geneva.

(END)



STORY:WEST  
MA:65 FMT:

QUEUE:MULLIN-DPM MSG:  
HJ: INI:

OPR:DPM ;08/05,11:54

SJF-RAK

August 5, 1982

To: LH

From: DM

For Mideast package from State, the Israelis and Congress.

Below: Shultz on Beirut, the U.S.-Israeli crisis and the political dilemma, the military description of the Israeli attack, and the possibility of sanctions. Also see Aug 3 memo.

SHULTZ:

\* Secretary of State Shultz at an informal gathering last evening with the State press corps, said that President Reagan believes the symbol of the Lebanese war is a baby with no arms.

He must be referring to a picture this week of a maimed Palestinian child in Beirut, and obviously the President has been affected by the television coverage of the war.

Shultz called Habib, "a great American hero," and said the special envoy was risking his life for his mission. Not only is Habib in combat danger, but his health has been bad.

Shultz said: "When I talked to him on the telephone last night you could hear the artillery in the background, he is on a hill looking down at the war, and he said, 'don't tell me what is happening here I can see it'."

At one point in referring to the strain of the job, Shultz

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indicated that the Beirut deal has been close: ``Each day you think you finally have an agreement, just to see it slip away late in the afternoon.''

When asked if he would be travelling to the area or playing a key role as mediator, the Secretary said he hoped not: ``I've been there.''

He also noted that he had four exceptionally competent ambassadors in Sam Lewis, Atherton in Cairo, Dick Murphy in Saudi, and Viets in Jordan. ``They are highly regarded by the leadership in their countries and they talk to each other.''

\* The U.S.-Israeli crisis:

On the crisis a senior official said: ``Unfortunately, this thing is becoming a virility test between Reagan and Begin.''

\* Politically both American and Israeli diplomats agree that what is at issue is a different perception of how to push the negotiations in Beirut along.

On the seventh floor at the State Department, the diplomats are asking for more time to enable Habib to work out a settlement. But the Israelis are convinced that the PLO is just playing for time--that it won't make any concessions as long as it thinks that Washington is holding back the invasion.

One senior Israeli diplomat sasys: ``The PLO would be silly not to delay its departure from Beirut or postpone it indefinitely, it has no other base in the area to operate from.''

The Americans on the other hand are obsessed with stopping the

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bloodshed. ``Habib is screaming his head off, demanding that the Israelis stop the bombing so that he can negotiate in a sane atmosphere,`` says one American.

Both sides agree that the objective is to get the PLO out. The U.S. is refusing to make any political concessions to the PLO that would enable it to disarm and become a political body.

``Ronald Reagan believes that the PLO is a bunch of murderers and thugs, and he basically wants it destroyed. But if there are no political concessions than the only option is the military one, or the PLO won't budge. So he is trying to stop Israel from doing what he wants them to do, its crazy,`` says a diplomat.

The Israelis for their part have served up no ultimatums or time tables. They simply want to keep the pressure on to force the PLO to withdraw out of simple fear of liquidation.

``Part of the crisis is the Speakes syndrome, like when he said Begin had promised the President when he actually hadn't. Much of the crisis language is designed to make the President look good,`` says another official close to the NSC.

``Ironically the PLO is waiting for the U.S. to pull its bacon out of the fire, and the talk of sanctions and threats to Israel puts the President in the ludicrous position of trying to save the PLO.``

The same official: ``What must happen now is a sense of closure. The administration has to decide that the time has come to end it. Tell Begin to give us some specific amount of time, to stop

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period--or its over, all aid.

``Then tell the PLO, here is the deal take it or leave it, or Habib is coming home and you are going to be wiped out, finished. Unfortunately nobody in the administration has the guts to bite the bullet.

``They are all afraid that if they withdraw Habib the world will see it as a green light for Israel. But if they don't withdraw Habib, the Israelis are going to do it anyway and the U.S. will earn the same international opprobrium.

``The threat of sanctions is nuts, it puts the U.S. in the untenable moral position of trying to save the PLO. That in turn will trigger an Israeli attack to liquidate the PLO once and for all, removing the rationalization for the sanctions in the first place.

``This mess is a disaster for everyone, and God knows how we get out of it. The U.S. has to bluff its way out but Habib has no leverage, he can't make political concessions and can't prevent an eventual attack on West Beirut, he is just dilly-dallying around and the administration is simply unprepared to get tough and take the chances it must.

\* Military:

On the military side Israeli Major General Menachem Meron in a briefing insisted that Israel has not started the invasion of West Beirut.

The goal is to get the PLO out of Lebanon, everyone wants that. But the PLO is stalling, leaving Beirut is the end of the road

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for the military side of the Palestinian movement.

(An Arab official says that even the Arab states are glad to see that happen, tired of being threatened and blackmailed into giving the PLO money and arms which are wasted.)

General Meron says the PLO is always breaking the Beirut ceasefires in order not to have to accept terms of a withdrawal which it opposes.

In response Israel must return fire to silence the main batteries in use. He says the latest violation came in response to 2 Israelis dead and 18 wounded, and as a result Israel attacked with 2 Brigades, or about 4,000 men.

The operation had limited objectives. One was to take the high ground north of the airport runway in the refugee camp of OUZAY. This was accomplished, extending the Israeli lines approximately one mile north at the end of the airstrip.

The second goal was to close off a wooded area near the museum from which Palestinians could infiltrate and shoot at Israeli forces, and to eliminate a PLO gun position. The action involved moving about 250-300 yards forward in one small area.

The General said that Israel's original military aim was to secure the 25 mile buffer on its border, and that remains the objective. But encountering resistance from the PLO and the Syrians the Israelis had to keep going. In the end Israel will withdraw and allow the reconstructed Lebanese government to guarantee the border zone, once the PLO "cancer" is out.

"When you start a military operation it is hard to stop it," he said. But he also rejected the theory of salami tactics,

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saying it is far too costly in terms of casualties. ``The PLO has underground bunkers and ammunition stores and seems prepared to fight on. There are also about 1,500 troops of the Palestine Liberation Army, (connected to Syria) in West Beirut.

``There is nothing worse in military terms than to move and stop, just to move again, you pay the penalties without the benefits,`` the General said, in discounting a staged attack.

``A full assault on West Beirut should not be ruled out, it may force the PLO to terms.``

But Meron made it clear that the latest outburst is not the final assault, and that there will be no piecemeal entry. When the attack comes it will be one final push.

General Meron tried to explain the shelling of downtown areas of West Beirut by saying that the Palestinians are hiding guns next to highly visible targets, like embassies.

He also said that Israel has deliberately not used airpower which is extremely accurate, because of the high visibility. Artillery is far more likely to miss, and he regretted the damage to civilian areas.

While he had aerial photographs of gun placements mixed in civilian areas, he did not have one of the Hamra district where the Commodore, the UPI office and the Bristol Hotel are located.

(There seems little justification for the heavy, persistent and obviously deliberate shelling of areas which the Israelis were not able to show had any potential threat to their forces. DM)

\* Sanctions:

(MORE)



There seems to be little appetite in the administration at this time to apply them to Israel. Even those officials who are furious with Begin and would like nothing more than to terminate all aid to Israel, are afraid that they would be counterproductive at this time.

The sanctions would send the wrong signals. They would make the Israelis decide to attack while they have the guns. And they would encourage the PLO to stay put in West Beirut.

Traditionally the impression has always been that Israel just gets nastier when the question of sanctions arise. Though some State Department officials quote Kissinger, as saying that they really scare the hell out of Israel and if the U.S. ever had the guts to employ them they would work.

The most obvious is to cut off arms. The cluster bomb decision was meaningless, Israel already produces the necessary ammunition. ``But there are tons of of arms going out every month to Israel that could easily be stopped,`` says a Senate foreign affairs committee staffer.

General Meron says that an arms cut, ``would hurt of course and we hope that won't happen.`` The hill staffer says that so far he detects no inclination in the administration to apply sanctions but, ``that is the obvious place to start.``

The U.S. also buys military equipment from Israel, which is important in terms of hard currency--that could be blocked with some impact on the Israeli economy.

Besides arms and military aid there are economic support funds that could be held back. Congressional attempts to write off

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portions of Israel's debt service payments to the U.S. are already in jeopardy and could be killed.

It is a complicated formula changing the amounts in grants and the amount in loans, and a provision saying that Israel should never have to repay more in one year than it is getting in aid. But the total could come out to about 400 million a year.

A more draconian, and the least likely sanction, would be to take away the special tax deductible status for contributions to Israel which run in various forms to hundreds of millions of dollars a year.

``Begin really rubbed Reagan's nose in it this time, by attacking while Shamir was here, and Habib was in Beirut, its the old Sadat trick--attacking Baghdad the day after meeting with Sadat,'' says the staffer. ``But this is a White House operation, it is hard for the hill to take the lead in foreign policy in any case, and this is an election year--it is tough to advocate sanctions against Israel when your coming up for reelection.''

\* Concludes the staffer:

``The Israelis are so one-tracked that they actually believe they are doing us a favor by liquidating the PLO, they have no perception of what our larger interests are.

``The tragic thing is that everyone is missing the point. Who cares who is right or who is wrong, hundreds of people are getting killed everyday with American arms and nobody in this country seems to care.

(MORE)



``The reaction in the Arab world will be massive when this is over. If all that happens is that our embassies are burned to the ground I will consider the U.S. lucky.``

(END)



August 6, 1982

FROM: RAK - White House

TO: MLS, LT, JF, BFP, SXM, JWM, GP, ~~DE~~, JG, DCB, LH, SJF, PA, DLB, PGH,  
~~DAW~~ BK, DAW (434)

RE: Feldstein announcement

Feldstein. The President today announced his choice of Martin Feldstein as chairman of the Council of Economic Advisers. Feldstein, who will take a two-year leave of absence from Harvard University, met with Reagan Thursday in the Oval Office.

Tax bill. The White House also has announced the postponement of the President's California vacation to lobby for the tax bill. At today's briefing, Larry Speakes quoted Reagan as telling a meeting of Republican lawmakers this morning:

'We are beginning to see some real relief in interest rates with a somewhat dramatic decline over the past several days. Interest rates are going in the right direction. They must continue if we are to have economic recovery. If, however, we do not get the spending cuts and reduce the deficit [in the tax bill], this downward trend in interest rates could be reversed. While I am reluctant to raise taxes, the price is not excessive to get the deficit down and to ensure the continuation of economic recovery.'

Speakes said that Reagan believes postponing his vacation 'will underscore the administration's full commitment to early congressional action on legislation he



considers vital to his program of economic recovery. He will remain in the forefront of the administration's effort to convince Congress and the American people that a bill to reduce the deficit and federal spending is essential to continue the forward movement we are now seeing in some sectors of the economy. The President plans to play a major role in meetings and other contacts with members of Congress as the conference moves forward and the House and Senate take up consideration of the legislation.'

Reagan will postpone his trip at least a week, says Speakes, and 'longer if he feels it necessary.' Reagan will continue meetings with members of Congress next week. He has met with, or talked on the telephone to, approximately 75 House members in the past week, Speakes said. Reagan will still travel to Billings, Mont., and Los Angeles on August 11 for political fund-raisers. He will return to Washington on August 12.

Unemployment. Speakes said in reaction to the increase in unemployment that Reagan 'remains sympathetic and concerned to the plight of the unemployed.' He believes his program will provide a permanent solution to unemployment, Speakes said.

Feldstein bio: Feldstein has been a professor of economics at Harvard since 1967, according to a White House fact sheet. He is president of the National Bureau of Economic Research, and was a research fellow and lecturer



AT/  
and Oxford University from 1964 to 1967.

In 1977, the American Economic Association awarded Dr. Feldstein the John Bates Clark medal, an honor bestowed every two years on the economist under the age of 40 who is deemed to have made the most significant contribution to economic science. He is currently a member of the National Productivity Advisory Committee and the President's Private Sector Survey on Cost Control in the federal government.

Feldstein was born on November 25, 1939, in New York City.

(END FILE - CKM)



STORY:NOTES  
MA:60 FMT:

QUEUE:NRD-NRD  
HJ:

MSG:  
INI:

OPR:BW

;08/09,17:20

TC: MLS, LT, JF, BFP, DR, JG, GP, LH, DVB, DCF, JWM, SJF,  
PA, PGH, SXM, DLB

FROM: RAK

RE: White House notes

The President stepped up his lobbying for the tax bill today with the announcement that Lyn Nofziger--who last week joined Representative Kemp in denouncing the tax package--has had a change of heart and now will manage the White House effort to mobilize outside groups behind the bill. Nofziger performed a similar function last year in lobbying for the tax and budget cuts. He is especially adept at targeting individual congressmen and putting pressure on them through influential constituents from their districts.

Nofziger sat in Larry Speakes's office for a couple of hours today giving on-camera interviews with the networks, the wires, various radio correspondents, broadcast stringers and anyone else who would listen. Nofziger claims the President persuaded him he was wrong in opposing the bill, and that he didn't properly understand the legislation. Marty Anderson, another former Reagan aide who last week attacked the tax hike, is expected to have a similar change of heart after talking to Reagan.

Nofziger's services as a consultant are being provided free. (He will work from an office in the White House.) Speakes said Nofziger is making a big financial sacrifice to come to the aid of his country. But cynics will note

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that Nofziger's political-consulting business stands to profit handsomely from his renewed ties to the White House. Nofziger's business could probably use a shot in the arm. Two of his biggest clients, Jeff Bell in New Jersey and Mike Curb in California, lost in Republican primaries this spring.

Meanwhile, Reagan met today with two more groups of Republican House members. After one of the meetings, three congressmen--Silvio Conte of Massachusetts, Manuel Lujan of New Mexico and Edward Madigan of Illinois--were brought before cameras in the briefing room to say that they will vote for the bill. When pressed, however, each admitted that he had supported the bill before coming to the White House. (The renegade Republicans were left to make their case before the cameras outside in the driveway during a heavy downpour.)

The three loyalists insisted that Reagan was making converts. "I go out of here feeling the President is going to do a lot better on this tax bill, at least among House Republicans," said Madigan, estimating that "80 percent" of the 15 or so lawmakers in the meeting will vote for the tax increase.

Incidentally, Treasury Secretary Regan warned during the meeting that the deficit next year will reach 165 billion if the tax bill is not enacted. That's a far cry from the 115 billion deficit projected by the Treasury Department.

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STORY: SPEAKES  
MA: 60 FMT:

QUEUE: NRD-NRD  
HJ:

MSG:  
INI:

OPR: PAE

; 08/06, 09:01

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

FROM: RAK

RE: Background-only ivu with Larry Speakes

Middle East. "The President is not now considering sanctions" against Israel, says Speakes, "and the key words are 'President' and 'now.'" "Military and economic sanctions always are options at the President's disposal, but the list of sanctions drawn up by the State Department and the NSC staff is only a piece of paper as far as Reagan is concerned, says Speakes.

The White House wants the world to perceive that Reagan is dealing forcefully with the Israelis. Yet Speakes concedes that Reagan's reported warnings to Prime Minister Begin not to invade West Beirut lack any teeth. The Washington Post was flatly wrong today in asserting that Reagan, in his letter this week to Begin, questioned whether Israel is using American weapons for "legitimate self-defense." That veiled warning was contained in an early draft that the President rejected. The strongest language in the letter actually sent to Begin was a warning that an assault on West Beirut "would have an effect on long-term U.S.-Israeli relations. It was very carefully worded," says Speakes. (He was paraphrasing the letter.)

This does not mean that Reagan has ruled out imposing sanctions later, but Speakes does not believe "he ever

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will go that far." In a meeting with American Jewish leaders at the State Department today, Vice President Bush offered assurances that Reagan is not now considering sanctions.

The White House remains optimistic that special envoy Habib can arrange an evacuation of the PLO and thus avert the Israeli assault. For the first time, Habib is "working out the logistics" of an actual pullout. Speakes says there is some suspicion among some administration experts that Pegin launched his latest assault on West Beirut to sabotage Habib's efforts.

Tax bill. There is near panic at the White House that the tax bill will not clear the House. Reagan is putting on "a full-court press" to salvage the bill. The fear is that if the tax bill gets hung up, interest rates will soar again almost immediately. Reagan is resisting urgings by the Republican leadership on the Hill to go on television to make a direct appeal for the tax package. He doesn't want to appear in living rooms asking Americans to lobby their lawmakers to raise taxes. But he may be forced to do so to save the bill.

For now, Reagan is engaged in intensive lobbying of congressmen, mostly Republicans. The White House believes that if Republicans support the bill in large numbers, so will the Democrats. Reagan held two lobbying sessions this afternoon with 51 House members, including Republican conservatives such as Phil Crane. Speakes sat through one

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of the meetings and says that Reagan did not change any minds.

Reagan's pitch is that the tax package includes spending cuts; that three-quarters of the money comes from ``loophole closings;'' that he is prepared to veto any appropriations bill that exceeds the budget resolution; and that the tax package is the best deal that could be made given the practical restraints of the legislative process.

The White House also is leaning on outside groups for support for the tax bill. Speakes was getting ready to release a letter from Paul Thayer, chairman of the U.S. Chamber of Commerce, announcing that he was breaking with the chamber's announced opposition to the tax bill. Thayer wrote, ``Normally, I have respect for the chamber's decision-making process; but, in this case, do not personally agree with the result. Therefore, I want you to know that I personally stand by you in your efforts...''

Economic policy. Reagan is very independent-minded in making decisions on economic policy. No single adviser has enough influence to hold sway or even predict how Reagan is likely to decide an economic question.

Economists and business leaders outside the administration have as much--and sometimes more--influence than Treasury Secretary Regan, et al. Reagan meets often (every few weeks) with the group of outside economists that was led by George Shultz and includes Milton Friedman, Alan Greenspan, Arthur Laffer, James Lynn, Paul McCracken, William Simon,

(MORE)



Thomas Sowell, Herb Stein, Charls Walker and Walter Wriston. You will also recall that it was a group from the Chamber of Commerce that earlier this year persuaded Reagan to reject the advice from his in-house advisers that he raise excise taxes.

Speakes does not believe that Shultz will continue to have a major voice in economic policy. "He already has a full platter" at the State Department. Others in the White House believe Reagan will solicit Shultz's economic views on major questions. So, while Shultz may not play a big role on a day-to-day basis, he could influence the big decisions.

In Speakes's view, Regan is clearly the dominant player when compared to OMB Director Stockman. "Stockman is awfully subdued. I don't know whether he will stay around or not," says Speakes. Jack Kemp did influence economic policy last year "because he had a constituency" on the Bill. He may still have something of a constituency but he no longer influences Reagan's economic policy. Kemp "reallly broke his plate" in the two meetings with Reagan Wednesday. (In one of the sessions, Kemp got into a shouting match with Ed Meese. Reagan is royally pissed at Kemp for trying to kill the tax bill. "We just can't tolerate the way Kemp's been acting," says Speakes.)

Does Reagan want a strong chairman to replace Murray Weidenbaum on the Council of Economic Advisers? "He wants someone who is a little more forceful, a little more

(MORE)



willing to speak out'' in public to defend Reaganomics, and someone who commands ``broad respect.'' This suggests to me that Reagan does not want the kind of strong CEA chairman who might urge him to reconsider his policies and alter his course. Instead, he wants someone who will lend credence to Reaganomics.

There is one other key player in the administration's formulation of economic policy who is easily overlooked: Jim Baker. Baker makes no secret of the fact that he believes the President has not done nearly enough to lower the deficit. Baker strongly advocates cutting defense spending ``to lower the deficit and bring down interest rates and win elections,'' says Speakes. Needless to say, Baker has had scant success in selling his view to the President. Baker acknowledges that Reagan, ``when given the choices,'' opts for a bigger deficit instead of slower growth in the defense budget. Nevertheless, Baker has not given up trying to persuade Reagan that he must do more to lower the deficit.

(END)

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STORY:FULLER QUEUE:NRD-NRD MSG: MA:60 FMT: HJ: INI: OPR:RAK ;08/11,10:52

TC:MLS, LT, JF, BFP, DR, JG, GP, LH, DXB, DCE, JWM, SJF,  
PA, PGH, SXM, DLB, BK

FROM: RAK

RE: Reagan economic policy

Much of the following is based on a background-only ivu with Craig Fuller, director of cabinet administration. He makes these major points:

\* The key to understanding Reagan economic policy is to "start with the premise that he doesn't believe in [economic] forecasting, that he doesn't like taxes of any kind, that he's absolutely convinced that there are more savings to be found in the budget" and that the defense buildup takes a back seat to no other priority. (When GMB Director Stockman recently urged Reagan to push for a cut in the 600-million-dollar federal subsidy to the maritime industry, Reagan instead decided to seek a 900 million subsidy to beef up the merchant marine as a defense measure.)

\* Reagan's independence in setting economic policy is evident in the fact that there is no single adviser "who really has his ear" in the way that Cap Weinberger and Bill Clark have his ear on national-security issues. In fact, economic experts outside the administration "have an untold impact" on the President's thinking.

\* The White House "legislative strategy group" chaired by Jim Baker has played a major role in shaping key

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economic decisions. In Fuller's view, a good case can be made that administration economic policy is determined more by political thinkers such as Baker than by economic experts such as Regan, Weidenbaum, et al, who occupy the seats in cabinet councils and other economic forums within the administration.

\* Reagan now accepts an argument that he rejected earlier this year, i.e., unless more is done to lower the deficit, the recovery will be aborted and "the supply-side program won't get a chance to work."

\* The President grows more sympathetic every day to Paul Volcker's efforts to control the money supply. In private meetings, such as the one Tuesday with Chrysler Chairman Lee Iacocca, Reagan now staunchly defends the Federal Reserve Board. He fully supports Volcker's tight-money policy and does not believe the autonomous role of the Fed should be changed.

\* Reagan probably will go on TV from the Oval Office on Sunday or Monday evening to plug for the tax bill.

The President does not regard his push for the 100-billion-dollar tax package as a flip-flop from his supply-side program. Quite the contrary. Reagan went along with the big tax increase, Fuller notes, "to preserve the essential elements of his economic program"—to prevent Congress from tampering with the third year of the income-tax cut.

The genesis of just how Ronald Reagan came to embrace the

(MORE)



largest peacetime tax cut in history explains a great deal about how economic policy is formulated in his administration.

First, some history: After the administration's proposed 1983 budget was buried on Capitol Hill, the President became convinced (as the projected deficit mounted in the spring) that the only way he could win from Congress a budget resolution embodying more deep spending cuts was to agree to what Fuller euphemistically calls "revenue increases." He also feared that his failure to agree to revenue increases would spur Congress to repeal the third year of the tax cut in order to bring down the deficit.

Legislative strategy group. Who persuaded Reagan that he had to accept higher taxes to get deeper budget cuts? Primarily it was the "legislative strategy group" under Baker, who always has believed Reagan should do much more to cut the deficit. How did the legislative strategy group persuade the President to accept higher taxes? By driving home this argument: The budget resolution that Reagan ultimately supported and won congressional approval for included "deficit reductions" of 380 billion dollars over three years--280 billion in spending cuts and 100 billion in higher taxes. Thus, for each \$1 in higher taxes, Reagan was getting almost \$3 in spending cuts--or at least this is how the resolution was sold to him.

Once that decision was made in the spring, it was not difficult in the early summer to persuade Reagan to get

(MORE)



behind Senator Dole's tax bill, which was tailored to implement the revenue increases contained in the budget resolution. Again, it was Baker's legislative strategy group that urged Reagan to embrace the Dole bill.

Baker made the argument that the Dole bill had enough support to pass in the Senate and stood a good chance of getting through the House. Fuller explains: "Jim [Baker] has a good deal of influence [on economic decisions] and that influence is vested in his ability to read the political winds on Capitol Hill and advise the President on what's do-able." ("Do-able" is Baker's favorite term. Once he deigns an option not to be "do-able," it stands little chance of winning Reagan's support.)

Thus, as is so often the case, the cabinet council on economic policy, which includes the Treasury Secretary and the chairman of the Council of Economic Advisers, was effectively circumvented in both Reagan's initial decision to support the budget resolution and in his decision to support the Dole tax package. Critics are correct in complaining that many important economic decisions are never hashed out by the cabinet council on economic policy. This is especially true of tax policy, says Fuller, "because tax policy became a legislative matter"—which is Baker's domain.

It must be noted, however, that both Treasury Secretary Reagan and Stockman are members, on an ad hoc basis, of Baker's legislative strategy group. When strategy

(MORE)



involving economic policy is considered by the group, Regan and/or Stockman are invited to participate. The core of the group consists of about eight senior White House advisers who meet around the conference table in Baker's office. They include David Gergen, Richard Darman, Ken Duberstein, Fuller, plus Ed Meese and Mike Deaver when those two want to attend. Larry Speakes occasionally is invited to the meetings.

Outsiders. Fuller reports that Reagan has not lived up to his promise to meet at least once a month with the board of outside economists that was headed by George Shultz. Fuller describes the outside group as "a useful sounding board" for the President. Still, certain members of that group have a good deal of influence on Reagan's thinking. Milton Friedman is one, for example. Reagan also respects the advice of a New York economist named Al Kingon, who publishes a financial magazine. Kingon and Reagan have known each other for a number of years. "The people on the outside have an untold impact and I think that's healthy," says Fuller.

In-house experts. Treasury Secretary Regan "is a very strong factor" in shaping economic policy "because he chairs the best cabinet council." Despite Stockman's reduced public credibility, Reagan still respects his thinking, says Fuller. Stockman's presentations and persuasiveness still border on the brilliant. "The Stockman-Kudlow team is very effective." Fuller believes

(MORE)



Shultz will have influence on questions relating to international economics, even though Regan has been named chairman of the special information group on international trade.

Feldstein was named CEA chairman because "he is someone who brought with him a high degree of respect and credibility in the financial community." Whether Feldstein carries any weight in the future will depend on how aggressive he is, says Fuller. "The CEA chairman is in all the right groups. The question is what role he chooses to play." Feldstein may be influential when the administration begins to cut entitlement programs in the '84 budget.

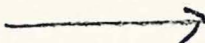
(END)



August 12, 1982

FROM: RAK - White House

TO: MLS, LT, JF, BFP, SXM, JWM, GP, DR, JG, DCB, ~~LH~~ <sup>64</sup> / <sup>✓</sup> SJF, RAK, PA, DLB,  
PGH

RE: A background-only interview with Bob Sims, Special Assistant to  
Bill  Clark

Sims is not optimistic that the Israelis will withdraw from Lebanon soon after the PLO evacuation is completed; nor is he encouraged that the Camp David peace process can be easily resurrected in the wake of the war.

Israeli withdrawal. On the timing of an Israeli withdrawal, Sims cites the commercial benefits to Israel of an extended occupation and the fact that "'the Israelis need water and it's there in the Latani River'" in Lebanon. "'My guess is that the Israelis will drag their feet.'"

The agreement Special Ambassador Habib is negotiating does not include any pledges by the Begin government to withdraw from Lebanon. While the President wants a prompt Israeli pullout, he is not seeking to impose a timetable for Israeli and Syrian withdrawal.

Sims adds, "'The Israelis aren't going to get out of Lebanon unless there is a strong Lebanese government'" to prevent another buildup of PLO and Syrian forces.

What leverage does Reagan have to induce the Israelis to leave Lebanon? "'He has the future of U.S.-Israeli relations and all that that means,'" including <sup>FUTURE</sup> ~~arms~~ shipments, Sims says. But he seems to think the Begin government will be influenced to leave more by the enormous



cost of maintaining its forces in Lebanon and by "the political costs at home and international<sup>y</sup>."

Palestinian autonomy. It is Sims's impression that Secretary of State Shultz has been leaving the resolution of the Lebanon crisis to Habib while focusing on a future framework for achieving Palestinian autonomy. Sims knows no details of what the State Department is considering (as outlined in the New York Times today). But he believes Shultz will push hard for reviving the autonomy talks and will propose "a new set of guidelines and proposals." Reagan is not yet actively involved in focusing on the Palestinian problem. "He's not interjecting such a heavy hand that it inhibits the process," Sims said.

In Sims's view, there is little the U.S. can do to prevent Begin from annexing the West Bank, and such a step would certainly complicate the Camp David process.

Shultz, Defense Secretary Weinberger and NSC Adviser Clark have started a once-a-week breakfast session to discuss the long-range Middle East situation and other issues. Weinberger has considerable influence on Mideast policy, says Sims, because so much of the U.S. relationship with Israel is military.

PL0 evacuation. U.S. participation in the multinational peacekeeping force probably will be limited to 1,000 Marines. The President is willing to send in U.S. troops as the first wave, ahead of the French forces, if necessary.



The administration had preferred that the French go in first to avoid ''a certain image problem [for the U.S.] in the Arab world'' and to minimize the danger to American personnel. The presence of U.N. troops will be limited to observers.

Sims confirms reports that the Habib plan calls for the PLO to be dispersed to seven countries--Jordan, Sudan, Iraq, Syria, Tunisia and both Yemens.

(END FILE - AR)



August 12, 1982

FROM: RAK - White House

TO: MLS, LT, JF, BFP, <sup>DXB</sup>~~SAM~~, JWM, GP, DR, JG, DCB, LH, SJF, RAK, PA, DLB, PGH

RE: Background only interview with Howard Teicher, Mideast Specialist on the National Security Council staff

Future of Camp David process. The President has made no decisions regarding how the administration will proceed after the shooting stops in Lebanon, but Teicher expects the initial emphasis to be on getting the support of Jordan, Saudi Arabia and possibly Syria for the second phase of the Camp David peace process. Involving Jordan and Syria in the Palestinian autonomy talks would almost certainly win the support of the "indigenous West Bank leadership," says Teicher.

The administration is not considering a radical departure from the Camp David framework.

To encourage participation by moderate Arabs, the administration is considering naming a new special negotiator "to inject a new face and a new approach." Teicher refuses to name possible candidates and even declines to rule out Henry Kissinger as a possibility, but I doubt that Kissinger is a likely candidate.

Obstacles to Camp David. The Israeli invasion probably has complicated even <sup>R</sup>further the prospect of bringing moderate Arabs into the autonomy talks, Teicher says. He further acknowledges that if Prime Minister Begin annexes the West Bank, "I doubt that we will have much luck



getting anyone else involved in the peace process.''

Teicher does not expect Begin to annex the West Bank in the near future.

Teicher expects it to be a matter of months before the Israelis withdraw from Lebanon and he fears that the Israelis may attack Syrian forces in Lebanon after the PLO is evacuated. If the fighting stops with the PLO pullout, Syria may be more eager to get out of Lebanon than the Israelis, but Teicher believes domestic political pressure will encourage Begin to withdraw. He adds, ''The Syrians have told us they are willing to leave Lebanon if the Lebanese government asks them to leave and if the Arab League lifts its mandate.'' He also speculates that Syria's decision to accept part of the PLO force was prompted by promises of financial assistance from Saudi Arabia.

Phone Call. Teicher suggests that Reagan's call to Begin this morning may not have been the key factor in Begin's ordering a cease-fire. (Larry Speakes tells me on background that the White House had received word that Begin had ordered a halt to the bombing before Reagan reached Begin by phone.)

In the phone call and in his earlier message to Begin sent through Ambassador Lewis, Reagan did not threaten a cutoff of U.S. aid, according to Teicher. Reagan regards such threats as counterproductive. Speakes says, on background, that Reagan again warned Begin that continued



Page - 3

bombing of West Beirut could 'have an effect on our future relationship.'

(END FILE - JNM)



August 12, 1982

FROM: RAK - White House.

TO: MLS, LT, JF, BFP, ~~SYM~~ <sup>DXB</sup>, JWM, GP, DR, JG, DCB, LH, SJF, RAK, PA, DLB,  
PGH

RE: Background-only interview with Ed Meese.

Middle East. Meese was present in the Oval Office for the phone calls between Reagan and Prime Minister Begin, and Reagan and King Fahd of Saudi Arabia. Fahd, who spoke through an interpreter, warned Reagan of "the negative impact the bombings were having in the Arab world," Meese said. The Saudi leader was no more explicit in his warning.

Meese describes Reagan as being "very stern" with Begin. A White House photo has been released showing Reagan frowning into the telephone during the call. He appears in the photo to be reading from notes.

Reagan stressed, according to Meese, "that there was no way Habib could complete his mission because people couldn't even meet" due to the bombing. Begin apparently agreed that the raids were hampering Habib's efforts but told Reagan they were necessary to avenge the death of an Israeli soldier killed last night.

Meese believes the removal of the PLO "as a highly organized, mechanized organization for terror" will improve the prospects for progress in the Camp David peace process. He is also optimistic that an Israeli and Syrian pullout will be achieved "fairly quickly."

Tax bill. Meese accuses Representative Jack Kemp of spreading "misleading" information on the tax bill. Lyn



Nofziger, Marty Anderson and some dissident Republicans were brought on board once the misleading information was corrected by the President, Meese claims.

Will Reagan get the votes for passage? "I hope so," says Meese, declining to speculate further.

New Federalism. The President has decided he must shove Vermont Governor Snelling aside if there is to be any progress in his New Federalism plan. "The key is to work with a broader group of governors," says Meese. He confirms that the President is prepared to consider major changes--many of which will be proposed by the White House. Meese says that the governors rejected Reagan's earlier proposals because of "the complexity of the issue."

Coppola Execution. Reagan called Virginia Governor Robb because "he thought Robb did the right thing" <sup>N</sup>is allowing the execution to proceed. Reagan made the same decision when he was governor of California, and Meese, who was his legal-affairs advisor <sup>E</sup><sub>r</sub>, recalls that Reagan talked with a minister while agonizing <sup>I</sup>over what to do.

Soviet Pipeline. The White House may attempt to ignore the vote by the House Foreign Affairs Committee condemning Reagan's drive to stop the pipeline. Meese says he leans toward "the school of thought that [Reagan's decision] marks a new respect that the Europeans will have for the U.S. for doing what we said we would do."

(END FILE - LYA/JNM)



STORY:BAKER

QUEUE:NRD-NRD

MSG:

MA:60 FMT:

HJ:

INI:

OPR:BW

;08/12,19:18

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

FROM: RAK

RE: Background-only ivu with Jim Baker

Tax bill. Baker insists that the current battle for the tax bill "is the toughest fight we've had. There's a good chance we will lose...It's going to be very difficult to get a majority of Republican votes."

As of today, Reagan can count on only about 40 House Republicans, says Baker. He believes 100 Republican votes would insure passage because the Democrats then would support the tax package as a Republican measure. But Baker does not expect to get 100 Republican supporters. That is the primary reason that Reagan will go on TV next week--to clearly label the tax bill a Republican proposal and thereby make it easier for Democrats to support. "If you have the President out front, it makes a helluva difference. You don't need as many Republican votes,"

Baker says. He complains that too many Republicans oppose the tax increase on philosophical grounds, that

"Republicans from the safest seats who could afford to vote for it are the very ones who won't." Reagan will invite a number of Republicans to Camp David this weekend for more lobbying, but it is likely to be more in the nature of a soft sell.

In his TV speech from the Oval Office, Reagan will quote

(MORE)



some numbers about the size of the income tax reduction that a typical family of four will receive even with the tax increase. (Baker thinks it amounts to about \$700 a year by 1983.) Despite some published reports, Reagan is not eager to go on TV. "We were hoping we could get this bill through fairly quietly--and we did in the Senate."

The House Democratic leadership has promised to help round up votes but Baker wonders aloud whether Speaker O'Neil and others "are playing games." In light of the lack of support among Republicans, Baker has been talking to the toll weevils and otherwise concentrating on Democratic votes. He makes this argument to the Democrats: "The bottom line for the Democrats is that if they sabotage our bill, we have our issue--the fiscal irresponsibility of the Democrats, their refusal to help bring down the deficit." Baker seems to think he is making more progress in winning Democratic votes than Reagan is in winning Republican support.

Baker claims that Lyn Nofziger was speaking only for himself when he told cabinet members not to campaign for Republicans who oppose the tax bill. "He didn't clear that with us. He just stood up [in the Cabinet Room meeting] and started talking. It wasn't authorized and it was probably counterproductive." However, cabinet secretaries were instructed, in a memo from Craig Fuller, to take into consideration how a member votes on the tax bill before deciding whether to campaign for him. If a cabinet member

(MORE)



already has agreed to appear on behalf of a Republican incumbent, he is instructed to lobby that congressman for the tax bill, Baker says.

What happens if the bill is defeated? Interest rates probably will head upward again, says Baker, because "the fiscal discipline will have broken down." He also speculates that if the bill fails the Federal Reserve "could open the tap [to bring down interest rates] but I doubt that Volcker would be willing to do that." (As I was leaving Baker's office, his secretary told him that Volcker was neither at his home nor at his office. Baker cringed as he shut his door—I wasn't supposed to hear that. I can only guess why Baker was calling Volcker.)

Middle East. When Prime Minister Begin called back to talk to Reagan this morning, he made a commitment to honor the ceasefire long enough for Habib to complete the negotiations for relocation of the PLO. Baker does not believe the Israelis will launch more air raids. "The reason the President called [Begin] is that we are this close to a deal," says Baker, holding up two fingers. Baker does not believe Begin opposes a peaceful solution but no one knows what Defense Minister Sharon's objectives are, he says. "We can only deal with the head of state."

New federalism. Baker says the White House is tired of dealing with Vermont Governor Snelling but he also confirms that David Stockman was working with the governors to "sabotage" the new federalism negotiations. Stockman

(MORE)



feared the plan would saddle Washington with more, not less, of a financial burden.

(END)



August 13, 1982

FROM: RAK - White House

TO: MLS, LT, JF, BFP, <sup>DXB</sup>~~SXM~~, JWM, GP, DR, JG, DCB, LH, <sup>✓</sup>SJF, RAK, PA, DLB,  
PGH

Tax Bill. Reagan: "'To begin with, this tax bill is not, as it had<sup>S</sup> so often been mislabeled, the biggest tax increase in history. That's plain hogwash. The tax bill would raise 99 billion dollars in revenue over three years. The Social Security payroll-tax hike that was passed by the Congress in 1977 will increase the cost to the taxpayers 112 billion dollars over the same period. But more importantly, new personal taxes are only 17 percent of that 99-billion-dollar figure. About 80 percent of the money raised by the tax bill will come from plugging loopholes and from better compliance--collecting money that is already owed to the government but is not being reported. The goal is simple and just--to see to it that everyone pays his fair share--no more, no less. In other words, this bill is 80 percent tax reform, not tax increase, and is designed with one crucial goal in mind--to raise revenue that, along with spending reductions, will help cut the whopping federal deficits that are keeping interest rates up and too many Americans out of work....

"The typical American family this year is paying \$400 less in taxes and ~~at~~ next year that will amount to \$788--almost twice as much even after passage of the new tax bill...!"

Q: Are you concerned that you are being perceived as doing



a Jimmy Carter flip-flop on taxes?

Reagan: "There is not any flip-flop on this at all. I would prefer to reduce our budget deficits by continuing to reduce government spending. And I still think that there is more to be done in that regard. But let me point out that, when we submitted our budget this year, Congress refused to even consider it. And it was based purely on spending cuts. And, finally, after long negotiations and the gang of 17, as it was named--the bipartisan group that met trying to reconcile this problem--it became clear that we could not get the spending cuts that we were asking for unless we would agree to some increases in revenue..."

Q: Have you threatened Republican congressmen who don't vote for the tax bill?

Reagan: "No, we're not threatening anybody, and I'm going to do everything I can to get all the Republicans I can into office."

(END FILE--LYA)



August 13, 1982

FROM: RAK - White House

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

RE: Reagan's mini-press conference

The White House has announced that Reagan will address the nation from the Oval Office on the tax bill Monday night at 8 o'clock.

Following are excerpts from the President's spontaneous press conference in the briefing room this afternoon. The purpose of the session was to plug the tax bill. It underscores the belief of White House aides that Reagan still is far short of the votes needed for passage. (Only a small handful of reporters were present because the press office did not announce the session in advance.) Middle East

Q: Why did you wait so long to take the kind of action you did Thursday in calling Prime Minister Begin?

Reagan: ' } . . . The sensitivity of the negotiations were such that I avoided, as you know, anything that might interfere with those negotiations or in some way injure what Ambassador Habib was trying to accomplish. However, yesterday the situation was that the negotiations were down. We had general agreement by all the parties finally to the arrangement, and the negotiations were down to the logistics, the technicalities of getting the people-- getting the PLO moving and so forth, and those negotiations, literally, were broken off by the extent of



that bombing and shelling. The delegates couldn't even get to the negotiation meetings and I have to be fair and to say that, in my first call, I was informed then by Prime Minister Begin that he had ordered a cessation ~~to~~ of the aerial bombing and so, we discussed the artillery shelling from then on ~~on~~ . . .

"As I say, this was a matter of great concern and we were trying to get an end to it. On the other hand, I think that perhaps the image has been rather <sup>onesided</sup> because of the Israeli capability <sup>AT/</sup> and <sup>^</sup>replying, but in many instances--in fact, most of them--the cease-fire was broken by PLO attacking those Israeli forces ~~on~~ . . .

"But, on the other hand, if we look now at the stories that are beginning to come out and that some <sup>VE</sup> ~~had~~ been public, the PLO was literally a government and an armed force in another nation and beholden in no way to that other nation, which was one of the reasons why you didn't hear more protests from the Lebanese government about the Israeli presence."

Q: What are the chances for a peaceful settlement?

Reagan: <sup>u</sup> I'm reasonably optimistic. Now, see, I didn't say 'cautiously.' I'm reasonably optimistic about this because I believe that this time the cease-fire is going to hold and, as I say, the negotiations now are not the case of trying to persuade agreement on the part of the various parties. The negotiations are on the technicalities, the



logistical move that must be made in getting them out. And so, I think there's reason for, great reason for hope.'

Q: Has the war in Lebanon changed the relationship between the U.S. and Israel?

Reagan: No, I think I was concerned also that--the reason for the call, that it could endanger that--the manner in which it's being portrayed, there's been less emphasis on the provocation and more emphasis on the response. And, yes, I did and have voiced the opinion that the response many times was out of proportion to the provocation . . . But we can't deny that the Israelis have been taking casualties from those cease-fire violations themselves. I think the figure now is 326 dead of their own military from being attacked and the breaking of the cease-fire . . . I still believe that this country has an obligation to pursue the peace process that was started in Camp David and that this country has an obligation to insure Israel's survival as a nation.'

(END FILE - AR)